

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

**MUNICIPIO DE MOCA  
AUDITORÍA 2014-2015  
30 DE JUNIO DE 2015**

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF MOCA**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015**

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**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF MOCA  
BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 de Asuntos Municipales  
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**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF MOCA  
BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 the Auditor General  
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## PART I – FINANCIAL SECTION

## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Municipality of Moca, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which 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.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Moca Housing Project, as of June 30, 2015. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Moca Housing Project, is based solely on the report of the other auditors. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of 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.

### **Basis for Qualified Opinion on Governmental Activities**

As discussed in note 17 to financial statements, management has not recorded the deferred outflows/inflows of resources, and net pension liability in governmental activities, and has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that deferred outflows/inflows of resources, and net pension liability attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as deferred outflows/inflows of resources, liabilities and expenses as employees earn the rights to the pension plan benefits, which would increase the deferred outflows/inflows of resources, the liabilities, reduce net position, and change the expenses of the governmental activities. The amount by which this departure would affect the deferred outflows/inflows of resources, liabilities, net position, and expenses of the governmental activities has not been determined.

### **Qualified Opinion**

In our opinion, except for the matter described in the "Basic for Qualified Opinion on Governmental Activities" paragraph, financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Municipality of Moca, as of June 30, 2015, and the respective changes in the financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, each major fund, and aggregate remaining fund information of the Municipality of Moca, as June 30, 2015, and the

respective changes in financial position 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 to 10 and 51 to 52 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.

Management has omitted required supplementary information related to new pensions standards 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 Governmental Accounting Standard 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. Our opinion on the basic financial statements is not affected by the 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic

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ORTIZ, RIVERA, RIVERA & CO.

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financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2016, on our consideration of the Municipality of Moca'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 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 of Moca's internal control over financial reporting and compliance.

San Juan, Puerto Rico  
February 22, 2016

*Ortiz, Rivera, Rivera & Co.*

The stamp E210170 of the Puerto Rico Society of Certified Public Accountants was affixed to the original of this report.



**MUNICIPALITY OF MOCA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management of the Municipality of Moca (the "Municipality") provides this Management's Discussion and Analysis of the Municipality's basic financial statements as an overview and analysis of the financial activities of the Municipality for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in the accompanying basic financial statements.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of new financial statements with a change in the focus from previous financial statements. The new focus is on both the Municipality as a whole (government-wide) and the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the Municipality's accountability.

**FINANCIAL HIGHLIGHTS**

- The Municipality net position decreased by \$2,724,631.
- In the fund financial statements, general fund balance decreased by \$210,324.
- Capital expenditures amounted to \$1,859,314.

**GOVERNMENT-WIDE-FINANCIAL STATEMENT**

The government-wide financial statements are designed to provide readers with a broad overview of the Municipality's operations and finance as a whole in a manner similar to private-sector business. These statements provide short-term and long-term information about the Municipality's financial position, which assist the Municipality's management to determine the economic condition at the end of the fiscal year. These financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This basically means that these financial statements follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year ended June 30, 2015 even if cash involved have not been received or paid. The government-wide financial statements include: (1) the statements of net position and (2) the statement of activities.

**Statement of Net Position**

The statement of net positions presents all of the Municipality's assets and liabilities, with the difference between these two items reported as "net position" (equity). Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the Municipality is either improving or deteriorating.

**Statement of Activities**

The statement of activities presents information showing how the Municipality's net position changed during the fiscal year ended June 30, 2015. All changes in net position are reported as soon as the

underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the Municipality.

Both of the abovementioned financial statements present all the governmental activities of the Municipality, which consist mostly by taxes and intergovernmental revenues (such as federal grants). Most services provided by the Municipality fall into this category, including culture and education, general government, health and sanitation, public safety, public housing and welfare, etc.

### **Fund Financial Statements**

The Fund Financial Statements provide detailed information about the Municipality's most significant funds, not the Municipality as a whole. The Municipality has only one kind of fund which is the governmental fund.

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, Government 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 is useful in evaluating the Municipality's near term financial 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, users of the basic financial statements may better understand the long-term impact of the Municipality's near term financial decisions. Both of the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

### **Infrastructure Assets**

Historically, a government's largest group of assets (infrastructure – roads, bridges, traffic signals, underground pipes [unless associated with a utility], etc.) have not been reported nor depreciated in government financial statements. GASB 34 requires that these assets be valued and reported within the governmental column of the Government-Wide Statements. Additionally, the government must elect to either (a) depreciate these assets over their estimated useful life or (b) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government develops the asset management system (the modified approach) which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation. The information about the condition and maintenance of condition of the government infrastructure assets should assist financial statement users in evaluating a local government and its performance over time. The Municipality has elected to depreciate infrastructure assets instead of using the modified approach.

## **FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE**

### **Net Position**

As noted earlier, net position may serve over time as a useful indicator of the Municipality's financial position. In the case of the Municipality, assets exceeded liabilities by \$13,911,917 at June 30, 2015.

As previously discussed, by far the largest portion of the Municipality's net position reflect its investment in capital assets (e.g., land, buildings, machinery, equipment and all other property), less any related debt used to acquire those assets that is still outstanding. The Municipality uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The following is a condensed presentation of the Municipality's financial position and results of operations, as reported in the government-wide financial statements:

**Municipality of Moca**  
**Condensed Statement of Position**  
**June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Current assets	\$ 9,891,096	\$ 13,604,155
Capital assets	31,501,887	31,138,964
Total assets	<u>41,392,983</u>	<u>44,743,119</u>
Current liabilities	9,958,548	4,881,806
Noncurrent liabilities	22,110,408	22,425,707
Total liabilities	<u>26,553,026</u>	<u>27,307,513</u>
Deferred inflows of resources	928,040	939,543
Total deferred inflows of resources	<u>928,040</u>	<u>939,543</u>
Invested in capital assets, net of related debt	17,724,897	6,628,974
Restricted	6,268,493	0,426,012
Unrestricted	(10,081,473)	(10,418,438)
Total net position	<u>\$ 13,911,917</u>	<u>\$ 16,636,548</u>

**Changes in Net position**

The Municipality's net position decreased by \$(2,724,631). Approximately 43 percent of the Municipality's total revenue came from grants and contributions, including federal aid, while 57 percent resulted from taxes. The Municipality's expenses cover a range of services. The largest expenses were for general government and public works.

**Municipality of Moca**  
**Condensed Statement of Activities**  
**June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Program revenues</b>		
Charges for services	\$ 2,896,639	\$ 2,855,673
Operating grants and contributions	1,371,350	1,268,913

	<u>2015</u>	<u>2014</u>
<b>General revenues</b>		
Property taxes	3,408,579	3,454,901
Municipal license tax	1,424,129	1,670,790
Grants and contributions not restricted to specific programs	7,229,887	10,388,369
Interest, fines and penalties	352,565	360,698
Miscellaneous	298,712	362,096
	<hr/>	<hr/>
Total revenues	<u>16,981,861</u>	<u>20,361,440</u>
<b>Expenses</b>		
General government	9,958,548	7,789,201
Public safety	1,020,768	1,081,903
Public works	5,756,613	5,443,241
Culture	255,031	212,462
Recreation	1,045,541	1,035,265
Health and welfare	1,016,968	1,335,282
Interest on long-term debt	599,499	901,043
Loss in disposition of assets	53,524	0
	<hr/>	<hr/>
Total expenses	<u>19,706,492</u>	<u>17,798,397</u>
Change in net position	(2,724,631)	(259,897)
Net position, beginning of year	<u>16,636,548</u>	<u>16,896,445</u>
Net position, end of year	<u>\$ 16,496,063</u>	<u>\$ 16,636,548</u>

### **FINANCIAL ANALYSIS OF THE MUNICIPALITY'S INDIVIDUAL FUNDS**

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

#### **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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Municipality's governmental funds reported combined ending fund balances of \$ 6,356,135, a decrease of \$3,527,987 in comparison with the prior year. There are reservations of fund balance. This is the fund balance that is not available for new spending because it has already been restricted to pay debt service (\$1,605,066).

The general fund is included within the governmental funds; it is the operating fund of the Municipality. As of June 30, 2014 the general fund has a surplus of \$297,966. The surplus decreased by \$210,324 during fiscal year ended June 30, 2015.

### **Notes to the Financial Statements**

The basic financial statements also include notes to explain information in the financial statements and provide more detailed data.

### **Required Supplementary Information**

The statements are followed by the required supplementary information that contains the budgetary comparison schedule for the General.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The Municipality's investment in capital assets as of June 30, 2015, amounts to \$55.2 million, net of accumulated depreciation of \$24.5 million, leaving a net book value of \$30.7 million. This investment in capital assets includes land, buildings, improvements, equipment construction in progress.

The total net increase in the Municipality's investment in capital assets for the current fiscal year was about 7% in terms of net book value. Actual expenditures to purchase or construct capital assets were \$3.4 million for the year. Depreciation charges for the year totaled \$1.4 million.

The Municipality finances a significant portion of its construction activities through bond issuances. The proceeds from bond issuances designated for construction activities are committed in its entirety for such purposes and cannot be used for any other purposes. As of June 30, 2015 the Municipality has \$3,478,752 of unexpended proceeds from bond issuances that are committed to future construction activities.

### **Debt Administration**

The Puerto Rico Legislature has established a limitation for the issuance of general obligation municipal bonds and notes for the payment of which the good faith, credit and taxing power of each municipality may be pledged.

The applicable law also requires that in order for a municipality to be able to issue additional general obligation bonds and notes such municipality must have sufficient "payment capacity." Act No. 64 provides that a municipality has sufficient "payment capacity" to incur additional general obligation debt if the deposits in such municipality's Redemption Fund and the annual amounts collected with respect to such municipality's Special Additional Tax (as defined below), as projected by GDB, will be sufficient to service to maturity the municipality's outstanding general obligation debt and the additional proposed general obligation debt ("Payment Capacity").

The Municipality is required under applicable law to levy the Special Additional Tax in such amounts as shall be required for the payment of its general obligation municipal bonds and notes. In addition, principal and interest on all general obligation municipal bonds and notes, and on all municipal notes issued in anticipation of the issuance of general obligation bonds issued by the Municipality constitute a first lien on the Municipality's Basic Tax revenues. Accordingly, the Municipality's Basic Tax revenues would be available to make debt service payments on general obligation municipal bonds and notes to the extent that the Special Additional Tax levied by the Municipality, together with moneys

on deposit in the Municipality's Redemption Fund, are not sufficient to cover such debt service. It has never been necessary to apply Basic Taxes to pay debt service on general obligation debt of the Municipality.

### Long-Term Debt

At year-end, the Municipality had \$23,159,697 in general and special bonds and notes and other long term debts. Such amount represents an increase of 6 percent with respect to prior year. The following is a summary of the Municipality's outstanding debt as of June 30, 2015 and 2014:

#### Municipality of Moca Outstanding Long-term Debt June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
General and special obligations	\$ 13,776,990	\$ 14,824,069
Other long term debts:		
Landfill obligation	5,025,477	5,025,477
ASES	1,611,471	1,328,677
CRIM	171,165	
Claims and judgments	18,500	78,296
Compensated absences	<u>2,410,574</u>	<u>2,300,830</u>
<b>Total</b>	<u>\$ 23,159,697</u>	<u>\$23,577,349</u>

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Municipality's selected and appointed officials considered many factors when setting the fiscal year 2015-2016 budget. One of these factors is the economy. Among economic areas considered are the population growth estimates, personal income, housing statistics and unemployment rates.

The Municipality estimates that the amounts available for appropriations in the General Fund for the fiscal year 2016 will be \$13.8, same as prior year final budget.

### FINANCIAL CONTACT

The Municipality's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Municipality's finances and to demonstrate the Municipality's accountability. If you have questions about the report or need additional financial information, contact the Municipality's Chief Financial Officer on the second floor of the Town Hall, Moca, Puerto Rico 00676.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF MOCA  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Governmental Activities	Moca Housing Project
<b><u>Assets</u></b>		
Cash (Notes 2 and 4)	\$ 2,724,939	\$ 30,721
Cash with fiscal agent (Notes 2 and 4)	6,925,708	
Accounts receivable:		
Municipal license taxes	2,648	
Landfill	166,197	
Property taxes	71,604	
Other assets		14,493
Restricted funds		259,753
Capital assets, net (Note 10)	31,501,887	391,033
Total assets	41,392,983	696,000
<b><u>Liabilities, Deferred Inflows of Resources, and Net Position</u></b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	1,212,711	174,363
Due to other agencies (Note 11)	201,580	
General obligations:		
Bonds	815,000	
Interest	377,630	
Noncurrent liabilities: (Note 14)		
Due within one year	1,049,607	120,297
Due in more than one year	22,110,090	159,223
Accrued interest	786,408	
Total liabilities	26,553,026	453,883
<b>Deferred Inflows of Resources</b>		
Municipal license taxes (Notes 5 and 12)	928,040	-
<b>Net Position</b>		
Investment in capital assets, net of related debt	17,724,897	
Restricted for:		
Debt service	1,605,066	
Capital projects	4,663,427	
Unrestricted	(10,081,473)	242,117
Total net position	\$ 13,911,917	\$ 242,117

The accompanying notes are an integral part of these basic financial statements.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF MOCA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Governmental Activities</u>	<u>Component Unit Moca Housing Project</u>
<b>Primary Government:</b>					
General government	\$ 9,958,548	\$ 1,761,172	\$ -	\$ (8,197,376)	\$ -
Public safety	1,020,768			(1,020,768)	
Public works	5,756,613		1,045,361	(4,711,252)	
Culture	255,031			(255,031)	
Recreation	1,045,541			(1,045,541)	
Health and welfare	1,016,968		325,989	(690,979)	
Interest on long-term debt	599,499			(599,499)	
Total primary government	<u>\$ 19,652,968</u>	<u>\$ 1,761,172</u>	<u>\$ 1,371,350</u>	<u>(16,520,446)</u>	<u>-</u>
<b>Component Unit:</b>					
Moca Housing Project	497,770				(497,770)
Total component unit	<u>\$ 497,770</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (497,770)</u>
General revenues:					
Property taxes (Note 5)				3,408,579	
Municipal license taxes (Note 6)				1,424,129	
Sales and use taxes (Note 7)				1,135,467	
Grants and contributions not restricted to specific programs				7,229,887	506,197
Interests and investment earnings				352,565	
Miscellaneous				298,712	
Total general revenues				<u>13,849,339</u>	<u>506,197</u>
Loss in disposition of assets				(53,524)	
Change in net position				(2,724,631)	8,427
Net position at beginning of year, as restated (Note 24)				<u>16,636,548</u>	<u>233,690</u>
Net position at end of year				<u>\$ 13,911,917</u>	<u>\$ 242,117</u>

The accompanying notes are an integral part of these basic financial statements.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF MOCA  
BALANCE SHEET-GOVERNMENTAL FUNDS  
JUNE 30, 2015**

<u>Assets</u>	<u>General</u>	<u>Loan \$3,175,000</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash (Notes 2 and 4)	\$ 738,848	\$ -	\$ -	\$ 1,986,091	\$ 2,724,939
Cash with fiscal agent (Notes 2 and 4)		2,208,391	2,778,409	1,938,908	6,925,708
Accounts receivable:					
Municipal license taxes (Note 6)	2,648				2,648
Landfill	166,197				166,197
Property taxes			19,287		19,287
Due from agencies (Note 8)	52,317				52,317
Due from other funds (Note 9)	742,555			228,470	971,025
 Total assets	 <u>\$ 1,702,565</u>	 <u>\$ 2,208,391</u>	 <u>\$ 2,797,696</u>	 <u>\$ 4,153,469</u>	 <u>\$ 10,862,121</u>

The accompanying notes are an integral part of these basic financial statements.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF MOCA  
BALANCE SHEET-GOVERNMENTAL FUNDS  
JUNE 30, 2015**

<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>	<u>General</u>	<u>Loan \$3,175,000</u>	<u>Debt Service</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 258,783	\$ 356,441	\$ -	\$ 597,487	\$ 1,212,711
Due to other agencies (Note 11)	199,630			1,950	201,580
Due to other funds (Note 9)	228,470			742,555	971,025
General obligations:					
Bonds			815,000		815,000
Interest			377,630		377,630
Total liabilities	<u>686,883</u>	<u>356,441</u>	<u>1,192,630</u>	<u>1,341,992</u>	<u>3,577,946</u>
<b>Deferred inflows of Resources</b>					
Municipal license taxes (Notes 6 and 11)	928,040				928,040
Total deferred inflows of resources	<u>928,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>928,040</u>
<b>Fund Balances</b>					
Restricted			1,605,066	1,214,973	2,820,039
Committed		1,851,950		2,214,058	4,066,008
Assigned	277,447				277,447
Unassigned	(189,805)			(617,554)	(807,359)
Total fund balances	<u>87,642</u>	<u>1,851,950</u>	<u>1,605,066</u>	<u>2,811,477</u>	<u>6,356,135</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,702,565</u>	<u>\$ 2,208,391</u>	<u>\$ 2,797,696</u>	<u>\$ 4,153,469</u>	<u>\$ 10,862,121</u>

The accompanying notes are an integral part of these basic financial statements.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF MOCA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015**

Total fund balances - governmental funds \$ 6,356,135

Amounts reported for governmental activities in the statement of net position are different because:

- Capital assets, net used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. 31,501,887
  
- Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. **(Note 3)** (23,946,105)

Net position of governmental activities \$ 13,911,917

The accompanying notes are an integral part of these basic financial statements.

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF MOCA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-GOVERNMENTAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	General	Loan \$3,175,000	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes (Note 5)	\$ 2,461,621	\$ -	\$ 946,958	\$ -	\$ 3,408,579
Municipal license taxes (Note 6)	1,135,467				1,135,467
Sales and use taxes (Note 7)			695,279	728,850	1,424,129
Licenses and permits	194,813				194,813
Charges for service and rents	1,566,359				1,566,359
Intergovernmental revenues (Note 13):					
Federal grants and contributions				1,371,350	1,371,350
State contributions	6,715,637			514,250	7,229,887
Interest, fines, and penalties	350,402		2,163		352,565
Other revenues	274,429			24,283	298,712
Total revenues	<u>12,698,728</u>	<u>-</u>	<u>1,644,400</u>	<u>2,638,733</u>	<u>16,981,861</u>
<b>EXPENDITURES</b>					
General government	7,439,411			1,746,274	9,185,685
Public safety	861,139			109,451	970,590
Public works	2,946,803			1,917,223	4,864,026
Culture	255,031				255,031
Recreation	814,395				814,395
Health and welfare	665,389			351,579	1,016,968
Capital outlays		1,146,493		712,821	1,859,314
Debt service:					
Principal retirement			901,559		901,559
Interest and other			782,765		782,765
Total expenditures	<u>12,982,168</u>	<u>1,146,493</u>	<u>1,684,324</u>	<u>4,837,348</u>	<u>20,650,333</u>
Deficiency of revenues over expenditures	<u>(283,440)</u>	<u>(1,146,493)</u>	<u>(39,924)</u>	<u>(2,198,615)</u>	<u>(3,668,472)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	407,690		39,575	294,999	742,264
Transfers out	(334,574)		(405,100)	(2,590)	(742,264)
Total other financing sources (uses)	<u>73,116</u>	<u>-</u>	<u>(365,525)</u>	<u>292,409</u>	<u>-</u>
Net change in fund balances	(210,324)	(1,146,493)	(405,449)	(1,906,206)	(3,668,472)
<b>FUND BALANCE AT BEGINNING OF YEAR, AS RESTATED (Note 24)</b>	<u>297,966</u>	<u>2,998,443</u>	<u>2,010,515</u>	<u>4,717,683</u>	<u>10,024,607</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 87,642</u>	<u>\$ 1,851,950</u>	<u>\$ 1,605,066</u>	<u>\$ 2,811,477</u>	<u>\$ 6,356,135</u>

The accompanying notes are an integral part of these basic financial statements.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF MOCA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Net change in fund balances - total governmental funds \$ (3,668,472)

Amounts reported for governmental activities in the statement of activities are different because:

- Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. 1,859,314
- Depreciation expense on capital assets is reported in the statement of activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds. (1,442,867)
- Governmental funds report issuance of long-term debt as other financial sources because provides current financial resources. -
- Governmental funds report principal payments on long-term obligations as expenditures, whereas the principal payments reduces the long-term obligations in the statement of activities. 901,559
- In the statements of activities, only the loss on disposition of assets is reported, whereas the governmental funds, the proceeds from sales increase resources. Thus, the change in the net assets book value of the asset sold. (53,524)
- Change in accrued interest expense which does not require the use of current financial resources. 183,266
- Some expenditures reported in the governmental funds do not require the use of current financial resources; therefore, are not reported as expense in statement of activities:
  - Accrued vacations and bonus, and other (109,744)
  - ASES (282,794)
  - CRIM (111,369)

Changes in net position of governmental activities \$ (2,724,631)

The accompanying notes are an integral part of these basic financial statements.

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

**1. ORGANIZATION**

The Municipality of Moca, Puerto Rico (Municipality) was founded in 1772. The Municipality is a political legal entity with full legislative and administrative faculties in every affair of the municipal character, with perpetual succession existence and legal identity, separate and independent from the central government of the Commonwealth of Puerto Rico. The Municipality provides a full range of services including health, public works, environmental control, education, public safety, public housing and community development, culture, and recreation as well as many other general and administrative services.

The Municipal Government comprises the executive and legislative branches. The executive power is exercised by the Mayor, and the legislative by the Municipal Assembly, which has 14 members. The members of these branches are elected every four years in the Puerto Rico general elections.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Municipality have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The financial information of the Municipality is presented in this report as follows:

- Management's Discussion and Analysis - Introduces the basic financial statements and provides an analytical overview of the Municipality's financial activities.
- Government - Wide Financial Statements - This reporting model includes financial statements prepared using full accrual of accounting for all of the government's activities. This approach includes not just current assets and liabilities, but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt).
- Statement of Net Position- The statement of net position is designed to display the financial position of the Municipality, including capital assets and infrastructure.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF MOCA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The net position of the Municipality will be broken down into three categories; invested in capital assets, net of related debt; restricted; and unrestricted.

- Statement of Program Activities - The government - wide statement of activities report expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function.
- Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Under the reporting model, the Municipality will continue to provide budgetary comparison information in their financial statements. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

The following is a summary of the more significant policies:

**a. Reporting Entity**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Municipality and for which the Municipality is financially accountable.

The Municipality's management has considered all potential component units (whether governmental, not-for-profit, or profit-oriented) for which it may be financially accountable, and other legally separate organizations for which the Municipality is not financially accountable, but the nature and significance of their relationship with the Municipality may be such that exclusion of their basic financial statements from those of the Municipality would cause the accompanying basic financial statements to be misleading or incomplete. Accordingly, a legally separate organization would be reported as a component unity of the Municipality if all of the following criteria are met:

- 1) The Mayor appoints a voting majority of an organization's governing body and, either (1) the Municipality has the ability to impose its will on that

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF MOCA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

organization or (2) the organization has the potential to provide specific financial benefits to, or impose specific financial burdens on, the Municipality.

- 2) The economic resources, for which the Municipality is entitled, either received or held by the separate organization, are entirely or almost entirely for the direct benefit of the Municipality or its constituents.

GAAP details two methods of presentation: blending the financial data of the component units' balances and transactions in a manner similar to the presentation of the Municipality's balances and transactions or discrete presentation of the component units' financial data in columns separate from the Municipality's balances and transactions. The Moca Housing Project is included in the basic financial statements as a discretely component unit because of the nature of the services they provide and the Municipality's ability to impose its will.

Moca Housing Project is an 80-unit multi-family housing project owned by the Municipality as authorized transfer from the Special Trustee for the Liquidation of the Accounts of the Puerto Rico Urban Renewal and Housing Corporation. The Project is operated under Section 515 of USDA, Rural Development (USDA-RD) and regulated by the U. S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods. The project is also subject to Section 8 Housing Assistance Payments agreements with HUD, and a significant portion of the Project's rental income is received from HUD. Also, the Project is financed by a Mortgage of Section 515 Direct Loan.

**b. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all the activities of the Municipality.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and; 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF MOCA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

other items not properly included among program revenues are reported instead as general revenues.

The effect of all inter-fund activities (assets, liabilities, revenues, expenditures and other financing sources/uses among governmental funds) have been eliminated from the governmental-wide financial statements.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major governmental funds are reported on separate columns to segregate transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance.

These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

**c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus and the accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurements focus and the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF MOCA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interests associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and when the amount is received during the period or within the availability period for this revenue source (within 60 days or year-end). Expenditures-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

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

The Municipality reports the following major governmental funds:

1) General Fund

This is the operating fund of the Municipality and accounts for all financial resources, except those required to be accounted for in another fund.

2) Loan \$3,360,000

The Loan \$3,360,000 fund is used to account for the financial resources used for the acquisition and construction, financed with the proceeds of general obligations bond.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF MOCA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

3) Debt Service Fund

This fund is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**d. Cash and Cash with Fiscal Agent**

The Municipality's Finance Director is responsible for investing available resources. The Municipality is restricted by law to invest only in savings accounts with banks qualified as a depository of public funds by the Puerto Rico Treasury Department (PRTD) or in instruments of the Government Development Bank for Puerto Rico (GDB).

Cash with fiscal agent in the capital projects fund consists of unused proceeds from appropriations from the Legislature Assembly of Puerto Rico, for the payment of current liabilities, and bonds and notes issued for the acquisition and construction of major capital improvements. Cash with fiscal agent in the debt service fund represents special additional property tax collections withheld by the Commonwealth of Puerto Rico and restricted for the payment of the Municipality's debt service, as established by law.

**e. Interfund Receivables and Payables**

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

**f. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure (which is normally immovable and of value only to the Municipality, such as roads, bridges, streets' sidewalks, and drainage system), are reported in the applicable governmental or component units columns in the government-wide financial statements.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF MOCA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation in capital assets is calculated on the straight-line basis over the following estimated useful lives:

	<u>Useful Life</u>
Buildings and building improvements	30-50 years
Furniture and fixtures	5-10 years
Vehicles and equipment	5-20 years

**g. Fund Balances**

The Municipality adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB No. 54), which enhanced the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the Municipality is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Pursuant to the provisions of GASB No. 54, the accompanying fund financial statements report fund balance amounts that are considered nonspendable, such as fund balance associated with inventories. Other fund balances have been reported as restricted, committed, assigned, and unassigned, based on the relative strength of the constraints that control how specific amounts can be spent, as described as follows:

- a. *Nonspendable* - Represent resources that cannot be spent readily with cash or are legally or contractually required not be spent, including but not limited to inventories, prepaid items, and long term balances of interfund loans and accounts receivable.

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF MOCA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

- b. *Restricted* - Represent resources that can be spent only for the specific purposes stipulated by constitutional provisions, external resource providers (externally imposed by creditors or grantors), or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers.
- c. *Committed* - Represent resources used for specific purposes, imposed by formal action of the Municipal's highest level of decision making authority (Municipal Legislature through resolutions and ordinances) and can only be changed by a similar law, ordinance or resolution, no later than the end of fiscal year.
- d. *Assigned* - Represent resources intended to be used by the Municipality for specific purposes but do not meet the criteria to be classified as restricted or committed (generally executive orders approved by the Mayor). Intent can be expressed by the Municipal Legislature, the Mayor or by an official or body to which the Municipal Legislature delegates authority in conformity with the Autonomous Municipalities Act of Puerto Rico, as amended. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.
- e. *Unassigned* - Represent the residual classification for the Municipality's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Negative fund balances amounts are amounts assigned to eliminate deficit. Consequently, negative residual amounts in restricted, committed, and assigned fund balance classification 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 indicate 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

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF MOCA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

aside material financial resources for emergencies and has not established any formal minimum fund balance amounts as of and for the fiscal year ended June 30, 2015.

In situations when an expenditure is made for a purpose 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.

The classification of the Municipality's individual governmental funds among general, debt service, special revenue, and capital projects fund types used in prior fiscal years for financial reporting purposes was not affected by the implementation of GASB No. 54.

**h. Risk Financing**

The Municipality carries 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.

Cost of insurance allocated to the Municipality and deducted from the gross property tax collections by the Municipal Revenue Collection Center (the "CRIM") for the year ended June 30, 2015 amounted to \$238,058. The current insurance policies have not been cancelled or terminated. The CRIM also deducted by \$231,459 for workers' compensation insurance covering all municipal employees.

**i. Compensated Absences**

Employees are entitled to 30 days vacations leave and 18 sick days leave per year. Sick leave is recorded as expenditure in the year paid. Employees are entitled to payment of unused sick leave upon retirement if have been employed for at least 10 years in the municipal government. On July 1997, state Law 152 supra amended the Article 12.016, Section b (2) of the Municipal Law, authorizing the Municipality to pay any excess of vacations and sick leave accumulated over the maximum previously permitted by law. Calculations must be made until December 31 of every year. Excess of sick leave must be paid until March 31

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF MOCA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

next every natural year. Excess of vacations can be paid after July 1 of every fiscal year.

**j. Landfill Closure and Postclosure Care Costs**

Landfill Closure and Postclosure Care Costs are accounted for under the provisions of Statement No. 18, Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs, issued by the Governmental Accounting Standards Board (GASB 18).

According to GASB 18, the estimated liability for solid waste landfill closure and postclosure care costs (including monitoring and maintenance) include an estimate of all costs to be incurred near or after the close of the Municipality's solid waste landfill under the accrual basis of accounting. In the accompanying government-wide statement of net position, this liability is recognized over the useful life of the landfill, even though such costs will only be incurred, by definition, near or after the close of the landfill. The estimates of closing and post-closing costs are made using current costs.

The liability is adjusted annually to reflect the effects of inflation, advances in technology, changes in regulations or similar changes.

At the fund level, landfill closure and postclosure care costs are recorded in the accompanying statement of revenues, expenditures and changes in fund balances – governmental funds as expenditures in the accounting period in which the liability is incurred.

**k. Pensions**

For purpose of measuring, the net pension liability, deferred outflows of resources and deferred inflows of resources and pension expenses, information about fiduciary net position of the employee's retirement system of the Government of the Commonwealth of Puerto Rico (ERS) and addition to reductions from ERS's liabilities net position should have been determined on the same basis as they are reported by the ERS. However, as of the date that financial statement has been issued, the ERS has not issued the financial statements as of June 30, 2014. Accordingly, the information related to the pension plans is not available and is not

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF MOCA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

included in the accompanying financial statements of the Municipality for the year ended June 30, 2015.

**I. Use of Estimates**

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. The most significant estimates consist of the contribution received from the Puerto Rico Electric Power Authority and the Municipal Revenue Collection Center caused by the delay of the notification of the actual revenues and expenditures to the presented in the financial statements of the agencies mentioned above.

**m. Future Adoption of Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued the following statements that the Municipality has not yet adopted:

<b>Statement Number</b>	<b>Statement Name</b>	<b>Adoption Required in Fiscal Year</b>
72	Fair Value Measurement and Application	2015-16
73	Accounting and Financial Reporting for Pension and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68	2015-16
74	Financial Reporting for Postemployment Benefits Plans other than Pension Plans	2016-17

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF MOCA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>Statement Number</u>	<u>Statement Name</u>	<u>Adoption Required in Fiscal Year</u>
75	Accounting and Financial Reporting for Postemployment Benefits other the Pensions	2017-18
76	The Hierarchy of Generally Accepted Accounting Principles for the State and Local Government	2015-16
77	Tax Abatement Disclosures	2015-16
78	Pensions Provides through Certain Multiple-Employer Defined Benefit Pension Plans	2015-16
79	Certain External Investment Pools and Pool Participants	2015-16

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

**n. Deferred Inflows**

The Municipality adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB No. 63).

In the GFFS, deferred inflows arises when one of the following situations occur:

- Potential revenue does not meet both the "measurable" and "available" criteria for revenue recognition in the current period (reported as *earned but unavailable revenue* in the accompanying balance sheet-governmental funds). As previously discussed, available is defined as due (or past due) at June 30, 2015 and collected within 90 days (60 days for property taxes) thereafter to pay obligations due at June 30. In subsequent periods, when both criteria (measurable and available) are met, the liability for deferred revenue is removed and revenue is recognized.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF MOCA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

- The Municipality receives resources before it has a legal claim to them (reported as *“unearned revenue”* in the accompanying balance sheet-governmental funds). In subsequent periods, when the revenue recognition criterion is met, the liability for deferred inflows is removed and revenue is recognized.

Deferred inflows at the government-wide level arise only when the Municipality receives resources before it has a legal claim to them (reported as *“unearned revenue”* in the accompanying statement of net position). No *“earned but unavailable revenue”* is accounted for in the accompanying statement of net position.

**3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The governmental fund balance sheet includes a reconciliation between fund balance-governmental funds and net position of governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

The details of the approximately \$23.8 million differences are as follows:

Bonds payable	\$ 13,776,990
Landfill obligation	5,025,477
Compensated absences	2,410,574
ASES	1,611,471
Accrued interest	786,408
CRIM	171,165
Note payable	145,520
Claims and judgments	<u>18,500</u>
Net adjustment to reduce fund balances-governmental funds to arrive at net position of governmental activities	<u>\$ 23,946,105</u>

**COMMONWEALTH OF PUERTO RICO**  
**MUNICIPALITY OF MOCA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**4. DEPOSITS - CUSTODIAL CREDIT RISK**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Under Puerto Rico statutes, public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of federal depository insurance. All securities pledged as collateral are held by the Secretary of the Treasury of Puerto Rico. In addition, the Municipality maintains deposits with the Government Development Bank for Puerto Rico (GDB).

The deposits at GDB of approximately \$4.2 million that are restricted principally for capital projects and general fund, and the \$2.8 million in the debt service fund are unsecured and uncollateralized, as no collateral is required to be carried by governmental banks.

The Municipality maintains its investments in two (2) banks located at Puerto Rico. All kind of deposit is guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

The excess is covered by collateral provided by banks and held by the Treasury Department of the Commonwealth of Puerto Rico pursuant to applicable laws and regulations.

**5. PROPERTY TAXES**

The Municipal Revenues Collection Center (CRIM) of the Commonwealth of Puerto Rico is responsible by law for the assessment, levy and collection of all real and personal property taxes. The tax on personal property is self-assessed by the taxpayer. The assessment is made in a return which must be filed with the CRIM by May 15 of each year. The tax on real property is assessed by the CRIM. The assessment is made as of January 1 of each year and is based on estimated current values of the property as of year 1957.

The tax on personal property must be paid in full together with the return on or before May 15. The tax on real property is due in two equal installments in July 1 and January 1, following the assessment date.

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The rates are 9.58% for real property and 6.58% for personal property. The composition is as follows:

	<u>Real</u>	<u>Personal</u>
Basic property	6.00%	4.00%
Additional special property-state	1.03%	1.03%
Additional special property-municipal	2.75%	1.75%
Discounts made by state to tax payers	<u>(0.20%)</u>	<u>(0.20%)</u>
	<u>9.58%</u>	<u>6.58%</u>

The Municipality's basic property tax rate represents the portion which is appropriated for general purposes and accounted for in the general fund.

The "Additional special property tax - municipal" is restricted for debt service and retained by GDB for such purposes and it is recorded as revenue in the Debt Service Fund when collected by the CRIM and reported to the Municipality.

The "Additional special property tax - state" is collected by the CRIM for the payment of principal and interest of general obligation bonds and certain other obligations issued by the state government.

Residential real property occupied by its owner is exempt by law from the payment of property taxes on the first \$15,000 of the assessed value. For such exempted amounts, the Department of Treasury assumes payment of the basic tax to the Municipality, except for property assessed at less than \$3,500, for which no payment is made. Revenue related to the basic tax on exempt property is recorded in the General Fund when payments are received from the CRIM. Complete exemption from personal property taxes up to an assessment of \$50,000 is granted to merchants with an annual volume of net sales less than \$150,000.

Prior to the beginning of each fiscal year, the CRIM informs the Municipality of the estimated amount of property tax expected to be collected for the ensuing fiscal year. Throughout the year, the CRIM advances funds to the Municipality based on the initial estimated collections. The CRIM is required by law to prepare a settlement statement on a fiscal year basis, whereby a comparison is made between the amounts advanced to the Municipality and amounts actually collected from taxpayers. This settlement has to be completed on a preliminary basis not later than three months

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after fiscal year-end, and a final settlement made not later than six months after a year end. If the CRIM remits to the Municipality property tax advances, which are less than the tax actually collected, a receivable from the CRIM is recorded at June 30. However, if advances exceed the amount actually collected by the CRIM, a payable to the CRIM is recorded at June 30.

The Municipality has received the preliminary settlement from CRIM related to fiscal year 2014-2015, but not the final settlement as the six months period after fiscal year ends required by law to CRIM to issue this, has not yet expired. Management believes, based in part on the experience from prior years, and then when received, the final settlement and that such difference, if any, will not have a material effect on the financial condition of the Municipality.

Based on the preliminary settlement already received for the year ended June 30, 2015, the amount for the collected by CRIM exceed the amount advanced to the Municipality from taxpayers and charges for the same period by approximately \$52,317. Such amount is presented as due from CRIM in the accompanying financial statements. See note 8.

**6. MUNICIPAL LICENSE TAXES**

Municipal License Taxes receivables are recorded in the fiscal year in which payment is due and, accordingly, represent taxes which are due and uncollected at June 30, 2015. The annual Municipal License Tax is determined based on the gross income of all commerce and industrial organizations who have operations in the Municipality of Moca, and are not totally or partially exempt under the Industrial Incentive Law of Puerto Rico.

An annual return of business volume should be filed on or before April 15 of each year and payable in two equal installments due on July 1 and January 1. A discount of 5% is allowed when full payment is made on or before April 15. The rates of municipal license in the Municipality of Moca, are as follows:

Savings and loans associations	=	1.50%
Financing institution	=	1.50%
Other organizations	=	.50%

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The amounts collected in advance are recorded as deferred inflows of resources in the General Fund. The Municipality invoiced and collected in advance during the current year approximately \$928,040, corresponding to the next fiscal year municipal license.

**7. SALES AND USE TAXES**

On January 24, 2014, the Commonwealth's Legislature enacted Act. No. 19, which amended Act. No. 1, 2011's Internal Revenue Code, to create the Municipal Finance Corporation ("COFIM" by its Spanish acronym). COFIM is ascribed to Government Development Bank of Puerto Rico ("GDB") and was created to govern the aggregate municipal debt. Pursuant to this legislation, a GDB deposit account, the Municipal Redemption Fund, was originated in which, effective on July 1, 2014, 1% of the sales and use tax will be collected by COFIM with the purpose of the Municipal Redemption Fund.

The higher of the first collections of the prior year product of the sales and use tax or the applicable fixed income will be the funding source of the COFIM deposit. Beginning in the fiscal year 2014-2015, sales and use tax will be deposited in the COFIM's Redemption Fund and will be pledged with the purpose of service COFIM'S obligations. Any excess of the COFIM deposit will be transferred to the municipalities based on the proportion of their respective collections.

Act No. 19 also provides for restrictions on the use of the resources to be invested in solid waste and recycling programs, capital improvements and health and public safety cost. Amount collected by COFIM will be deposited in accounts of special funds in the GDB, subject to restrictions.

During each subsequent fiscal year, the first collections of the sales and use tax will be credited at the time of being received in the COFIM's Redemption Fund or any other special fund, including a fund under the control of the trust that has been designated in the trust agreement or other contract of pledge under which the COFIM bonds had been issued or incurred other obligations.

On or before August 30<sup>th</sup> of each fiscal year, GDB, as fiscal agent, will determine the COFIM deposit applicable to the current fiscal year. An amount equal to the COFIM's deposit from the first collections of the sales and use tax for that fiscal year shall be deposited in the Redemption Fund of the COFIM.

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**8. DUE FROM OTHER AGENCIES**

Represents grants and contributions due from local and federal agencies:

CRIM \$ 52,317

**9. INTERFUND TRANSACTIONS**

**a. Due from/to Other Funds**

The due from and due to other fund balances as of June 30, 2015 are as follows:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General	Other Governmental Funds	\$ 742,555
Other Governmental Funds	General	<u>228,470</u>
		<u><u>\$ 971,025</u></u>

**b. Interfund Transfers**

Interfund transfers for the year ended June 30, 2015 consisted of the following:

<b>Transfer In</b>	<b>Transfer Out</b>	<b>Amount</b>
General Fund	Debt Service	\$ 405,100
General Fund	Other Governmental Funds	2,590
Other Governmental Funds	General Fund	294,999
Debt Service	General Fund	<u>39,575</u>
		<u><u>\$ 742,264</u></u>

Transfers are used to (1) move revenues from the fund that statute or budget revenues to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collection to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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**10. CAPITAL ASSETS**

Capital assets activity for the Municipality for the year ended June 30, 2015 was as follows:

<u>Primary Government</u>	<u>Balance June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 3,950,256	\$ 241,000	\$ 26,953	\$ 4,164,303
Construction in progress	3,517,031	1,414,547	3,178,994	1,752,584
Total capital assets, not being depreciated	<u>7,467,287</u>	<u>1,655,547</u>	<u>3,205,947</u>	<u>5,916,887</u>
Capital assets, being depreciated:				
Buildings and building improvements	21,541,735	2,937,994		24,479,729
Furniture and fixtures	1,343,592	12,837	95,077	1,261,352
Vehicles and equipment	8,962,146	92,502	41,762	9,012,886
Infrastructure	14,243,792	339,428		14,583,220
Total capital assets, being depreciated	<u>46,091,265</u>	<u>3,382,761</u>	<u>136,839</u>	<u>49,337,187</u>
Less accumulated depreciation for:				
Buildings and building improvements	6,563,476	454,590		7,018,066
Furniture and fixture	985,730	58,471	76,142	968,059
Vehicles and equipment	6,947,588	167,675	34,126	7,081,137
Infrastructure	8,685,170	762,131		9,447,301
Total accumulated depreciation	<u>23,181,964</u>	<u>1,442,867</u>	<u>110,268</u>	<u>24,514,563</u>
Total capital assets, being depreciated, net	<u>22,909,301</u>	<u>1,939,894</u>	<u>26,571</u>	<u>24,822,624</u>
Governmental activities capital assets, net	<u>\$ 30,376,588</u>	<u>\$3,595,441</u>	<u>\$3,232,518</u>	<u>\$ 30,739,511</u>

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

General government	\$ 268,956
Public safety	50,178
Recreation	231,146
Public works	<u>892,587</u>
Total depreciation expense-governmental activities	<u>\$ 1,442,867</u>

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Capital asset activity for Moca Housing Project, a discretely presented component unit, for the year ended June 30, 2015 was as follows:

<u>Component Unit-Moca Housing Project</u>	<u>Balance June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>
Capital assets, not being depreciated:				
Land	\$ 60,900	\$ -	\$ -	\$ 60,900
Total capital assets, not being depreciated	<u>60,900</u>	<u>-</u>	<u>-</u>	<u>60,900</u>
Capital assets, being depreciated:				
Land improvements	68,916			68,916
Buildings and building improvements	2,121,989			2,121,989
Building equipment	393,292	5,728		399,020
Furniture and fixtures	48,849			48,849
Equipment	14,284			14,284
Total capital assets, being depreciated	<u>2,647,330</u>	<u>5,728</u>	<u>-</u>	<u>2,653,058</u>
Less accumulated depreciation	2,258,259	64,666		2,322,925
Total accumulated depreciation	<u>2,258,259</u>	<u>64,666</u>	<u>-</u>	<u>2,322,925</u>
Total capital assets, being depreciated, net	<u>389,071</u>	<u>(58,938)</u>	<u>-</u>	<u>330,133</u>
Moca Housing Project capital assets, net	<u>\$ 449,971</u>	<u>\$ (58,938)</u>	<u>\$ -</u>	<u>\$ 391,033</u>

**11. DUE TO OTHER AGENCIES**

Due to other agencies at June 30, 2015 are as follows:

Puerto Rico Retirement System Administration	\$ 184,195
Puerto Rico Water and Sewer Authority	10,238
Treasury Department of Puerto Rico	3,907
U. S. Department of Housing and Urban Development	1,950
Puerto Rico General Services Administration	1,290
Total	<u>\$ 201,580</u>

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**12. DEFERRED INFLOWS OF RESOURCES**

**Municipal License Taxes**

The deferred inflows of resources of \$928,040 in the general fund related to municipal license tax collected in fiscal year 2014-15 that will be earned in fiscal year 2015-16.

**13. INTERGOVERNMENTAL REVENUES**

Intergovernmental revenues consist mainly of collections from the Commonwealth of Puerto Rico and the CRIM, payments in lieu of taxes from the Puerto Rico Electric Power Authority and federal financial assistance received from the federal government.

The general fund intergovernmental revenues are as follows:

Equalization Fund (.20 hundredth)	\$ 5,085,295
Puerto Rico Electric Power Authority	1,459,034
Puerto Rico Treasury Department (Christmas Bonus)	<u>171,308</u>
Total	<u><u>\$ 6,715,637</u></u>

**14. LONG-TERM DEBTS**

Bonds and other long-term liabilities outstanding at June 30, 2015 are as follows:

\$2,780,000 series of 1995, payable in annual installments of \$40,000 to \$270,000 until July 1, 2017, interest ranging from 4.7% to 6.63%.	\$ 520,000
\$430,000 series of 2002, payable in annual installments of \$5,000 to \$35,000 until July 1, 2027, interest ranging from 5% to 6.5%.	290,000
\$455,000 series of 2002, payable in annual installments of \$5,000 to \$35,000 until July 1, 2027, interest ranging from 5% to 6.5%.	310,000

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\$265,000 series of 2006, payable in annual installments of \$5,000 to \$25,000 until July 1, 2030, interest ranging from 6.25% to 7.25%.	\$ 210,000
\$635,000 series of 2007, payable in annual installments of \$25,000 to \$65,000 until July 1, 2021, interest ranging from 6.60% to 7.25%.	330,000
\$415,000 series of 2008, payable in annual installments of \$5,000 to \$35,000 until July 1, 2032, interest from 6.48% to 7.50%.	350,000
\$915,000 series of 2008, payable in annual installments of \$15,000 to \$75,000 until July 1, 2032, interest from 5.40% to 7.50%.	785,000
\$2,045,000 series of 2009, payable in annual installments of \$25,000 to \$165,000 until July 1, 2034, interest from 6.00% to 7.00%.	1,825,000
\$275,000 series of 2010, payable in annual installments of \$30,000 to \$50,000 until July 1, 2017, interest from 6.00% to 7.50%.	95,000
\$205,000 series of 2012, payable in annual installments of \$5,000 to \$15,000 until July 1, 2036, interest from 6.00% to 7.50%.	185,000
\$660,000 series of 2012, payable in annual installments of \$10,000 to \$55,000 until July 1, 2036, interest from 6.00% to 7.50%.	620,000
\$585,000 series of 2012, payable in annual installments of \$15,000 to \$55,000 until July 1, 2031, interest from 6.00% to 7.50%.	525,000
\$394,990 series of 2013, payable in annual installments of \$60,000 to \$70,990 until January 1, 2019, interest from 3.50%.	271,990

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\$160,000 series of 2013, payable in annual installments of \$5,000 to \$15,000 until July 1, 2027, interest from 6.00% to 7.50%.	\$ 145,000
\$3,360,000 series of 2012, payable in annual installments of \$70,000 to \$305,000 until July 1, 2032, interest from 6.00% to 7.50%.	3,045,000
\$260,000 series of 2013, payable in annual installments of \$10,000 to \$30,000 until July 1, 2028, interest from 6.00% to 7.50%.	240,000
\$705,000 series of 2013, payable in annual installments of \$25,000 to \$75,000 until July 1, 2028, interest from 6.00% to 7.50%.	650,000
\$3,175,000 series of 2014, payable in annual installments of \$60,000 to \$280,000 until July 1, 2035, interest from 6.00% to 7.50%.	3,050,000
\$245,000 series of 2014, payable in annual installments of \$5,000 to \$20,000 until July 1, 2038, interest from 6.00% to 7.50%.	235,000
\$115,000 series of 2011, payable in annual installments of \$5,000 until July 1, 2034, interest from 6.00% to 7.50%.	<u>95,000</u>
Total bonds payable	<u><u>\$ 13,776,990</u></u>

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**Note**

Note payable to CRIM (Financing of delinquent accounts) - On April 2, 2002, the Municipality entered into a financing agreement with the CRIM in the amount of \$260,193 to finance delinquent property tax accounts sold to private investors, under the provision of Law No. 146 of October 11, 2001. The agreement is in the form of a non revolving line of credit bearing interest of 6.5% for the first five years and variable for the next 25 years at 125 points over London Interbank offered Rate (LIBOR) and is due on December 1, 2032. As described in Law No. 146, interest payments for the first five years will be financed through .48% of the net increase of the subsidy provided by the Commonwealth of Puerto Rico's general fund. Also, during the first five years any collection from those delinquent accounts will be credited to the loan principal. After the 5 year period the loan outstanding balance will be restructured for 25 years period.

\$ 145,520

The annual debt service requirements for the bonds payable and notes payable at June 30, 2015, are as follows:

	<i><b>Bonds</b></i>		<i><b>Notes Payable</b></i>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 800,000	\$ 782,765	\$ 8,560	\$ 3,643
2017	852,000	899,799	8,560	3,429
2018	574,000	844,491	8,560	3,215
2019	595,990	809,566	8,560	3,000
2020	570,000	770,550	8,560	2,786
2021-2025	3,220,000	3,282,248	42,800	10,716
2026-2030	3,985,000	2,948,409	42,800	5,358
2031-2035	3,050,000	636,650	17,120	643
2036-2038	130,000	14,250		
	<u>\$ 13,776,990</u>	<u>\$ 10,988,728</u>	<u>\$ 145,520</u>	<u>\$ 32,790</u>

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**Component Unit**

The mortgage payable by the discretely component unit is owed by Moca Housing Project and consists of an 8% mortgage note, payable in monthly installments of \$11,454, including interest, until 2018, collateralized with land and building.

The future principal maturities of the mortgage in each of the next four years and thereafter are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2016	\$ 120,297
2017	129,584
2018	29,639
	<u>\$ 279,520</u>

**Landfill Obligations**

State and federal laws and regulations require the Municipality to place a final cover on the Municipality's landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. In accordance with Statement No. 18 of the GASB, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs," the Municipality has performed a study of the activities that need to be implemented at the Municipality's landfill to guarantee the maximum yield of available space and to comply with applicable state and federal regulations. Based on this study, the Municipality recognized \$5 million as the Municipality's estimated current cost for landfill closure as of June 30, 2015. The reported liability represents the total estimated cost of closure since the Municipality expects to close the landfill in the year 2021. Actual costs may be different due to inflation, changes in technology, or changes in laws and regulations.

The balance of closure and postclosure costs of \$5 million are reported in the statement of net position because it will not be funded with available expendable financial resources at June 30, 2015.

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

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
<b>Governmental Activities:</b>					
Bonds payable	\$ 14,509,990	\$ -	\$ 733,000	\$ 13,776,990	\$ 800,000
Notes payable	314,079		168,559	145,520	8,550
Total long-term debts	<u>14,824,069</u>	<u>-</u>	<u>901,559</u>	<u>13,922,510</u>	<u>808,550</u>
<b>Other long-term liabilities:</b>					
Landfill obligation	5,025,477			5,025,477	
ASES	1,328,677	282,794		1,611,471	
Claims and judgments	78,296		59,796	18,500	
CRIM		171,165		171,165	
Compensated absences	<u>2,300,830</u>	<u>109,744</u>		<u>2,410,574</u>	<u>241,057</u>
Total other liabilities, governmental activities	<u>8,733,280</u>	<u>563,703</u>	<u>59,796</u>	<u>9,237,187</u>	<u>241,057</u>
Total noncurrent liabilities, governmental activities	<u>\$ 23,557,349</u>	<u>\$ 563,703</u>	<u>\$ 961,355</u>	<u>\$ 23,159,697</u>	<u>\$ 1,049,607</u>
<b>Component Unit:</b>					
Moca Housing Project mortgage payable	<u>\$ 396,237</u>	<u>\$ -</u>	<u>\$ 116,717</u>	<u>\$ 279,520</u>	<u>\$ 120,297</u>

**15. FUND BALANCES**

As of June 30, 2015, fund balances are comprised of the following:

	<u>General</u>	<u>Loan 3,175,000</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Restricted:</b>					
General government	\$ -	\$ -	\$ -	\$ 76,271	\$ 76,271
Health and welfare				961,996	961,996
Capital outlays				176,706	176,706
Debt service			1,605,066		1,605,066
<b>Committed:</b>					
Health and welfare				587,256	587,256
Capital outlays		1,851,950		1,626,802	3,478,752
<b>Assigned:</b>					
General government	199,984				199,984
Public safety	7,140				7,140
Public works	51,224				51,224
Culture	-				-
Recreation	1,300				1,300
Health and welfare	17,799				17,799
Unassigned	<u>(390,186)</u>			<u>(617,554)</u>	<u>(1,007,740)</u>
	<u>\$ (112,739)</u>	<u>\$ 1,851,950</u>	<u>\$ 1,605,066</u>	<u>\$ 2,811,477</u>	<u>\$ 6,155,754</u>

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**16. NET POSITION**

Net position invested in capital assets, net of related debt is comprised of the following:

Capital assets, net of accumulated depreciation.	\$31,501,887
Outstanding balance on capital related debt	<u>(13,776,990)</u>
Total invested in capital assets, net of related debt	<u>\$17,724,897</u>

**17. RETIREMENT PLAN**

**a. Plan Description**

Substantially all Municipality's full time employees are under the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (ERS). The ERS is a cost-sharing, multi-employer defined benefit pension plan administered by the Government Employees System Administration and was established by Act No. 447 on May 15, 1951. Act No. 447 was significantly modified by Act. No. 1 of 1990 and by Act 305 of 1999, later known as System 2000.

**b. Benefits Provided**

Retirement benefits for municipality employees include retirement, disability, death, vested and nonvested withdrawals. Employees retiring prior to July 1, 2013, annuity benefits are subject to \$500 minimum monthly. Other benefits for qualifying employees include additional minimum pension, ad-hoc cost-of-living adjustment (COLAs), benefits due to death and disability, medical insurance plan contribution, Christmas bonus, and medication bonus.

Plan members were eligible for merit annuity as long as they have 30 years or more of credited service. The annuity is limited to a minimum of 65% and a maximum of 75% of the average compensation.

Act No. 3, as enacted by legislation in April 4, 2013, constituted a comprehensive a reform of the ERS. Act No. 3 became effective on July 1, 2013 and amended

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the provisions of the different benefit structures under the ERS, including, but not limited to, the following:

- 1) For active participants of the contributory defined benefit program under Act No. 447 of 1951 and Act No. 1 of 1990, all requirement benefits accrued through June 30, 2013 were frozen, and thereafter, all future benefits will accrue under the defined contribution formula used for System 2000 participants, and will be paid a retirement through lifetime annuity.
- 2) Increased the minimum pension for current retirees from \$400 to \$500 per month.
- 3) The retirement age for Act No. 447 participants is gradually increased from age 58 to age 61.
- 4) The retirement age for System 2000 participants is gradually increased from age 60 to age 65.
- 5) Transitioning active participants under Act No. 1 and Act No. 447 to a defined contribution plan similar to System 2000.
- 6) Eliminated the merit annuity available who joined the ERS prior to April 1, 1990.
- 7) The retirement age for new employees was increased to age 67, except for new state and municipal police officers, firefighters, and custody officers, which will be age 58.
- 8) The employee contribution rate was increased from 8.275% to 10%.
- 9) For System 2000 participants, the retirement will no longer be paid as a lump sum distribution, instead, they will be paid through a lifetime annuity.
- 10) Eliminated or reduced various retirement benefits previously granted by special laws, including Christmas and summer bonuses. The Christmas bonus payable to current retirees was reduced from \$600 to \$200 and was

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF MOCA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

eliminated for future retirees. The summer bonus was eliminated. Resulting employer contribution saving will be contributed to the ERS.

- 11) Disability benefits were eliminated and substituted for a mandatory disability insurance policy.
- 12) Survivor benefits were modified.

**c. Contribution Requirements**

Employer and employee obligations to contribute, as well as employee contribution rates, are included in the enabling pension statutes as delineated in Act No. 3 of 2013, with varying provisions for the three-group as Act 447 employees, Act 1 employees, and System 2000 employees.

Pursuant to Act No.116 of 2011, employer contribution is increased by 1% annually from 9.275% of compensation to 10.275% beginning on July 1<sup>st</sup>, 2012 to June 30<sup>th</sup>, 2016. Act No. 116 includes subsequent increases of 1.25% annually from July 1<sup>st</sup>, 2016 to June 30<sup>th</sup>, 2021.

**d. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

GASB Statement 68 on Accounting and Financial Reporting for Pensions establishes for cost sharing government-employers plans to report their proportional share of the plan's net pension liability, deferred outflows of resources, and deferred inflows of resources in their statements of net position. As of June 30, 2015, the required information for the proportional share of the pension liability, pension expense, and the related deferred outflows of resources and deferred inflows of resources was not available from the ERS.

The most recent available financial statements of the pension funds are for the year ended June 30, 2013, which reflected a significant unfunded actuarial liability.

This financial information included a decrease of 1.4% in the funded ratio of the actuarial accrued liability for pension benefits, 3.1% and 4.5% at June 30, 2013 and 2012, respectively. Furthermore, the ERS's financial report for the year ended June 30, 2014 and the amount of contributions recognized by the pension plan from the Municipality were not available as of June 30, 2015.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF MOCA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**18. RISK MANAGEMENT**

The Risk Management Division of the Municipality's Legal Department is responsible of assuring that the Municipality's property is properly insured. Annually, the Risk Management Division compiles the information of all property owned and its respective market value. After evaluating this information, the Risk Management Division submits the data regarding the Municipality's properties to the Area of Public Insurance at the Department of the Treasury of the Commonwealth of Puerto Rico who is responsible for purchasing all property and casualty insurance policies of all municipalities.

**19. LEASES**

**Operating Leases**

Leasing arrangement with the Municipality as lessor:

- a. The Municipality leases spaces in its Market Place and Transportation center under operating lease agreements with terms ranging from one to five years.
- b. Total income from leases during the year ended June 30, 2015 was approximately \$2,669.
- c. The Municipality retains title to its leased property. The lessee pays taxes, licenses, insurance, and maintenance costs of the leased assets.

Leasing arrangements with the Municipality as lessee.

The Municipality is obligated under noncancellable operational leases, with periods not longer than one year.

**20. CONTINGENCIES**

The Municipality receives Federal Grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, management believes that any required reimbursements would not be material.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF MOCA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The Municipality is a defendant and/or co-defendant in various lawsuits which claims for actual damages. Some of these lawsuits are covered by insurance. The Municipality's management and outside counsels believe that is probable that any potential liability that might exist, if any, in excess of the insurance, will not affect significantly the financial position of the Municipality.

**21. COMMITMENTS**

The Municipality of Moca had several outstanding or planned construction projects as of June 30, 2015. These projects are evidenced by contractual commitments with contractors. The construction projects are commitments of the Other Governmental fund that amounted to approximately \$2,635,209.

**22. RECLASSIFICATION OF FUND BALANCE**

**Fund Balance**

The beginning fund balances of the Loan \$3,360,000 fund and Other Governmental Fund have been reclassified to reflect the change in major funds.

	<b>Loan \$3,360,000</b>	<b>Other Governmental Fund</b>
	<u>                    </u>	<u>                    </u>
Beginning fund balance, as previously reported	\$ 1,581,493	\$ 3,136,190
Reclassification of fund balances	<u>(1,581,493)</u>	<u>1,581,493</u>
Beginning fund balance	<u><u>\$ -</u></u>	<u><u>\$ 4,717,683</u></u>

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF MOCA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**23. RESTATEMENTS**

**a. Net Assets:**

The beginning balance of net assets as of July 1, 2014 has been restated as follows:

Net assets at beginning of year as previously reported	\$ 16,496,063
Overstatement of account payable	<u>140,485</u>
Net assets at beginning of year as restated	<u>\$ 16,636,548</u>

**b. Fund Balance**

The beginning fund balance of the General fund as of July 1, 2014 has been restated to correct overstatement of accounts payable.

	<u>General Fund</u>
Beginning fund balance, as previously reported	\$ 157,481
Overstatement of accounts payable	<u>140,485</u>
Beginning fund balance, as restated	<u>\$ 297,966</u>

*PCN*  
*28/2015*

**24. SUBSEQUENT EVENTS**

In preparing these financial statements, the Municipality has evaluated events and transactions for potential recognition or disclosure through February 22, 2016, the date on which financial statements were available to be issued.

**PART II – REQUIRED SUPPLEMENTARY  
INFORMATION**

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF MOCA  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 2,489,304	\$ 2,489,304	\$ 2,409,304	\$ (80,000)
Municipal license taxes	1,035,908	1,035,908	1,126,164	90,256
Sales and use taxes	800,000	800,000	-	(800,000)
Licenses and permits	338,500	338,500	194,814	(143,686)
Charges for services and rent	1,815,500	1,815,500	1,515,139	(300,361)
Intergovernmental revenues:				
State contributions	6,724,330	6,724,330	6,715,637	(8,693)
Interest, fines, and penalties	330,000	330,000	445,172	115,172
Other revenues	268,200	268,200	223,692	(44,508)
Total revenues	<u>13,801,742</u>	<u>13,801,742</u>	<u>12,629,922</u>	<u>(1,171,820)</u>
<b>EXPENDITURES</b>				
Current:				
General government	7,642,230	8,129,056	7,773,867	355,189
Public safety	916,680	863,238	861,288	1,950
Public works	3,304,753	2,922,374	2,908,415	13,959
Culture	275,493	257,100	255,031	2,069
Recreation	861,920	824,163	817,900	6,263
Health and welfare	800,666	805,811	663,496	142,315
Total expenditures	<u>13,801,742</u>	<u>13,801,742</u>	<u>13,279,997</u>	<u>521,745</u>
Excess of expenditures over revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (650,075)</u>	<u>\$ (650,075)</u>
<b>Explanation of Differences:</b>				
<b>Sources/Inflows of resources:</b>				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule			\$ 12,629,922	
Differences - budget to GAAP:				
Non-budgeted revenues				129,001
Net change in receivables				(60,195)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances			<u>\$ 12,698,728</u>	
<b>Uses/outflows of resources:</b>				
Actual amounts (budgetary basis) "total changes to appropriations" from the budgetary comparison schedule			\$ 13,279,997	
Differences - budget to GAAP:				
Non-budgeted expenditures				(128,666)
Prior year encumbrances recorded as current year expenditures for GAAP basis				(348,760)
Net change in payables				(97,850)
Current year encumbrances recorded as expenditures for budgetary purposes				277,447
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances			<u>\$ 12,982,168</u>	

See notes to Budgetary Comparison Schedule.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF MOCA  
NOTE TO BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 1 - 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 accounting principles generally accepted in the United States of America, 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 certain appropriations within the budget known as Mayor's Executive Orders 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 US 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. In addition, under the budgetary basis of accounting, revenues are recorded when cash is received.

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 resolutions at June 30, 2015 representing the original budget.

**PART III – SINGLE AUDIT**

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF MOCA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Disbursements/ Expenditures</u>
<b>U.S. Department of Housing and Urban Development (HUD)</b>		
Direct Program:		
Section 8 Vouchers Program	14.871	\$ 351,579
Pass-through State-Commonwealth of Puerto Rico/Commissions Office of Municipal Affairs-Community Development Block Grant-States Program		
SBGP	14.228	<u>1,038,225</u>
Subtotal U.S. Department of HUD		<u>1,389,804</u>
<b>U.S. Department of Health and Human Services (HHS)</b>		
Pass-through the Puerto Rico Elderly Commission:		
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers	93.044	<u>65,728</u>
Subtotal U.S. Department of HHS		<u>65,728</u>
<b>U.S. Department of Transportation</b>		
Pass-through the Puerto Rico Traffic Safety Commission:		
State and Community Highway Safety Program	20.600	<u>5,144</u>
Subtotal U.S. Department of Transportation		<u>5,144</u>
<b>U.S. Department of Homeland Security</b>		
Pass-through the GAR (Governor's Authorized Representative):		
Hazard Mitigation Grant	97.039	<u>119,451</u>
Subtotal U.S. Department of Homeland Security		<u>119,451</u>
<b>TOTAL</b>		<u>\$ 1,580,127</u>

See notes to the Schedule of Expenditures and Federal Awards.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF MOCA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Municipality of Moca and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**2. BASIS OF PRESENTATION**

The expenditures of the schedule are included in the Municipality's basic financial statements in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds. The reconciliation of expenditures in the basic financial statements to the Schedule of Expenditures of Federal Awards is as follows:

	<u><b>Expenditures</b></u>
Expenditures as per basic financial statements:	
Federal expenditures included within the other nonmajor governmental funds	<u>\$ 1,580,127</u>
Total expenditures per schedule of expenditures of federal awards	<u><u>\$ 1,580,127</u></u>

**INDEPENDENT AUDITORS' 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  
Municipal Legislature  
Municipality of Moca  
Moca, 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, each major fund, and the aggregate remaining fund information of Municipality of Moca's, as of and for the 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 date February 22, 2016. The report on the governmental activities was qualified because the management has not recorded the deferred outflows/inflows of resources, and net pension liability, and has not recorded an expense for the current period change in that liability. Our report includes a reference to other auditors who audited the financial statements of Moca Housing Project, as described in our report on Municipality of Moca's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**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 (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

*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. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weakness as item 2015-001.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free from 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 item 2015-001.

### **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.

San Juan, Puerto Rico  
February 22, 2016

The stamp E210171 of the Puerto Rico Society of Certified Public Accountants was affixed to the original of this report.



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**ORTIZ, RIVERA, RIVERA & CO.**  
CERTIFIED PUBLIC ACCOUNTANTS • VALUE ADDED SERVICES

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

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

**Report on Compliance for each Major Federal Program**

We have audited Municipality of Moca's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Municipality's major federal programs for the year ended June 30, 2015. 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**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of 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 we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Municipality'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 Program**

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 year ended June 30, 2015.

### **Report on Internal Control over Compliance**

Management of 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 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 a 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.

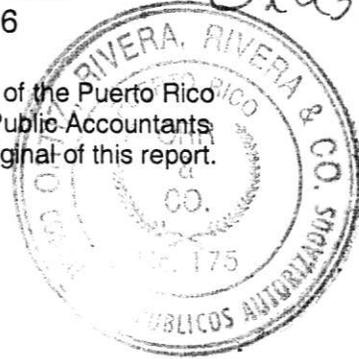
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

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.

San Juan, Puerto Rico  
February 22, 2016

*Ortiz, Rivera, Rivera & Co.*

The stamp E210172 of the Puerto Rico Society of Certified Public Accountants was affixed to the original of this report.



**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF MOCA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**1. SUMMARY OF AUDIT RESULTS**

Financial Statements

Type of auditors' report issued:

Governmental activities:  
Governmental funds:

Qualified opinion  
Unmodified opinion

Internal control over financial reporting:

Material weakness (es) identified?

X  Yes         No

Significant deficiency (ies) identified?

    Yes     X  None reported

Noncompliance material to financial statements noted?

X  Yes         No

Federal Awards

Internal control over major programs:

Material weakness (es) identified?

    Yes     X  No

Significant deficiency (ies) identified?

    Yes     X  None reported

Type of auditors' report issued on compliance for major programs:

Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of OMB Circular A-133?

    Yes     X  No

Identification of major programs:

14.228

Community Development Block Grant



**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF MOCA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Recommendation

Obtain the pension data from the Employees' Retirement System of the Government of Puerto Rico.

**3. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM  
AUDIT**

None

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF MOCA  
SCHEDULE OF STATUS OF PRIOR YEAR  
AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Oficina del Comisionado  
de Asuntos Municipales

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The Municipality of Moca has no prior year findings and questions costs.