

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

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

OFIC. DEL COMISIONADO
DE LOS MUNICIPIALES

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**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA**

**SINGLE AUDIT REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002**

ORTIZ, RODRIGUEZ, RIVERA & CO.

CERTIFIED PUBLIC ACCOUNTANTS • VALUE ADDED SERVICES

Suite 152, PO Box 70250, San Juan, P.R. 00936-7250 • Phone (787) 756-8524, Fax (787) 274-0562

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MUNICIPALITY OF MOCA
SINGLE AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general-purpose financial statements of the Municipality of Moca, as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the Municipality of Moca's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of Moca Housing Project, which statements reflect total assets of \$1,318,527 as of June 30, 2002, and total revenues of \$426,206 for the year then ended. Other auditors whose report has been furnished to us audited those statements, and our opinion, insofar as it relates to the amount included in the Special Revenues Fund, General Fixed Assets and General Long-Term Debt Accounts Group for the Municipality, is based solely on the report of the other auditors.

Except as described in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 6, the Municipality of Moca has not maintained complete and adequate records relating to the fixed assets of the General Fixed Assets Account Group. Accordingly, we were unable to satisfy ourself as to the fixed asset balance of such group amounting to \$26,616,487.

The Municipality of Moca does not maintain complete and accurate records on the Due From/Due To accounts balance as June 30, 2002. Therefore, we do not express an opinion on such amount presented on the general-purpose financial statements.

The Municipality of Moca does not reconcile cash accounts balances in the General Ledger of the General and Special Revenue Funds. Therefore, we do not express an opinion on such amount presented in those funds.

In our opinion based on our audit and the report of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to general fixed assets balances and for the necessary provision for liability postclosing costs on the due from/due to accounts balances and the transactions not recorded in the cash accounts in governmental funds, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Municipality of Moca as of June 30, 2002, and the results of its operations for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2002, on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

San Juan, Puerto Rico
November 1, 2002

The stamp 1847809 was affixed
to the original of this report.



**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
COMBINED BALANCE SHEET-ALL FUNDS TYPES AND ACCOUNT GROUPS
JUNE 30, 2002**

<u>Assets</u>	<u>Governmental Fund Types</u>				<u>Account Groups</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>General Fixed Asset</u>	<u>General Long Term Debt</u>	<u>Memorandum</u>
Cash in bank; including certificates of deposit of \$800,000 (Note 2)	\$ 1,356,361	\$ 1,242,372	\$ -	\$ 392,106	\$ -	\$ -	\$ 2,990,839
Cash with fiscal agent (Note 2)	11,988	141,175	502,925	32,227			688,315
Restricted deposits (Note 1)		243,944					243,944
Accounts receivables:							
Due from other agencies (Note 7)	287,189	448,418					735,607
Due from other funds (Note 8)	2,470,226	2,202,805		1,053			4,674,084
Landfill	113,999						113,999
Interests	980						980
Others	31,200						31,200
Other assets		18,664					18,664
Property and equipment (Note 6)					26,616,487		26,616,487
Amount available in debt service fund (Note 2)						502,925	502,925
Amount to be provided for retirement of general long-term debt						3,019,976	3,019,976
Amount to be provided through property tax collected for payment of related property tax advances (Note 10)						125,000	125,000
Amount to be provided for payment of Section 515 Direct Loan (Note 10)						1,216,226	1,216,226
Amount to be provided for payment of State Health Insurance Plan Debt						544,181	544,181
Amount to be provided for payment of accrued vacation and sick leave (Note 1)						1,037,410	1,037,410
Amount to be provided for payment landfill obligation						2,067,918	2,067,918
Total assets	\$ 4,271,943	\$ 4,297,378	\$ 502,925	\$ 425,386	\$ 26,616,487	\$ 8,513,636	\$ 44,627,755

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

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
COMBINED BALANCE SHEET-ALL FUNDS TYPES AND ACCOUNT GROUPS (CONTINUED)
JUNE 30, 2002**

Liabilities and Fund Equity	Governmental Fund Types				Account Groups		Total
	General	Special Revenue	Debt Service	Capital Projects	General Fixed Asset	General Long Term Debt	Memorandum
Liabilities							
Account payable and accrued liabilities	\$ 150,917	\$ 243,788	\$ -	\$ 91,026	\$ -	\$ -	\$ 485,731
Due to other funds (Note 8)	2,150,301	2,202,543		220,184			4,573,028
Due to other agencies (Note 9)	58,431	4,665					63,096
Deferred revenues (Note 4)	567,452	185,961					753,413
Accrued vacations and sick leave (Note 1)						1,037,410	1,037,410
General long-term debts (Note 10)						3,522,901	3,522,901
State Health Insurance Plan (Note 10)						544,181	544,181
Section 515 Direct Loan (Note 10)						1,216,226	1,216,226
Property tax advances (Note 10)						125,000	125,000
Accrual obligation landfill (Note 10)						2,067,918	2,067,918
Claims and judgement (Note 12)	38,800						38,800
Total liabilities	2,965,901	2,636,957	-	311,210	-	8,513,636	14,427,704
Commitments and Contingencies (Notes 12, 13 and 14)							
Fund Equity							
Investment in general fixed assets					26,616,487		26,616,487
Fund balance							
Reserved for encumbrances	14,227						14,227
Reserved for debt services			502,925				502,925
Designated for specific project		212,810					212,810
Designated for capital additions				114,176			114,176
Undesignated equity	1,291,815	1,447,611					2,739,426
Total fund equity	1,306,042	1,660,421	502,925	114,176	26,616,487	-	30,200,051
Total liabilities and fund equity	\$ 4,271,943	\$ 4,297,378	\$ 502,925	\$ 425,386	\$ 26,616,487	\$ 8,513,636	\$ 44,627,755

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

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES-ALL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types				Total
	General	Special Revenue	Debt Service	Capital Projects	Memorandum
REVENUES					
Property taxes (Note 3)	\$ 1,809,021	\$ -	\$ 678,107	\$ -	\$ 2,487,128
Municipal license taxes (Note 4)	696,581				696,581
Licenses and permits	152,397				152,397
Charges for service and rents	3,339,395				3,339,395
Inter-governmental revenues (Note 5):					
Federal grants and contributions		2,470,196			2,470,196
State contributions	4,881,989			2,200,946	7,082,935
Interest, fines, and penalties	25,124		16,766		41,890
Rental revenue from specific project (Note 1)		439,167			439,167
Other revenues	7,070				7,070
Total revenues	<u>10,911,577</u>	<u>2,909,363</u>	<u>694,873</u>	<u>2,200,946</u>	<u>16,716,759</u>
EXPENDITURES					
Municipal council	246,973				246,973
Offices:					
Mayor	1,015,645				1,015,645
Departments:					
Civil Defense	541,581				541,581
Finance	3,129,696				3,129,696
Public Works	3,630,609	1,456,167			5,086,776
Recreation	519,281				519,281
Personnel	201,979				201,979
Capital outlays				2,343,351	2,343,351
Collection of property taxes applied to advances (Note 15)	1,192,165				1,192,165
Secretary	97,027				97,027
General Government	1,847,926				1,847,926
Welfare		2,102,421			2,102,421

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

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND EQUITY-ALL FUND TYPES (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types			Total	
	General	Special Revenue	Debt Service	Capital Projects	Memorandum
Debt services:					
Principal retirement (Note 10)	\$ -	\$ -	\$ 125,185	\$ -	\$ 125,185
Interest payments (Note 10)			269,522		269,522
Total expenditures	<u>12,422,882</u>	<u>3,558,588</u>	<u>394,707</u>	<u>2,343,351</u>	<u>18,719,528</u>
Excess (deficiency) of revenues over expenditures	<u>(1,511,305)</u>	<u>(649,225)</u>	<u>300,166</u>	<u>(142,405)</u>	<u>(2,002,769)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from loans		1,000,000			1,000,000
Advances of property taxes (Note 3)	1,192,165				1,192,165
Operating transfer-in	1,291,226		168,240		1,459,466
Operating transfer-out	(22,224)	(146,016)	(1,291,226)		(1,459,466)
Total other financing sources (uses)	<u>2,461,167</u>	<u>853,984</u>	<u>(1,122,986)</u>	<u>-</u>	<u>2,192,165</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>949,862</u>	<u>204,759</u>	<u>(822,820)</u>	<u>(142,405)</u>	<u>189,396</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>356,180</u>	<u>1,455,662</u>	<u>1,325,745</u>	<u>256,581</u>	<u>3,394,168</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,306,042</u>	<u>\$ 1,660,421</u>	<u>\$ 502,925</u>	<u>\$ 114,176</u>	<u>\$ 3,583,564</u>

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

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	General Fund			Debt Service Fund		
	Budget Amended	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES (Notes 1 and 15)						
Property taxes	\$ 1,571,829	\$ 1,571,829	\$ -	\$ 409,678	\$ 678,107	\$ 268,429
Municipal license taxes	670,000	696,581	26,581			
Licenses and permits	134,000	152,397	18,397			
Charges for service and rents	2,982,000	3,339,395	357,395			
Inter-governmental revenues:						
State contributions	4,513,033	4,881,989	368,956			
Interest, fines, and penalties	89,000	48,668	(40,332)		16,766	16,766
Other revenues	40,000	1,274,752	1,234,752			
Total revenues	<u>9,999,862</u>	<u>11,965,611</u>	<u>1,965,749</u>	<u>409,678</u>	<u>694,873</u>	<u>285,195</u>
EXPENDITURES (Notes 1 and 15)						
Municipal council	285,122	246,973	38,149			
Offices:						
Mayor	1,165,684	1,015,645	150,039			
Departments:						
Civil Defense	695,992	541,581	154,411			
Finance	3,114,573	2,719,730	394,843			
Public Works	3,805,735	3,630,609	175,126			
Recreation	590,463	519,281	71,182			
Personnel	241,471	201,979	39,492			
Secretary	100,822	97,027	3,795			
Debt service; principal and interest payment		-	-	409,678	1,517,693	(1,108,015)
Total expenditures	<u>9,999,862</u>	<u>8,972,825</u>	<u>1,027,037</u>	<u>409,678</u>	<u>1,517,693</u>	<u>(1,108,015)</u>
Excess of revenues over expenditures (expenditures over revenues)	<u>\$ -</u>	<u>\$ 2,992,786</u>	<u>\$ 2,992,786</u>	<u>\$ -</u>	<u>\$ (822,820)</u>	<u>\$ (822,820)</u>

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

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. 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.

b. Summary of Significant Accounting Policies

The accounting policies of the Municipality are in accordance with the accounting principles generally accepted in the United States of America applicable to government entities. The Governmental Accounting Standards Board (GASB), is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The following is a summary of the more significant policies:

1) Fund Accounting

The accounts of the Municipality are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The various funds are grouped in the financial statements into four fund types and other fund category, as follows:

a) **Governmental Funds**

i. **General Fund**

The General fund is the operating fund of the Municipality. It is used to account for all financial resources except those required to be accounted for in another fund.

ii. **Special Revenue Funds**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

iii. **Debt Service Fund**

Debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

iv. **Capital Project Funds**

Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds, Special Assessments Funds and Agency Funds).

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

b) Fiduciary Funds

Trust and Agency Funds

Trust and Agency Funds are used to account for assets held by the Municipality in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

c) Account Groups

Account groups are used to establish accounting control and accountability for the Municipality's general fixed assets and general long-term debt. The following are the Municipality's account groups:

i. General Fixed Assets Account Group

This group of accounts is established to account for all fixed assets of the Municipality.

ii. General Long-term Debt Account Group

This group of accounts is established to account for all long-term debts of the Municipality.

d) Budgetary Control:

The Mayor submits and the Municipal Assembly approves, an annual budget for each fiscal year beginning July 1 as well as any amendment thereon. Appropriations in the Municipality budget consist of the following:

i. General Fund appropriations for recurrent and ordinary functions of the Municipality.

ii. Appropriations of Special Funds for specific purposes and for capital improvements are, for the most part, authorized by separate laws and

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

do not require annual legislative budget authorization because they are continuing appropriations.

2) Basis of Accounting

Governmental revenues and expenditures are recognized using the modified accrual basis. Revenues are recognized in the accounting period in which they become both measurable and available to be used to pay recorded liabilities. Expenditures are recognized in the accounting period in which the final liability is incurred, measurable, except for unmatured interest on general long-term debt, which is recognized when due. Agency fund assets and liabilities are accounted for on modified accrual basis.

To accrue the intergovernmental revenues, the legal and contractual requirements of individual programs are used as a guide. Essentially, there are two types of revenues. In one, the resources must be used in the specific projects and purposes before the revenues are recognized by the Municipality. Therefore, revenues are recognized based on recorded expenditures and submitted to the granting agencies for reimbursements. In the other revenues, resources are unrestricted as to purpose of expenditures and are usually revocable only for failure to comply with prescribed compliance requirements.

Licenses, fees, permits, fines and other revenues are recognized when received.

Interest income is recognized and accrued in the accounting period in which they are earned.

3) Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances accounting (under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation) is utilized in the governmental funds. Encumbrances outstanding at a year end are reported as reservations of fund balances and do not constitute expenditures

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

or liabilities because the commitments will be honored during the subsequent year.

4) Total Column (Memorandum Only)

The amounts presented under this column represent the aggregate amount of the different types of funds and account groups. The totals under this column were not obtained from eliminations or consolidations, accordingly, they do not present consolidated information.

5) Insurance

The Municipality has insurance coverage for their public facilities and certain officials are covered by a fidelity bond. The Secretary of Treasury is the person authorized to negotiate the insurance coverage of the Municipality.

6) Inventories

The General and Special Revenue Fund purchase office and printing supplies, gasoline, oil and other items. The cost of current purchases is recorded as expenditures.

7) Interfund Transactions

Interfund transactions represent operating transfers from a fund receiving revenues to a fund through which the resources are to be disbursed.

8) Vacation and Sick Leave

Employees are entitled to 30 days vacations leave and 18 days sick leave per year. Sick leave is recorded as an 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

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

year. Excess of sick leave must be paid until March 31 next every natural year. Excess of vacations can be paid after July 1 of every fiscal year.

9) Component Units

In evaluating how to define the Municipality for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the provisions of Statement No. 14, "The Financial Reporting Entity", of the GASB. The basic, but not the only criterion for including a potential component unit within the reporting entity is if elected officials of a primary government are financially accountable for the entity. Financial accountability exists if the primary government appoints a voting majority of the entity's governing body, and if either entity or the potential exists for the other entity to (1) provide specific financial benefits to or (2) impose specific financial burdens on the primary government. A second criterion used in evaluating potential component units is if the nature and significance of the relationship between the entity and a primary government are such that to exclude the entity from the financial reporting entity would render the financial statements misleading or incomplete. GAAP details two methods of 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.

Moca's Housing Project is a 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 (see Note 10).

The Project has a management contract with Housing Promoters, Inc. to manage the apartment complex. The contract provides for management compensation based in amount equal to \$34 per unit per month. Gross

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

collections include rental income, housing assistance payments and income from other sources. HUD has approved the agent contract and the fees.

Under the regulatory agreement, Project is required to set aside amounts for the replacement of property. This reserve is restricted as to use by USDA-RD and HUD. The balance as of June 30, 2002 was \$243,944.

10) 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 related disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates consist of the contribution received from the Electric Power Authority of Puerto Rico and the Municipal Revenue Collection Center (CRIM) caused by the delay of the notification of the real revenues and expenditures to be presented in the financial statements of the agencies mentioned above. Actual results could differ from those estimates.

11) Future Adoption of Accounting Pronouncements

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

<u>Statement Number</u>		<u>Adoption Required in Fiscal Year</u>
34	Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments	2002-03
37	Reporting Model Omnibus	2002-03
38	Note Disclosures	2002-03
39	Determining Whether Certain Organizations are Components Units	2003-04

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

2. CASH AND CASH WITH FISCAL AGENTS

a. Cash in Bank and Concentration Risk

The amounts reflected as cash in the balance sheet represents the individual funds' equity in pooled cash balance.

The Municipality maintains its cash accounts in one bank located in Puerto Rico. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. The following is a summary of the total insured by collateral provided by bank and held by the Treasury Department of the Commonwealth of Puerto Rico pursuant to applicable laws and regulations.

	<u>Total</u>	<u>Insured by FDIC</u>	<u>Insured by Collateral in Treasury Department</u>
Popular Bank	\$2,190,839	\$100,000	\$2,090,839
Oriental Bank	200,000	100,000	100,000
Westernbank	<u>600,000</u>	<u>100,000</u>	<u>500,000</u>
	<u>\$2,990,839</u>	<u>\$300,000</u>	<u>\$2,690,839</u>

b. Cash with Fiscal Agents

An additional special tax of 1.25% of the assessed value of all real and personal properties are levied by the Municipality. The proceeds of said tax are required to be credited to the Debt Service Fund for payment of General Obligation Bonds and Notes of the Municipality. The property taxes are collected by the Municipal Revenues Collection Center as agent for the Municipality and are retained by the Government Development Bank for debt service purposes. At June 30, 2002, the balance of cash retained by the Government Development Bank amounted to \$502,925.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

The bond issued by the Municipality is administrated by the Government Development Bank with a method of escrow system. At June 30, 2002, the balance of cash retained by the Government Development Bank available for the acquisition of real property amounted to \$185,390.

3. PROPERTY TAXES

The Municipal Revenues Collection Center of the Commonwealth of Puerto Rico (CRIM) 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 Municipal Revenues Collection Center by May 15 of each year. The tax on real property is assessed by the Municipal Revenues Collection Center. The assessment is made as of January 1 of each year and is based on estimated current values of the property as of the 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.

The rates are 8.08% for real property and 6.08% 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	1.25%	1.25%
Discount made by state to taxpayer	< .20% >	< .20% >
 Total	 <u>8.08%</u>	 <u>6.08%</u>

The "Additional special property tax - municipal" is restricted for debt service and retained by the Government Development Bank for such purposes and it is recorded as revenue in the Debt Service Fund when collected by the Municipal Revenues Collection Center and reported to the Municipality.

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

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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 the Treasury assumes payment of the basic tax to the Municipality, except for property assessed of 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 Municipal Revenues Collection Center.

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.

The Municipal Revenues Collection Center advances to the Municipality an estimated amount of the basic property tax levied on nonexempt property for each fiscal year. Advances are repaid through actual collections from the taxpayers. The Municipal Revenues Collection Center periodically informs the Municipality of the amounts collected and applied to outstanding advances. The basic property tax advanced by the Municipal Revenues Collection Center (nonexempt) is recorded as other financing sources in the Municipality's General Fund and as an obligation in the General Fund. To the extent that such taxes are collected and informed by the Municipal Revenues Collection Center, they are recorded in the General Fund as revenue and as due to the Municipal Revenues Collection Center.

On January 26, 2000, Public Law 42 was enacted which authorized the CRIM to obtain a loan up to \$200 million, and for a term not exceeding 10 years, to allow for the financing of the debt that the Municipalities of Puerto Rico have with the CRIM arising from final settlements of property tax advances vs. actual collections through fiscal year 1999-2000. The amount that the Municipalities will collect from the additional property taxes resulting from the increases in the subsidy from the Central Government to the Municipalities are assigned through this law to repay such loan. The increase in this subsidy was the result of the Public Law 238, enacted on August 15, 1999. The total advances from CRIM presented in the general long term debt account group amounted to \$125,000 (see note 10).

4. MUNICIPAL LICENSE TAX

Municipal License Tax receivables are recorded in the fiscal year in which payment is due and, accordingly, represent taxes which are due and uncollected at June 30, 2002. The annual Municipal License Tax is determined based on the gross income of all commerce and industrial organizations who have operations in the Municipality

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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. 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%

The amounts collected in advance are recorded as deferred revenues in the General Fund. The Municipality invoiced and collected in advance during the current year \$567,452, corresponding to the next fiscal year municipal license.

5. INTERGOVERNMENTAL REVENUES

Intergovernmental revenue sources consist of contributions received from certain quasi-public corporations of the Commonwealth of Puerto Rico, such as the Water and Sewer Authority, the Electric Power Authority and from certain federal agencies, such as U.S. Department of H.U.D., U.S. Department of Health and Human Services and U.S. Department of Labor.

6. GENERAL FIXED ASSETS

General fixed assets have been acquired for general governmental purposes. Assets purchased are recorded as expenditures of the various governmental funds and capitalized at cost, or, if donated, at their estimated fair market value at time of contribution in general fixed assets accounts group. Maintenance, repairs and minor renewals are expended as incurred. Asset dispositions and retirements are informed monthly to the Department of Treasury and written-off after authorization of that department. Depreciation is not provided on general fixed assets. Public domain or infrastructure, such as roads, streets, gutter, curbs, sidewalks, and drainage, is not recorded in this group of accounts. The Municipality has not maintained adequate records for its Fixed Assets, and management was not able to make an assertion as to the completeness of the General Fixed Assets Account Group.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

The Municipality's management has estimated its real property and other fixed assets as follows:

Real property	\$18,082,029
Vehicles, equipment, and furniture	5,979,398
Moca's Housing Project	<u>2,555,060</u>
 Total general fixed assets	 <u>\$26,616,487</u>

7. DUE FROM OTHER AGENCIES

Represents grants and contributions due from local and federal agencies:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Authority of Electric Energy	\$ 49,998	\$ -	\$ 49,998
CRIM	237,191		237,191
OCAM (SBGP)		76,268	76,268
USDA Rural Development		240,640	240,640
Regional Elderly Office	<u>-</u>	<u>131,510</u>	<u>131,510</u>
 Total	 <u>\$287,189</u>	 <u>\$448,418</u>	 <u>\$735,607</u>

8. DUE FROM (TO) OTHER FUNDS

Represents the amount due between funds. At the end of the fiscal period, the unpaid or unsettled amounts of these types of inter-fund transactions are reported as inter-fund receivables (due-from) and inter-fund payable (due-to) balances.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

The due from and due to other fund balances as of June 30, 2002, are as follows:

	<u>Due from Other Fund</u>	<u>Due to Other Fund</u>
General Fund		
Special Fund	\$2,250,042	\$2,149,248
Capital Project Fund	220,184	1,053
Special Revenue Fund		
General Fund	2,202,805	2,202,543
Capital Project		
Special Fund	<u>1,053</u>	<u>220,184</u>
	<u>\$4,674,084</u>	<u>\$4,573,028</u>

9. DUE TO OTHER AGENCIES

The composition of this account is as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Water and Sewer Authority	\$ 6,722	\$ -	\$ 6,722
Retirement System	33,817		33,817
Puerto Rico Telephone Company	16,541		16,541
Administration General Services	1,351		1,351
HUD-Section 8	<u>-</u>	<u>4,665</u>	<u>4,665</u>
Total	<u>\$58,431</u>	<u>\$4,665</u>	<u>\$63,096</u>

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

10. GENERAL LONG-TERM DEBTS

The general long-term debts' transactions as of June 30, 2002 are as follows:

Balance July 1, 2001	\$4,066,278
Additions for the year	1,000,000
Payments	(125,185)
Adjustments	(<u>76,966</u>)
Balance June 30, 2002	<u>\$4,864,127</u>

General long-term debt obligations at June 30, 2002 are as follows:

Bonds

1996 series, \$2,780,000 payable in annual installments of \$40,000 to \$270,000 until 2006; with interest at 4.7% until 6.63%.	<u>\$2,450,000</u>
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Notes Payable

1986 series, \$213,000 payable in annual installments of \$2,662.50 until July 1, 2006 with interest at 8%.	45,263
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1987 series, \$105,286 payable in annual installments of \$1,316.08 to 1,316.30 until July 1, 2007 with interest at 8%.	<u>27,638</u>
	<u>72,901</u>

Other

\$1,000,000 due to Governmental Development Bank-USDA Rural Development, payable in annual installments of \$172,038 until July 1, 2009, with interest of 4.875%.	1,000,000
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\$125,000 due to Governmental Development Bank-Law 42, payable in monthly installments of \$398 until September 1, 2032.	<u>125,000</u>
	<u>1,125,000</u>
	<u>\$3,647,901</u>

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

The annual requirements for the amortization of general long-terms at June 30, 2002, are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2003	\$ 216,919
2004	228,865
2005	245,203
2006	256,847
2007	265,828
2008-2012	1,026,090
2013-2017	1,070,241
2018-2022	291,208
2023-2027	22,222
2028-2032	<u>24,478</u>
	<u>\$3,647,901</u>

As described in Note 3, the Municipality levies an additional special tax of 1.25% of the assessed value of real property. The proceeds of this tax are required to be credited to the Debt Service Fund for payment of general obligation bonds and notes of the Municipality. The property taxes are collected and retained by the Municipal Revenues Collection Center as agent for the Municipality.

Mortgage Payable - Moca's Housing Project

Mortgage payable consists of permanent residences loan provided by USDA Rural Development. The land and buildings of the Project secure the mortgage notes. The mortgage is payable in monthly installments of \$12,458 including interest at 8%, through 2027.

\$1,216,226

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

The maturing during the subsequent five years and thereafter is as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2003	\$ 39,797
2004	43,530
2005	47,613
2006	52,080
2007	57,860
Thereafter	<u>975,346</u>
	<u>\$1,216,226</u>

The fair value of the mortgage payable is estimated based on the current rates offered to the Project for debt of the same remaining maturates. At June 30, 2002, the fair value of the mortgage payable approximates the amounts recorded in the financial statements.

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 2.0 million as the Municipality's estimated current cost for landfill closure as of June 30, 2002. The reported liability represents the total estimated cost of closure since the Municipality expects to close the landfill in the year 2011. 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 \$2.0 million are reported in the general long-term debt account group because it will not be funded with available expendable financial resources at June 30, 2002.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

11. RETIREMENT PLAN

a. Plan Description

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

Participation is mandatory except for members of the Legislature, Government Secretaries, Heads for Agencies and Public Instrumentalities, Assistants to the Governor, the Comptroller of Puerto Rico, Gubernatorial Board and Committee appointees and Experimental Service Station employees.

ERS provides retirement, death and disability benefits. Disability retirement benefits are available to members for occupational and non-occupational disabilities. Retirement benefits depend upon age at retirement and number of years of credited service. Benefits vest after ten years of plan participation.

Members who have attained an age of at least fifty-five (55) years and have completed at least twenty-five (25) years of creditable service on members who have attained an age of at least fifty-eight (58) years and have completed at least ten (10) years of creditable service, are entitled to an annual benefit, payable monthly for life.

The amounts of the annuity will be one and one-half percent of the average compensation multiplied by the number of years of creditable service up to twenty years, and 2 percent of the average compensation multiplied by the number of years of creditable service in excess of twenty years. In no case the annuity will be less than \$200 per month.

Participants who have completed at least thirty (30) years of creditable service are entitled to receive the Merit Annuity. Participants who have not attained fifty-five (55) years of age will receive 65% of the average compensation or if they have

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

attained fifty-five (55) years of age will receive 75% of the average compensation. Disability retirement benefits are available to members for occupational and non-occupational disability. However, for non-occupational disability a member must have at least ten (10) years of service.

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

b. Contribution Requirements

Commonwealth legislation requires employees to contribute 5.775% of gross salary up to \$6,600 plus 8.275% of gross salary in excess of \$6,600. The Municipality contributions are 9.275% of gross salary. Contributions' requirements are established by law. The actuarially determined contribution requirement and contributions actually made for the year ended June 30, 2002 was \$296,212. The Municipality's payroll for employees covered by ERS was \$3,193,660. The Municipality total payroll for all employees was \$4,978,901.

12. CONTINGENCIES

- a. 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 believed that any required reimbursements would not be material.
- b. 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 counsels believe that any potential liability that might exist, if any, in excess of the insurance, will not affect significantly the financial position of the Municipality.

13. COMMITMENTS

The Municipality of Moca had several outstanding or planned construction projects as of June 30, 2002. These projects are evidenced by contractual commitments with contractors. The construction projects of the Municipality are commitments of the Capital Projects' funds that amounts to \$275,744.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

14. LEASES

Leasing arrangements with the Municipality as lessor are as follows:

- a. The Municipality leases spaces in its market place and facilities under operating lease agreements with terms ranging from one to five years.
- b. Total income from leases during the year ended June 30, 2002 was approximately \$15,019.
- c. The Municipality retains title to its leased property. The lessee pays taxes, municipal license taxes, insurance, and maintenance costs of the leased assets.

Leasing arrangement with the Municipality as lessee:

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

15. BUDGETARY COMPARISONS

As described in Note 1, the statement of revenues and expenditures budget and actual was prepared in accordance with the budgetary basis. This method is not in accordance in some aspects with accounting principles generally accepted in the United States of America.

The principal difference between budgetary basis and accounting principles generally accepted in the United States of America, are as follows:

- a. The encumbrances are recorded as expenditures in the budgetary basis instead of as a reserve of the fund balance.
- b. The advances of property taxes are recorded as revenues in the budgetary basis instead as other financing sources, as required by accounting principles generally accepted in the United States of America.
- c. Under accounting principles generally accepted in the United States of America, the collection of property taxes through Municipal Revenue Collection Center is recorded as revenue and at the same time, such amount is recorded as

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

expenditure and applied to previously advanced taxes when they are notified to the Municipality. In the budgetary basis, said revenues are recorded as revenues when the advances are received.

The necessary adjustments to reconcile the revenues and expenditures at the end of the year from the accounting principles generally accepted in the United States of America to budgetary basis, are as follows:

	<u>Revenues</u>	<u>Expenditures</u>
Generally accepted accounting principles basis	\$10,911,577	\$12,422,882
Plus current year encumbrances recorded as expenditures on the budgetary basis	-	14,227
Less prior year encumbrances recorded as expenditures on the GAAP basis	-	(446,417)
Plus advances of property taxes recorded as revenue on the budgetary basis	1,192,165	-
Plus transfer in/out	1,291,226	22,224
Less collection of property taxes (not exonerated), recorded previously as revenue by the Municipality when received and deducted from the advances payable to the Treasury Department	(1,429,357)	(1,192,165)
Revenues and expenditures not recorded as revenue or expense on the budgetary basis	<u>-</u>	(<u>1,847,926</u>)
Budgetary basis	<u>\$11,965,611</u>	<u>\$ 8,972,825</u>

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

The budget prepared for each of the special revenue funds is based on a program period which is not necessarily the same fiscal year of the Municipality. Accordingly, it is not practical to present an annual comparison of budget and actual for the Special Revenue Fund.

The Municipality budget is amended by the majority vote of the Municipal Assembly. Said amendments are included in the budgetary basis.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

<u>Federal Grantor Pass/Through Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Federal Disbursements/ Expenditures</u>
U.S. Department of Housing and Urban Development		
Direct Programs		
Section 8 Vouchers	14.855	\$ 220,426
Section 8 Existing	14.856	6,272
Pass-through Commonwealth of Puerto Rico/ Commissions Office of Municipal Affairs Community Development Block Grant-States Program SBGP	14.228	<u>1,456,167</u>
Subtotal U.S. Department of HUD		<u>1,682,865</u>
U.S. Department of Agriculture		
Pass-through Governor's Office of Child Services and Community Development: Child and Adult Care Food Program	10.558	<u>1,254</u>
Subtotal U.S. Department of Agriculture		<u>1,254</u>
U.S. Federal Emergency Management Agency (FEMA)		
Public Assistance Grants	83.544	<u>42,491</u>
Subtotal U.S. FEMA		<u>42,491</u>

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Federal Grantor Pass/Through Grantor/ Program Title	CFDA Number	Federal Disbursements/ Expenditures
U.S. Department of Justice		
Pass-through the Governor's Office of Community Local Law Enforcement	16.592	\$ 73,257
Public Safety Partnership and Community Policing Grants (COPS)	16.710	<u>323,712</u>
Subtotal U.S. Department of Justice		<u>396,969</u>
TOTAL		<u>\$2,123,579</u>

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

1. SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the Municipality of Moca's federal award programs presented on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. A reconciliation of amounts included in the Schedule of Expenditures of Federal Awards and the General Purpose Financial Statements (Special Revenue Fund) follows:

	<u>Expenditures</u>
Total federal expenditures	\$2,123,579
Total non federal expenditures accounted for in the Special Revenue Fund of the General Purpose Financial Statements	<u>1,435,009</u>
Total expenditures accounted for in the Special Revenue Fund of the General Purpose Financial Statements	<u>\$3,558,588</u>

The Schedule of Expenditures of Federal Awards do not include Section 8 Housing Assistance Payments in the amount of \$411,157 (CFDA No. 14.195), which was federal grant received by Moca's Housing Project during fiscal year 2001-2002 as payment for rent subsidy, and unpaid balance of mortgage of Rural Housing Loans (CFDA Number 10.415) (see note10).

2. LOAN OUTSTANDING

The Schedule of Expenditures of Federal Awards do not include Rural Rental Housing Loans Program (CFDA No. 10.415) outstanding balance at June 30, 2002, for which grantor imposes continuing compliance requirements. The outstanding balance was included in the Municipality's General Long-Term Debt Account Group (see note 10 of the notes to the general-purposes financial statements).

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

3. SUBRECIPIENTS

Of the federal expenditures presented the Municipality provided federal awards to subrecipient as follows:

<u>Program Title</u>	<u>Federal CFDA No.</u>	<u>Subrecipient</u>	<u>Amount Provided</u>
SBGP	14.218	Centro Ayani	\$500,000



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Members:
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Public Accountants (AICPA)
Puerto Rico Board of Certified
Public Accountants
Management Consulting
Services Division

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

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

We have audited the financial statements of the Municipality of Moca as of and for the year ended June 30, 2002, and have issued our report thereon dated November 1, 2002, which was qualified because insufficient audit evidence exists to support Municipality of Moca's disclosures with respect to the general fixed assets balances and for no provision for liability postclosing costs. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We did not audit the financial statements of Villas de Moca's Housing Project, which statements reflect total assets of \$1,318,527 as of June 30, 2002, and total revenues of \$426,206 for the year then ended. Other auditors whose report has been furnished to us audited those statements, and our opinion, insofar as it relates to the amount included in the Special Revenues Fund, General Fixed Assets and Long-Term Debt Accounts Group for the Municipality, is based solely on the report of the other auditors.

Compliance

As part of obtaining reasonable assurance about whether the Municipality of Moca's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an

opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Municipality of Moca's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Municipality of Moca's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of reportable conditions and recommendations as items from 02-1 to 02-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all matters reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of Municipality of Moca, in a separate letter dated November 1, 2002.

This report is intended solely for the information and use of the audit committee, Commissioner Office of Municipal Affairs, management and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

San Juan, Puerto Rico
November 1, 2002

The stamp 1847810 was affixed
to the original of this report.



**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
SCHEDULE OF REPORTABLE CONDITIONS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

1. ACCOUNTING SYSTEM

We noted that the Municipality of Moca is not keeping an accounting system as required by accounting principles generally accepted in the United States of America at present time, the Municipality records the transactions in the general, capital project and special funds. These funds are kept under the cash basis method. Also, the system used to record the purchase orders and contracts are not adequate; because does not provide for a segregation between the account payable and the encumbrances. In order to prepare the combined financial statements, we realized several adjusting entries to convert them to a modified accrual basis of accounting.

Recommendation

We recommend the Municipality of Moca that in coordination with the Municipal Revenue Collection Center and the Commissioner Office of Municipal Affairs, implement an accounting system which should provide the following.

That the Municipality's operations are accounted for through several separate funds and account groups, accounting in each of them the related assets, liabilities, and equity and other balances. The individual funds should be summarized in a combined financial statements by fund category. The Municipality should use the general purpose financial statements based on the following fund and accounts groups:

a. Governmental Funds

Governmental funds are used to finance most of the governmental functions. The sources and uses of resources available are systematically registered through the statement of changes in fund balances and not through the determination of net income. The different types of governmental funds are as follows:

1) General

This is the operational fund for the Municipality. It accounts for all financial resources except those required to be accounted for in another funds.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
SCHEDULE OF REPORTABLE CONDITIONS AND RECOMMENDATIONS
(CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

2) Special revenue

Is used to account for the proceeds of specific revenue sources (other than expendable trust or mayor capital projects) that are legally restricted for expenditure for specified purposes.

3) Debt service

Is used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest and related costs.

4) Capital project

Is used to account for financial resources to be used for the construction or acquisition of major capital facilities (other than those financed by proprietary and trust funds).

The resources that come from bonds and notes are registered as other financial resources in the Capital Project Funds. The expenditures related to the projects are incurred after the bonds and note issuances.

So, the Capital Project Funds can reflect an excess of expenditures over revenues and other resources.

b. Proprietary Fund

Is used to account for operations financed and operated similar to business, whose main objective is the determination of net income. The main objective of this type of fund is to match income with expenses and deriving profits. Depreciation accounts are also used in this type of fund.

c. Trust and Agency Fund

Is used to account for assets held by the Municipality Agency, in the trustee's capacity or as agent whose main responsibility is to ascertain that those assets are disposed of as prescribed by the individual or other governmental unit.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
SCHEDULE OF REPORTABLE CONDITIONS AND RECOMMENDATIONS
(CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

d. Account Groups

Accounts groups are not funds. The same should be used to establish accounting controls and to account for General Fixed Assets and General Long-term Debt.

1) General Fixed Assets accounts group

Is used to provide accounting over general fixed assets, except those already recorded in the proprietary and Trust Funds.

2) General Long-term Debt accounts group

Is used to provide accounting control over General Municipal Long-term Debt; except those accounted in the Proprietary and Trust Funds.

The Municipality's accounting system should provide for the segregation of the encumbrances from accounts payable. Encumbrances represent commitments related with a service to be received or a good to be acquired. This amount should be accumulated in an account named Fund Balance Reserved for Encumbrances at the time the purchase order is issued. The amount of Encumbrances should be reserved for each fund balance since no bilateral agreement exists. The accounts payable and accrued expenses should be recorded when the debt is incurred and the amount is determinable.

2. ACCOUNTING RECORDS

The Municipality of Moca does not have an effective accounting records to identify the interfund transactions. The Due From/To account balance as June 30, 2002 present a total difference of \$101,056.

This condition occurs because there are no established procedures to prepare an interfund subsidiary ledger to maintain the correct balance.

Article 8.010(c) (2) and (3) of State Act Number 81 of August 30, 1991, stated that Municipality should maintain accurate accounting records and funds controls.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
SCHEDULE OF REPORTABLE CONDITIONS AND RECOMMENDATIONS
(CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Recommendation

The Municipality should established as internal control procedures that implement and maintain a subsidiary ledger in order to identity and obtain the real balance of due from/to as results of in the interfund transactions.

3. FIXED ASSETS

The Municipality does not have an effective system to account for fixed assets. There are no controls in place to assure that all property expenditures which should be capitalized or property dispositions are recorded in the fixed assets subsidiary ledger. Procedures are not in place to require that real property acquired with federal and local funds be recorded in the property subsidiary ledger or that any property sales and dispositions be accounted for in the fixed assets subsidiary ledger.

This condition occurs because there are no established procedures to prepare the adjustments necessary to record these transactions in the fixed assets subsidiary ledger.

Article 8.013 of the Municipalities Law and Chapter VII of the Basic Standards establish that the Municipality shall be responsible to safeguard and be accountable for its fixed assets (both real and personal property).

Chapter VII, Sections 3, 4, 14, 15 and 21 of the Basic Standards, establishes the following guidelines regarding property management:

Section 3 establishes that the Finance Director is responsible for the accountability of the capital assets acquired by the Municipality through purchases or donations.

Section 4 establishes that the Municipality Property Administrator shall be responsible to the Mayor and the Finance Director for the direct administration, use and maintenance of the entire real and personal property owned by the Municipality.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
SCHEDULE OF REPORTABLE CONDITIONS AND RECOMMENDATIONS
(CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Section 14(1) establishes that all Municipal property shall be numbered and identified as to ownership by the Property Department Director.

Section 15(1) establishes that the Property Department Director is responsible for accurately maintaining the central property records.

Section 21(c) establishes that management shall write-off from the property records all property and equipment sold or disposed of when certified by the Internal Auditor of the Municipality upon determination that such disposal is adequate.

The continued failure to have accurate and complete property records has resulted in a disclaimer with respect to the general fixed assets account group. Under the requirements of Statement 34 this can result in a disclaimer of opinion of the entity wide statements. Furthermore, this situation represents a significant risk of loss of property and equipment because there is a lack of accountability for acquired assets. The value of federally funded property that may be lost would need to be repaid to the federal government with local funds.

Recommendation

The Property Division must require each division that acquires property and equipment to submit a report including a full description of the asset, location, use, responsible personnel, cost and any other pertinent data. This information should be reconciled with the monthly disbursements made against the budgetary accounts used for property acquisitions. Sales or other dispositions must also be made only upon approval of the Property Division Director and the Finance Director, and should be carried out by persons other than the users, and through public announcement or bids.

The Accounting Department should establish a property control account to provide for the reconciliation of property recorded in the subsidiary ledger with that recorded in the control account. In addition, the subsidiary ledger shall be periodically reconciled with the property subsidiary ledgers maintained by the Municipality's several individual federal funds offices, such as Housing and Urban Development (HUD).



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

CPA Orlando Luis Ortiz Cabrera
CPA Marco Antonio Rivera Zúñiga
CPA Luis O. Rivera Zúñiga

Members:
American Institute of Certified
Public Accountants (AICPA)
Puerto Rico Board of Certified
Public Accountants
Management Consulting
Services Division

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

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

Compliance

We have audited the compliance of Municipality of Moca with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. Municipality of Moca's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Municipality of Moca's management. Our responsibility is to express and opinion on Municipality of Moca's compliance based on our audit.

Municipality's general-purpose combined financial statements include the operations of the Moca's Housing Project, which received in federal awards \$411,157 from Section 8 Housing Assistance Payments (CFDA Number 14.195) and have a balance of \$1,216,226 from Rural Rental Housing Loans (CFDA Number 10.415), which are not included in the Schedule of Expenditures of Federal Awards during the fiscal year ended June 30, 2002. Our audit, described below, did not include the operations of the Project because other auditors were engaged to perform an audit in accordance with OMB Circular A-133.

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 of Moca's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Municipality of Moca's compliance with those requirements.

In our opinion, Municipality of Moca complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 02-1.

Internal Control over Compliance

The management of Municipality of Moca is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Municipality of Moca's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components do not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, Commissioner Office of Municipal Affairs, management and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

San Juan, Puerto Rico
November 1, 2002

The stamp 1847811 was fixed
to the original of this report.



Ortiz, Rodriguez, Rivera & Co.

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

1. SUMMARY OF AUDIT RESULTS

- a. The auditors' report expresses a qualified opinion on the financial statements of the Municipality of Moca.
- b. There were no reportable conditions on internal controls.
- c. No instances of noncompliance material to the financial statements of Municipality of Moca were disclosed during the audit.
- d. There were no reportable conditions on internal controls over major programs.
- e. The auditor's report on compliance for the major federal award programs for Municipality of Moca express an unqualified opinion.
- f. Audit findings relation to the major federal award programs for Municipality of Moca are reported in number 3 of this schedule.
- g. The programs tested as major programs included:
 - SBGP - CFDA No. 14.228
- h. The threshold for distinguishing types A and B programs was \$300,000.
- i. Municipality of Moca was determined to be a high-risk audit.

2. FINDINGS - FINANCIAL STATEMENTS AUDIT

See Schedule of Reportable Conditions and Recommendation on pages 34 to 37.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
SBGP CFDA No. 14.228	<p>Condition 02-1</p> <p>The Municipality's internal control over the monitoring of subrecipient's activities are not designed effectively in order to provide reasonable assurance that the subrecipient administered federal awards in compliance with federal requirements.</p> <p><u>Cause</u></p> <p>The Municipality cannot verify the compliance with federal requirement was realized.</p> <p><u>Effect</u></p> <p>The Municipality unknown if exist instances of subrecipient noncompliance.</p> <p><u>Criteria</u></p> <p>The 24 CFR 570.503 established the agreements with subrecipients, shall include provisions concerning: the statement of work, records and reports, program income, and uniform administrative requirements.</p>	<p><u>\$ -0-</u></p>

Recommendation

The Municipality should establish an appropriate subrecipient-monitoring process to ensure the compliance with federal requirements.

**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, 2002**

During the current examination, follow-up was given to the findings informed to the Municipality in prior years. It was noted that corrective action has been taken, except for certain conditions that still exist and require further action. These are included in the accompanying Schedule of Prior Year Audit Findings and Questioned Costs.

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
SCHEDULE OF STATUS OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Status</u>
SBGP CFDA 14.228	Condition 01-01 The Federal Program Department does not have a property register.	Condition was corrected.
SBGP CFDA 14.228	Condition 00-01 The Federal Program Department does not have a property register.	Condition was corrected.
SBGP CFDA 14.228	Condition 99-02 The Federal Program Department does not have a property register.	Condition was corrected.
SBGP CFDA 14.228	Condition 97-02 The Federal Program Department does not have a property register.	Condition was corrected.
SBGP CFDA 14.228	Condition 96-04 The Federal Program Department does not have a property register.	Condition was corrected.

EXHIBIT I

CORRECTIVE ACTION PLAN

ORTIZ, RODRIGUEZ, RIVERA & CO.

CERTIFIED PUBLIC ACCOUNTANTS • VALUE ADDED SERVICES

Suite 152, PO Box 70250, San Juan, P.R. 00936-7250 • Phone (787) 756-8524, Fax (787) 274-0562



PO BOX 1571
MOCA, P. R. 00676
TELS. 787-877-2270
787-877-1280
787-877-3390
787-877-2277
787-877-5885
787-877-2006
FAX: 787-877-3560

MUNICIPIO AUTÓNOMO
GOBIERNO MUNICIPAL DE MOCA, P. R.
OFICINA DEL ALCALDE
JOSE E. AVILES SANTIAGO

CORRECTIVE ACTION PLAN

November 1, 2002

Cognizant or Oversight Agency for Audit:

Municipality of Moca respectfully submits the following corrective action plan for the year ended June 30, 2002

Name and address of independent public accounting firm: Ortiz, Rodriguez, Rivera & Co., Suite 152, PO Box 70250, San Juan, Puerto Rico 00936-7250.

Audit period: Fiscal year ended June 30, 2002

The findings from the June 30, 2002 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS - FEDERAL AWARD PROGRAM AUDITS, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Finding 02-1: SBGP - CFDA 14.228

Reportable Condition: See Condition 02-1

Recommendation

The Municipality should establish an appropriate subrecipient-monitoring process to ensure the compliance with federal requirements.

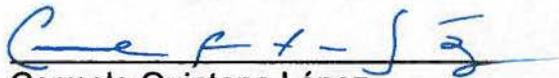
Action Taken

Is the first time that the situation mentioned occurs in the Municipality, and the procedures necessary do not be realized; but the Municipality will establish the procedures necessary to avoid this condition in the future.

The Municipality will establish an appropriate sub recipient monitoring process of internal control. Then, if the Municipality has a sub recipient, it may to decide what, if any, additional monitoring procedures may be necessary to provide reasonable assurance that sub recipient are managing federal awards in compliance with laws, regulations and provisions of contracts and that performance goals are achieved.

If the Cognizant or Oversight Agency for Audit has questions regarding this plan, please call Mr. Carmelo Quintana López at (787) 877-3390.

Sincerely yours,

A handwritten signature in blue ink, appearing to read 'Carmelo Quintana López', written over a horizontal line.

Carmelo Quintana López
Federal Programs Director



GOBIERNO DE PUERTO RICO
MUNICIPIO AUTONOMO DE MOCA
Departamento de Finanzas
Apartado 1571 - Moca, P. R. 00676



HOJA DE TRAMITE

FECHA: 31 DE ENERO DE 2003

A: SINGLE AUDIT CLEARING HOUSE

DE: 
VIRGENMINA MEDINA VELAZQUEZ-DIRECTORA DE FINANZAS

ADJUNTO LE ENVIO LOS SIGUIENTES DOCUMENTOS

1. ORIGINAL "DATA COLLECTION FORM"
2. COPIAS (2) "SINGLE AUDIT REPORT"
3. _____
4. _____

OBSERVACIONES:

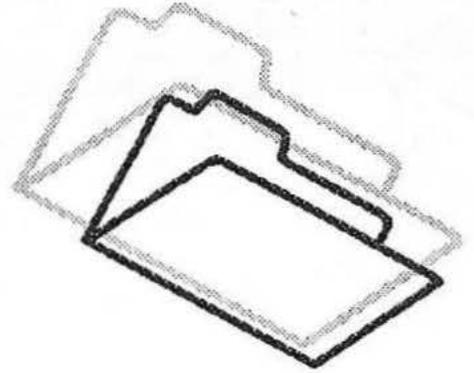
RECIBIDO POR: _____

FECHA DE RECIBO : _____

ENVIADO POR CORREO: _____



GOBIERNO DE PUERTO RICO
 MUNICIPIO AUTONOMO DE MOCA
 Departamento de Finanzas
 Apartado 1571 - Moca, P. R. 00676



HOJA DE TRAMITE

FECHA: 3 DE FEBRERO DE 2003

A: OFICINA COM. ASUNTOS MUNICIPALES

DE: VIRGENMINA MEDINA VELAZQUEZ-DIRECTORA DE FINANZAS

ADJUNTO LE ENVIO LOS SIGUIENTES DOCUMENTO

1. DATA COLLECTION FORM
2. INFORME ESP. CUMPLIMIENTO RECOMENDACIONES CONTRALOR
3. SINGLE AUDITO REPORT
4. COPIA CARTA TRAMITE ENVIADA A CLEARING HOUSE

OBSERVACIONES:

RECIBIDO POR: WRD

FECHA DE RECIBO : _____

ENVIADO POR CORREO: _____

RECIBIDO
 UNIDAD DE CORREO
 03 FEB - 4 PM 2: 12
 RECIBIDO
 UNIDAD DE CORREO
 03 FEB - 4 PM 2: 16

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

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

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

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

1. Fiscal period ending date for this submission Month / Day / Year Fiscal Period End Dates Must Be On or After January 1, 2001 06 / 30 / 2002		2. Type of Circular A-133 audit 1 <input checked="" type="checkbox"/> Single audit 2 <input type="checkbox"/> Program-specific audit										
3. Audit period covered 1 <input checked="" type="checkbox"/> Annual 2 <input type="checkbox"/> Biennial 3 <input type="checkbox"/> Other - Months		FEDERAL GOVERNMENT USE ONLY	4. Date received by Federal clearinghouse									
5. Employer Identification Number (EIN) a. Auditee EIN <table border="1"><tr><td>6</td><td>6</td><td>0</td><td>4</td><td>3</td><td>3</td><td>4</td><td>8</td><td>9</td></tr></table>			6	6	0	4	3	3	4	8	9	b. Are multiple EINs covered in this report? 1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No <i>If Part I, Item 5b = "Yes," complete Part I, Item 5c (Complete the continuation sheet on Page 4)</i>
6	6	0	4	3	3	4	8	9				

6. AUDITEE INFORMATION

a. Auditee name Municipality of Moca
b. Auditee address (Number and street) Apartado 1571
City Moca
State ZIP + 4 Code Puerto Rico 00676-1571
c. Auditee contact Name Virgenmina Medina
Title Finance Director
d. Auditee contact telephone (787) 877-2270
e. Auditee contact FAX (Optional) (787) 877-3560
f. Auditee contact E-mail (Optional)

7. AUDITOR INFORMATION (To be completed by auditor)

a. Auditor name Ortiz, Rodriguez, Rivera & Co.
b. Auditor address (Number and street) Suite 152 P.O. Box 70250
City San Juan
State ZIP + 4 Code Puerto Rico 00936-7250
c. Auditor contact Name Marco A. Rivera Zúñiga, CPA
Title Partner
d. Auditor contact telephone (787) 756-8524
e. Auditor contact FAX (Optional) (787) 274-0562
f. Auditor contact E-mail (Optional)

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

Signature of certifying official

Date
Month / Day / Year
/ /

Printed Name/Title of certifying official

Virgenmina Medina - Finance Director

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

Signature of auditor

Date
Month / Day / Year
01 / 31 / 03

Ortiz, Rodriguez, Rivera & Co

PART I GENERAL INFORMATION - Continued

8. Did the auditee expend more than \$25,000,000 in Federal awards during the fiscal year? (Mark (X) one box)
 1 Yes - Identify Cognizant Agency in Part I, Item 9 2 No - SKIP to Part II, Item 1
9. Indicate which Federal awarding agency provided the predominant amount of direct funding in fiscal year 2000. (Mark (X) one box) However, if cognizance has been reassigned, see instructions.
- | | | | |
|--|---|---|---|
| 02 <input type="checkbox"/> Agency for International Development | 81 <input type="checkbox"/> Energy | 14 <input type="checkbox"/> Housing and Urban Development | 47 <input type="checkbox"/> National Science Foundation |
| 10 <input type="checkbox"/> Agriculture | 66 <input type="checkbox"/> Environmental Protection Agency | 15 <input type="checkbox"/> Interior | 20 <input type="checkbox"/> Transportation |
| 11 <input type="checkbox"/> Commerce | 83 <input type="checkbox"/> Federal Emergency Management Agency | 16 <input type="checkbox"/> Justice | <input type="checkbox"/> Other - Specify: |
| 12 <input type="checkbox"/> Defense | 93 <input type="checkbox"/> Health and Human Services | 17 <input type="checkbox"/> Labor | |
| 84 <input type="checkbox"/> Education | | | |

PART II FINANCIAL STATEMENTS (To be completed by auditor)

1. Type of audit report (Mark (X) one box)
 1 Unqualified opinion 2 Qualified opinion 3 Adverse opinion 4 Disclaimer of opinion
2. Is a "going concern" explanatory paragraph included in the audit report? 1 Yes 2 No
3. Is a reportable condition disclosed? 1 Yes 2 No - SKIP to Item 5
4. Is any reportable condition reported as a material weakness? 1 Yes 2 No
5. Is a material noncompliance disclosed? 1 Yes 2 No

PART III FEDERAL PROGRAMS (To be completed by auditor)

1. Type of audit report on major program compliance
 1 Unqualified opinion 2 Qualified opinion 3 Adverse opinion 4 Disclaimer of opinion
2. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending greater than \$300,000 in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA SOP 98-3 chapter 10) 1 Yes 2 No
3. What is the dollar threshold to distinguish Type A and Type B programs? (\$ ___ .520(b)) \$ 300,000
4. Did the auditee qualify as a low-risk auditee? (\$ ___ .530) 1 Yes 2 No
5. Is a reportable condition disclosed for any major program? (\$ ___ .510(a)(1)) 1 Yes 2 No - SKIP to Item 7
6. Is any reportable condition reported as a material weakness? (\$ ___ .510(a)(1)) 1 Yes 2 No
7. Are any known questioned costs reported? (\$ ___ .510(a)(3) or (4)) 1 Yes 2 No
8. Was a Summary Schedule of Prior Audit Findings prepared? (\$ ___ .315(b)) 1 Yes 2 No

9. Indicate which Federal agency(ies) have current year audit findings related to direct funding or prior audit findings shown in the Summary Schedule of Prior Audit Findings related to direct funding. (Mark (X) all that apply or None)
- | | | | |
|--|--|---|--|
| 02 <input type="checkbox"/> Agency for International Development | 83 <input type="checkbox"/> Federal Emergency Management Agency | 43 <input type="checkbox"/> National Aeronautics and Space Administration | 96 <input type="checkbox"/> Social Security Administration |
| 10 <input type="checkbox"/> Agriculture | 39 <input type="checkbox"/> General Services Administration | 89 <input type="checkbox"/> National Archives and Records Administration | 19 <input type="checkbox"/> State |
| 23 <input type="checkbox"/> Appalachian Regional Commission | 93 <input type="checkbox"/> Health and Human Services | 05 <input type="checkbox"/> National Endowment for the Arts | 20 <input type="checkbox"/> Transportation |
| 11 <input type="checkbox"/> Commerce | 14 <input checked="" type="checkbox"/> Housing and Urban Development | 06 <input type="checkbox"/> National Endowment for the Humanities | 21 <input type="checkbox"/> Treasury |
| 94 <input type="checkbox"/> Corporation for National and Community Service | 03 <input type="checkbox"/> Institute for Museum Services | 47 <input type="checkbox"/> National Science Foundation | 82 <input type="checkbox"/> United States Information Agency |
| 12 <input type="checkbox"/> Defense | 15 <input type="checkbox"/> Interior | 07 <input type="checkbox"/> Office of National Drug Control Policy | 64 <input type="checkbox"/> Veterans Affairs |
| 84 <input type="checkbox"/> Education | 16 <input type="checkbox"/> Justice | 59 <input type="checkbox"/> Small Business Administration | 00 <input type="checkbox"/> None |
| 81 <input type="checkbox"/> Energy | 17 <input type="checkbox"/> Labor | | <input type="checkbox"/> Other - Specify: |
| 66 <input type="checkbox"/> Environmental Protection Agency | 09 <input type="checkbox"/> Legal Services Corp | | |

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

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

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

Count total number of boxes marked above and submit this number of reporting packages 2

PART III FEDERAL PROGRAMS - Continued

10. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR

11. AUDIT FINDINGS

CFDA Number (a)		Research and development (b)	Name of Federal program (c)	Amount expended (d)	Direct award (e)	Major program (f)	Type(s) of compliance requirement(s) ³ (a)	Audit finding reference number(s) ⁴ (b)	
Federal Agency Prefix ¹	Extension ²								
1	4	855	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Section 8 Vouchers	\$ 220,426 .00	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	0	N/A
1	4	856	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Section 8 Existing	\$ 6,272 .00	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	0	N/A
1	4	228	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	SBGP	\$1,456,167 .00	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	M	02-1
1	0	558	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Child and Adult Care Food Program	\$ 1,254 .00	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	0	N/A
8	3	544	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Public Assistance Grants	\$ 42,491 .00	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	0	N/A
1	6	592	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Local Law Enforcement	\$ 73,257 .00	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	0	N/A
1	6	710	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Policing Grants (Cops)	\$ 323,712 .00	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	0	N/A
			<input type="checkbox"/> Yes <input type="checkbox"/> No		\$.00	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No		
			<input type="checkbox"/> Yes <input type="checkbox"/> No		\$.00	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No		
			<input type="checkbox"/> Yes <input type="checkbox"/> No		\$.00	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No		
TOTAL FEDERAL AWARDS EXPENDED					\$ 2,123,579.00	IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS			

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

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

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

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

⁴ N/A for NONE

PART I Item 5 Continuation Sheet

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

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

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