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

MUNICIPIO DE MOCA
AUDITORÍA 2009-2010

30 DE JUNIO DE 2010

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA

BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2010

ORTIZ, RIVERA, RIVERA & CO.

CERTIFIED PUBLIC ACCOUNTANTS • VALUE ADDED SERVICES

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COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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ORR & Co.
Ortiz, Rivera, Rivera & Co.
Certified Public Accountants and Business Advisors

CPA Orlando Luis Ortiz Cabrera
CPA Marco Antonio Rivera Zúñiga
CPA Luis Rivera Zúñiga
CPA Zoraida Cruz Claudio

Members:
American Institute of Certified Public Accountants (AICPA)
Puerto Rico Board of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Municipality of Moca, as of and for the year ended June 30, 2010, which collectively comprise the Municipality's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Municipality's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Moca Housing Project, as of June 30, 2010. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Moca Housing Project, is based on the report of the other auditors.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, discretely presented component unit, each major fund and the aggregate remaining fund information of the Municipality of Moca as of June 30, 2010 and the respective changes in financial position.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 2010 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, grants, agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtain during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality of Moca's financial statements 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 also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ortiz, Rivera, Rivera & Co.

San Juan, Puerto Rico
December 21, 2010

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to the original of this report

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MUNICIPALITY OF MOCA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Municipality of Moca (the "Municipality") provides this Management's Discussion and Analysis of the Municipality's basic financial statements as an overview and analysis of the financial activities of the Municipality for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in the accompanying basic financial statements.

USING THIS ANNUAL REPORT

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

FINANCIAL HIGHLIGHTS

- *The Municipality net assets increased by $ 668,545.*
- *In the fund financial statements, general fund balances increased by $310,028.*
- *Capital expenditures amounted to $ 3,567,401.*

GOVERNMENT-WIDE-FINANCIAL STATEMENT

The government-wide financial statements are designed to provide readers with a broad overview of the Municipality's operations and finance as a whole in a manner similar to private-sector business. These statements provide short-term and long-term information about the Municipality's financial position, which assist the Municipality's management to determine the economic condition at the end of the fiscal year. These financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This basically means that these financial statements follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year ended June 30, 2010 even if cash involved have not been received or paid. The government-wide financial statements include: (1) the statements of net assets and (2) the statement of activities.

Statement of Net Assets

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

Statement of Activities

The statement of activities presents information showing how the Municipality's net assets changed during the fiscal year ended June 30, 2010. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the Municipality.

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

Fund Financial Statements

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government Wide Financial Statements. However, unlike the Government Wide Financial Statements, Government Fund Financial Statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating the Municipality's near term financial requirements.

Because the focus of governmental funds is narrower than that of the government wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government wide financial statements. By doing so, users of the basic financial statements may better understand the long-term impact of the Municipality's near term financial decisions. Both of the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Municipality's financial position. In the case of the Municipality, assets exceeded liabilities by $ 16,923,093 at June 30, 2010.

Municipality of Moca
Condensed Statement of Net Assets
June 30, 2010 and 2009

	2010	2009
Current assets	$ 7,523,174	$ 7,643,513
Capital assets	24,635,758	22,398,030
Total assets	32,158,932	30,041,543
Current liabilities	3,272,870	3,522,814
Noncurrent liabilities	11,962,969	10,264,181
Total liabilities	15,235,839	13,786,995
Invested in capital assets, net of related debt	18,340,758	17,898,030
Restricted	4,232,730	3,233,023
Unrestricted	(5,650,395)	(4,876,505)
Total net assets	$ 16,923,093	$ 16,254,548

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

Changes in Net Assets

The Municipality's net assets increased by $668,545. Approximately 46 percent of the Municipality's total revenue came from grants and contributions, including federal aid, while 24 percent resulted from taxes. The Municipality's expenses cover a range of services. The largest expenses were for general government and public works.

Municipality of Moca
Condensed Statement of Activities
June 30, 2010 and 2009

	2010	2009
Program revenues		
Charges for services	$3,582,255	$3,718,796
Licenses and Permits		
Operating grants and contributions	1,011,347	1,475,461
Capital grants and contributions		
General revenues		
Property taxes	2,911,677	2,682,964
Municipal license tax	1,030,927	842,879
Grants and contributions not restricted to specific programs	7,605,003	9,542,309
Interest, fines and penalties	47,244	86,603
Miscellaneous	419,039	163,697
Total revenues	16,607,492	18,512,709
Expenses		
General government	$ 8,304,864	$ 7,519,795
Public safety	1,036,662	1,081,455
Public works	4,037,845	7,987,430
Culture	209,361	216,840
Recreation	772,867	917,720
Health and welfare	864,763	526,731
Interest on long-term debt	712,585	193,676
Total expenses	15,938,947	18,443,647
Change in net assets	668,545	69,062
Net assets, beginning of year	16,254,548	16,185,486
Net assets, end of year	$16,923,093	$16,254,548

FINANCIAL ANALYSIS OF THE MUNICIPALITY'S INDIVIDUAL FUNDS

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

Governmental Funds

The focus of the Municipality's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Municipality's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Municipality's governmental funds reported combined ending fund balances of $ 5,338,801, an increase of $ 254,277 in comparison with the prior year. There are reservations of fund balance. This is the fund balance that is not available for new spending because it has already been committed to pay debt service ($ 1,045,678).

The general fund is included within the governmental funds; it is the operating fund of the Municipality. As of June 30, 2010, the general fund has a superavit of $379,464. The superavit increased by $310,028 during fiscal year ended June 30, 2010.

Notes to the Financial Statements

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

Required Supplementary Information

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Municipality's investment in capital assets as of June 30, 2010, amounts to $42.4 million, net of accumulated depreciation of $17.8 million, leaving a net book value of $24.6 million. This investment in capital assets includes land, buildings, improvements, equipment construction in progress.

The total net increase in the Municipality's investment in capital assets for the current fiscal year was about 10% in terms of net book value. Actual expenditures to purchase or construct capital assets were $3.6 million for the year. Depreciation charges for the year totaled $1.3 million.

The Municipality finances a significant portion of its construction activities through bond issuances. The proceeds from bond issuances designated for construction activities are committed in its entirety for such purposes and cannot be used for any other purposes. As of June 30, 2010 the Municipality has $1,715,664 of unexpended proceeds from bond issuances that are committed to future construction activities.

Long-Term Debt

At year-end, the Municipality had $ 12,587,286 in general and special bonds and notes and other long term debts. Such amount represents an increase of 16 percent with respect to prior year. The following is a summary of the Munipality's **outstanding** *debt as of June 30, 2010 and 2009:*

Municipality of Moca
Outstanding Long-term Debt
June 30, 2010 and 2009

	2010	2009
General and special obligations	$ 7,818,320	$ 6,311,880
Other long term debts:		
Landfill obligation	2,475,000	2,475,000
CRIM-LIMS	54,438	88,159
Compensated absences	2,239,528	1,936,422
Total	$ 12,587,286	$ 10,811,461

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Municipality's selected and appointed officials considered many factors when setting the fiscal year 2010-2011 budget. One of these factors is the economy. Among economic areas considered are the population growth estimates, personal income, housing statistics and unemployment rates.

The Municipality applied an aggressive approach in development budget estimates. The Municipality estimates that the amounts available for appropriations in the General Fund for the fiscal year 2011 will be $13.3, a increase of approximately 8% with respect to prior year final budget.

FINANCIAL CONTACT

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

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
STATEMENT OF NET ASSETS
JUNE 30, 2010

Assets	**Governmental Activities**	**Moca Housing Project**
Cash **(Notes 2 and 5)**	$ 3,563,032	$ 68,087
Cash with fiscal agent **(Notes 2 and 5)**	3,518,762	
Accounts receivable:		
Municipal licenses taxes	10,274	
Landfill	232,992	
Due from other agencies **(Note 9)**	149,441	
Other assets		16,980
Restricted funds	48,673	230,950
Capital assets, net **(Note 11)**	24,635,758	660,870
Total assets	$ 32,158,932	$ 976,887
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	$ 692,998	$ 171,494
Due to other agencies **(Note 12)**	154,048	
General obligations:		
Bonds	385,000	
Interest	87,052	
Deferred revenues:		
Municipal license tax **(Note 13)**	837,948	
Federal government **(Note 13)**	27,327	
Noncurrent liabilities: **(Note 15)**		
Due within one year	624,317	81,639
Due in more than one year	11,962,969	689,591
Accrued interest	464,180	
Total liabilities	15,235,839	942,724
Net Assets		
Investment in capital assets, net of related debt	18,340,758	
Restricted for:		
Debt service	1,045,678	
Capital projects	3,187,052	
Unrestricted	(5,650,395)	34,163
Total net assets	16,923,093	34,163
Total liabilities and net assets	$ 32,158,932	$ 976,887

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

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COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Component Unit: Moca Housing Project
Primary Government:					
General government	$ 8,304,864	$ 2,223,366	$ -	$ (6,081,498)	$ -
Public safety	1,036,662			(1,036,662)	
Public works	4,037,845		1,011,347	(3,026,498)	
Culture	209,361			(209,361)	
Recreation	772,867			(772,867)	
Health and welfare	864,763			(864,763)	
Interest on long-term debt	712,585			(712,585)	
Total primary government	$ 15,938,947	$ 2,223,366	$ 1,011,347	$ (12,704,234)	-
Component Unit:					
Moca Housing Project	440,986	480,747			39,761
Total component unit	$ 440,986	$ 480,747	$ -	-	39,761
General revenues:					
Property taxes **(Note 6)**				2,911,677	
Municipal license tax **(Note 7)**				1,030,927	
Sales and uses tax **(Note 8)**				1,358,889	
Grants and contributions not restricted to specific programs				7,605,003	
Interest and investment earnings				47,244	
Miscellaneous				419,039	
Total general revenues				13,372,779	-
Change in net assets				668,545	39,761
Net assets at beginning of year				16,254,548	(5,598)
Net assets at end of year				$ 16,923,093	$ 34,163

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

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COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
BALANCE SHEET-GOVERNMENTAL FUNDS
JUNE 30, 2010

Assets	General	Housing and Urban Development Programs	State Assigments	Loan $ 2,045,000	Debt Service	Other Governmental Funds	Total Governmental Funds
Cash **(Notes 2 and 5)**	$ 570,266	$ 258,158	$ 1,895,494	$ -	$ -	$ 839,114	$ 3,563,032
Cash with fiscal agent **(Notes 2 and 5)**				1,387,301	1,504,967	626,494	3,518,762
Cash restricted		48,673					48,673
Accounts receivable:							
Municipal license taxes **(Note 7)**	10,274						10,274
Landfill	232,992						232,992
Due from agencies **(Note 9)**	34,017				12,763	102,661	149,441
Due from other funds **(Note 10)**	660,132					38	660,170
Total assets	$ 1,507,681	$ 306,831	$ 1,895,494	$ 1,387,301	$ 1,517,730	$ 1,568,307	$ 8,183,344

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

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COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
BALANCE SHEET-GOVERNMENTAL FUNDS
JUNE 30, 2010

Liabilities and Fund Balance	General	Housing and Urban Development Programs	State Assigments	Loan $ 2,045,000	Debt Service	Other Governmental Funds	Total Governmental Funds
Liabilities							
Accounts payable and accrued liabilities	$ 163,672	$ 72,649	$ 82,136	$ -	$ -	$ 374,541	$ 692,998
Due to other agencies **(Note 12)**	126,559	27,489					154,048
Due to other funds **(Note 10)**	38	304,744	13,607			341,781	660,170
General obligations:							
Bonds					385,000		385,000
Interest					87,052		87,052
Deferred revenues **(Note 13)**:							
Municipal license tax	837,948						837,948
Federal government		27,327					27,327
Total liabilities	1,128,217	432,209	95,743	-	472,052	716,322	2,844,543
Fund Balances							
Reserved for:							
Encumbrances	260,806						260,806
Debt service					1,045,678		1,045,678
Capital project							
Unreserved fund balance (Deficit)	118,658	(125,378)	1,799,751	1,387,301		851,985	4,032,317
Total fund balance	379,464	(125,378)	1,799,751	1,387,301	1,045,678	851,985	5,338,801
Total liabilities and fund balance	$ 1,507,681	$ 306,831	$ 1,895,494	$ 1,387,301	$ 1,517,730	$ 1,568,307	$ 8,183,344

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

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COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
JUNE 30, 2010

Total fund balances - governmental funds	$ 5,338,801
Amounts reported for governmental activities in the statement of net assets are different because:	
• Capital assets, net used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet	24,635,758
• Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. **(Note 4)**	(13,051,466)
Net assets of governmental activities	$ 16,923,093

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

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COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-GOVERNMENTAL (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General	Housing and Urban Development Programs	State Assigments	Loan $ 2,045,000	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES							
Property taxes **(Note 6)**	$ 2,144,700	$ -	$ -	$ -	$ 766,977	$ -	$ 2,911,677
Municipal license taxes **(Note 7)**	1,030,927						1,030,927
Sales and uses tax **(Note 8)**	550,000				365,181	443,708	1,358,889
Licenses and permits	196,772						196,772
Charges for service and rents	2,026,594						2,026,594
Intergovernmental revenues **(Note 14)**:							
Federal grants and contributions		698,319				313,028	1,011,347
State contributions	6,459,701		33,202			1,112,100	7,605,003
Interest, fines, and penalties	45,827				1,225	192	47,244
Other revenues	365,806	31,398				21,835	419,039
Total revenues	12,820,327	729,717	33,202	-	1,133,383	1,890,863	16,607,492
EXPENDITURES							
General government	6,996,020			8,899		451,438	7,456,357
Public safety	876,881					77,164	954,045
Public works	3,075,149					374,455	3,449,604
Culture	209,361						209,361
Recreation	744,703						744,703
Health and welfare	128,596	708,698	27,469				864,763
Capital outlays		329,673	639,189	648,800		1,864,489	3,482,151
Debt service:							
Principal retirement					572,281		572,281
Interest and other	394,712				270,238		664,950
Total expenditures	12,425,422	1,038,371	666,658	657,699	842,519	2,767,546	18,398,215
Excess (deficiency) of revenues over expenditures	394,905	(308,654)	(633,456)	(657,699)	290,864	(876,683)	(1,790,723)
OTHER FINANCING SOURCES (USES)							
Loan proceeds				2,045,000			2,045,000
Transfers in	569				85,446		86,015
Transfers out	(85,446)				(569)		(86,015)
Total other financing sources (uses)	(84,877)	-	-	2,045,000	84,877	-	2,045,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	310,028	(308,654)	(633,456)	1,387,301	375,741	(876,683)	254,277
FUND BALANCE AT BEGINNING OF YEAR AS RESTATED (Note 22)	69,436	183,276	2,433,207	-	669,937	1,728,668	5,084,524
FUND BALANCE (DEFICIT) AT END OF YEAR	$ 379,464	$ (125,378)	$ 1,799,751	$ 1,387,301	$ 1,045,678	$ 851,985	$ 5,338,801

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

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COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds	$ 254,277
Amounts reported for governmental activities in the statement of activities are different because:	
• Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	3,567,401
• Depreciation expense on capital assets is reported in the statement of activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.	(1,329,673)
• Governmental funds report issuance of long-term debt as other financial sources because provides current financial resources.	(2,045,000)
• Governmental funds report principal payments on long-term obligations as expenditures, whereas the principal payments reduces the long-term obligations in the statement of	572,281
• Change in accrued interest expense which does not require the use of current financial resources.	(47,635)
• Some expenditures reported in the governmental funds do not require the use of current financial resources; therefore, are not reported as expense in statement of activities:	
Accrued vacations and bonus	(303,106)
Changes in net assets of governmental activities	$ 668,545

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COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL - GENERAL AND DEBT SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund				Debt Service Fund			
	Budgeted Amounts			Variance with Final Budget-Positive	Budgeted Amounts			Variance with Final Budget-Positive
	Original	Final	Actual	(Negative)	Original	Final	Actual	(Negative)
REVENUES								
Property taxes	$ 2,210,010	$ 2,210,010	$ 2,210,010	$ -	$ 646,901	$ 646,901	$ 766,977	$ 120,076
Municipal license taxes	1,000,000	1,000,000	1,001,799	1,799				
Licenses and permits	387,000	387,000	196,772	(190,228)				
Sales and use taxes	690,000	690,000	550,000	(140,000)			365,181	365,181
Charges for service and rents	1,968,989	1,968,989	2,108,168	139,179				
Intergovernmental revenues:								
State contributions	5,824,555	5,824,555	4,598,369	(1,226,186)				
Interest, fines, and penalties	85,000	85,000	45,827	(39,173)			1,225	1,225
Other revenues	203,000	203,000	184,529	(18,471)				
Total revenues	12,368,554	12,368,554	10,895,474	(1,473,080)	646,901	646,901	1,133,383	486,482
EXPENDITURES								
General government	6,944,407	6,893,730	5,874,291	1,019,439				
Public safety	918,616	911,144	882,354	28,790				
Public works	3,250,891	3,275,350	3,104,016	171,334				
Culture	235,809	223,242	209,814	13,428				
Health and welfare	266,328	275,401	135,515	139,886				
Recreation	752,503	789,687	764,851	24,836				
Debt service:								
Principal				-	334,174	334,174	572,281	(238,107)
Interest				-	312,727	312,727	270,238	42,489
Total expenditures	12,368,554	12,368,554	10,970,841	1,397,713	646,901	646,901	842,519	(195,618)
Excess (deficiency) of expenditures over (under) revenues	$ -	$ -	$ (75,367)	$ (75,367)	$ -	$ -	$ 290,864	$ 290,864

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

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COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

1. ORGANIZATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

- Management's Discussion and Analysis - Introduces the basic financial statements and provides an analytical overview of the Municipality's financial activities.

- Government - Wide Financial Statements - The reporting model includes financial statements prepared using full accrual of accounting for all of the government's activities. This approach includes not just current assets and liabilities, but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt).

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- Statement of Net Assets - The statement of net assets is designed to display the financial position of the Municipality, including capital assets and infrastructure. The net assets of the Municipality will be broken down into three categories; invested in capital assets, net of related debt; restricted; and unrestricted.

- Statement of Program Activities - The government - wide statement of activities report expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function.

- Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Under the reporting model, the Municipality will continue to provide budgetary comparison information in their financial statements. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

The following is a summary of the more significant policies.

a. Reporting Entity

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," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units - an amendment of GASB Statement No. 14". The basic, but not the only criterion for including a potential component unit within the reporting entity is if elected officials of a primary government appoints a voting majority of the entity's governing body, and if either one of the following conditions exist: the primary government can impose its will on the other entity or the potential exist 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.

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GASB Statement No. 39 provided additional guidance to determine whether certain organization for which the primary government is not financially accountable should be reported as components units, A legally separate, tax-exempt organization should be discretely presented as a component unit if all of the following criteria are met: (a) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (b) the primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, and; (c) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government. GAAP details two methods of presentation: blending the financial data of the component units' balances and transactions in a manner similar to the presentation of the Municipality's balances and transactions or discrete presentation of the component units' financial data in columns separate from the Municipality's balances and transactions.

The Moca Housing Project is included in the basic financial statements as a discretely component unit because of the nature of the services they provide and the Municipality's ability to impose its will.

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

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all the activities of the Municipality. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported mainly by taxes and intergovernmental revenues.

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The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statements segregate transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within the current period or soon enough thereafter. Expenditures generally are recorded when a liability is incurred, as under an accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Municipality reports the following major governmental funds:

- General Fund

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

- Housing and Urban Development Programs (HUD Programs)

  This fund account for revenue sources for the development of viable urban communities, decent housing, suitable living environment, rental assistance to help very low-income families afford decent, safe and sanitary housing by encouraging property owners to rehabilitate substandard housing and lease the units with rental subsidies to low-income family.

- State Assignment Fund

  This fund used to account for transactions of the State Assignments by Legislature Resolutions. The primarily objective of these assignments is the development of projects on communities, not-for-profit organizations, purchase of equipment and indirect assignment to persons of low and moderate income.

- Loan Improvement Fund

  This fund is used to account for the financial resources used for the acquisition and construction, financed with the proceed of general obligation bonds.

- Debt Service Fund

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

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Private-section standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, licenses, permits, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

d. Cash and Cash with Fiscal Agent

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

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

e. Interfund Receivables and Payables

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

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to/from other funds (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds.

f. Capital Assets

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

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation in capital assets is calculated on the straight-line basis over the following estimated useful lives:

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

g. Reservation of Fund Balance

Reservations of fund balance represent portions of fund balance that are legally segregated for a specific future use or are not appropriated for expenditure. The Municipality has the following reservations of fund balance:

- Encumbrances

  Represent future expenditures under purchase orders, contracts and other commitments. These committed amounts generally will become liabilities in future periods as the goods or services are received.

- Debt Service

  Represents net assets available to finance future debt service payments.

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- Capital Projects Fund

  Represents the reservation of amounts to be used for future expenditures for capital projects under contract and other commitments. The committed amounts generally will become liabilities in future periods as the projects are completed.

h. Risk Financing

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

Cost of insurance allocated to the Municipality and deducted from the gross property tax collections by the Municipal Revenue Collection Center (the "CRIM") for the year ended June 30, 2010 amounted to approximately $224,466. The current insurance policies have not been cancelled or terminated. The CRIM also deducted by $279,836 for workers' compensation insurance covering all municipal employees.

i. Compensated Absences

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

j. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and

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

k. Future Adoption of Accounting Pronouncements

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

Statement Number	Statement Name	Adoption Required in Fiscal Year
54	Fund Balance Reporting and Governmental Fund Type Definitions	2010-11
57	OPEB Measurements by Agent Employers and Agent Multiple – Employer Plans	2011-12
59	Financial Instrument Omnibus	2010-11

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

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

a. Budgetary Control

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

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The Municipality prepares its annual budget including the operations of the general and the debt service funds.

Revenues and Expenditures - Budget and Actual (Budgetary Basis), accordingly, includes only the operations of the general and the debt service funds. The amounts budgeted under the Special Revenue Fund were excluded since they are received and expended over a period of time which generally exceeds the current year.

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

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

The annual budget is presented in the Combined Statement of Revenues and Expenditures - Budget and Actual (Budgetary Basis) is the budget ordinance to June 30, 2010 representing the original budget.

b. Budget/GAAP Reconciliation

The following schedule presents comparisons of the legally adopted budget with actual data on a budget basis. Because accounting principles applied for purposes of developing data on a budget basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of entity and timing differences in the excess of revenues and other financing sources over expenditures and other financing uses for the year ended June 30, 2010 is presented below for the general and debt service funds:

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	General Fund	Debt Service
Excess (deficiencies) of revenues over (under) expenditures-budgetary basis	$ (75,367)	$ 290,864
Entity differences:		
Non-budgeted expenditures	1,028,822	
Non-budgeted transfers in	569	85,446
Non-budgeted transfers out	(85,446)	(569)
Timing differences:		
Current year encumbrances recorded as expenditures for budgetary basis	260,806	
Prior year encumbrances	(819,356)	
Excess of revenues over expenditures - GAAP basis	$ 310,028	$ 375,741

c. Legal Compliance

The legal level of budgetary control is at the individual department level for general fund expenditures, and principal and interest due for the debt service fund.

4. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund balance sheet includes a reconciliation between fund balance-governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of the approximately $13 million differences are as follows:

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Bonds payable	$ 6,295,000
Landfill obligation	2,475,000
Compensated absences	2,239,528
Note payable	1,523,320
Accrued interest	464,180
CRIM-LIMS	54,438
Net adjustment to reduce fund balance governmental funds to arrive at net assets of governmental activities	$ 13,051,466

5. DEPOSITS - CUSTODIAL CREDIT RISK

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

The deposits at GDB of approximately $2,013,795 that are restricted principally for capital projects and general fund, and the $1,504,967 in the debt service fund are unsecured and uncollateralized, as no collateral is required to be carried by governmental banks.

The Municipality maintains its investments in two (2) banks located at Puerto Rico. All kind of deposit is guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000.The excess is covered by collateral provided by banks and held by the Treasury Department of the Commonwealth of Puerto Rico pursuant to applicable laws and regulations.

6. PROPERTY TAXES

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

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

	Real	Personal
Basic property	6.00%	4.00%
Additional special property - state	1.03%	1.03%
Additional special property - municipal	2.75%	1.75%
Discounts made by state to tax payer	(0.2%)	(0.2%)
	9.58%	6.58%

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

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

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

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

Prior to the beginning of each fiscal year, the CRIM informs the Municipality of the estimated amount of property tax expected to be collected for the ensuring fiscal year. Throughout the year, the CRIM advances funds to the Municipality based on the initial estimated collections. The CRIM is required by law to prepare a settlement statement

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on a fiscal year basis, whereby a comparison is made between the amounts advanced to the Municipality and amounts actually collected from taxpayers. This settlement has to be completed on a preliminary basis not later than three months after fiscal year-end, and a final settlement made not later than six months after a year end. If the CRIM remits to the Municipality property tax advances, which are less than the tax actually collected, a receivable from the CRIM is recorded at June 30. However, if advances exceed the amount actually collected by the CRIM, a payable to the CRIM is recorded at June 30.

Currently, the Municipality has received the preliminary settlement from CRIM related to fiscal year 2009-10, but not the final settlement as the six months period after a fiscal year end, provided by law to CRIM to issue this, has not yet expired. Management believes, based in part on the experience from prior years, that when received, the final settlement from CRIM will not show a significant difference from the preliminary settlement and that such difference, if any, will not have a material effect on the financial condition of the Municipality.

Based on the preliminary settlement already received, for the year ended June 30, 2010, the amount collected from taxpayers and charges by CRIM received by the Municipality is less than amount advanced by CRIM for the same period by approximately $9,151. Such amount is presented as due to CRIM in the government wide financial statements.

7. 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, 2010. The annual Municipal License Tax is determined based on the gross income of all commerce and industrial organizations who have operations in the Municipality of Moca, and are not totally or partially exempt under the Industrial Incentive Law of Puerto Rico.

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

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

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The amounts collected in advance are recorded as deferred revenues in the General Fund. The Municipality invoiced and collected in advance during the current year approximately $837,948, corresponding to the next fiscal year municipal license.

8. SALES AND USE TAXES

On July 29, 2007 the Commonwealth Legislature approved Act No. 80 ("Act 80") which imposed to all the Municipalities of Puerto Rico a uniform municipal sales and use tax of 1.5%. Effective August 1, 2007 1% of the 1.5% will be collected by the Municipalities and the remaining .5% of the 1.5% will be collected by the Puerto Rico Department of Treasury.

Act 80 also provides for restrictions on the use of the resources (including the .5 of 1.5% collected by the Commonwealth Government) to be invested in solid waste and recycling programs, capital improvements and health and public safety costs. Amount collected by the Commonwealth Government will be deposited in accounts or special funds in the Governmental Development Bank of Puerto Rico ("GDB"), subject to restrictions imposed and distributed as follows:

a. .2% of the .5% will be deposited in a "Municipal Development Fund" to finance costs as restricted by the Act,

b. .2% of the .5% will be deposited in a "Municipal Redemption Fund" to finance loans to municipalities subject to restrictions imposed by the Act and,

c. .1% of the .5% will be deposited in a "Municipal Improvement Fund" to finance capital improvement projects; these funds will be distributed based on legislation from the Commonwealth's Legislature.

9. DUE FROM OTHER AGENCIES

Represents grants and contributions due from local and federal agencies:

Municipal Revenues Collection Center (General Fund)	$ 34,017
Municipal Revenues Collection Center (Debt Service Fund)	12,763
Human Resources and Occupational Development Council	102,661
Total	$ 149,441

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10. INTERFUND TRANSACTIONS

a. Due From/To Other Funds:

The due from and due to other fund balances as of June 30, 2010 are as follows:

Receivable Fund	Payable Fund	Amount
General	Other Governmental Funds	$ 341,781
General	HUD-SBGP	304,744
General	State Assigment	13,607
Other Governmental Funds	General	38
		$ 660,170

b. Interfund Transfers:

Interfund transfers for the year ended June 30, 2010 consisted of the following:

Transfer In	Transfer Out	Amount
Debt Service	General Fund	$ 85,446
General Fund	Debt Service	569
		$ 86,015

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

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11. CAPITAL ASSETS

Capital asset activity for the Municipality for the year ended June 30, 2010 was as follows:

Primary Government	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 2,575,456	$ 683,800	$ -	$ 3,259,256
Construction in progress	97,714	1,077,777	97,714	1,077,777
Total capital assets, not being depreciated	2,673,170	1,761,577	97,714	4,337,033
Capital assets, being depreciated:				
Buildings and building improvements	17,839,474	508,553		18,348,027
Furniture and fixture	1,030,691	10,874		1,041,565
Vehicles and equipment	7,999,703	285,159		8,284,862
Infrastructure	9,291,160	1,098,952		10,390,112
Total capital assets, being depreciated	36,161,028	1,903,538	-	38,064,566
Less accumulated depreciation for:				
Buildings and building improvements	4,371,664	416,653		4,788,317
Furniture and fixture	656,789	65,447		722,236
Vehicles and equipment	5,390,002	683,283		6,073,285
Infrastructure	6,017,713	164,290		6,182,003
Total accumulated depreciation	16,436,168	1,329,673	-	17,765,841
Total capital assets, being depreciated, net	19,724,860	573,865	-	20,298,725
Governmental activities capital assets, net	$ 22,398,030	$ 2,335,442	$ 97,714	$ 24,635,758

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

General government	$ 630,651
Public safety	82,617
Recreation	28,164
Public works	588,241
Total depreciation expense-governmental activities	$ 1,329,673

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Capital asset activity for Moca Housing Project, a discretely presented component unit, for the year ended June 30, 2010 was as follows:

Component Unit-Moca Housing Project	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010
Capital assets, not being depreciated:				
Land	$ 60,900	$ -	$ -	$ 60,900
Total capital assets, not being depreciated	60,900	-	-	60,900
Capital assets, being depreciated:				
Land improvements	68,916			68,916
Buildings and building improvements	2,110,388			2,110,388
Building equipment	353,110	2,904		356,014
Furniture and fixtures	46,803	770		47,573
Equipment	14,284			14,284
Total capital assets, being depreciated	2,593,501	3,674	-	2,597,175
Less accumulated depreciation	1,934,993	62,212		1,997,205
Total accumulated depreciation	1,934,993	62,212	-	1,997,205
Total capital assets, being depreciated, net	658,508	(58,538)	-	599,970
Moca Housing Project capital assets, net	$ 719,408	$ (58,538)	$ -	$ 660,870

12. DUE TO OTHER AGENCIES

Due to other agencies at June 30, 2010 are as follows:

Puerto Rico Retirement System Administration	$ 84,124
Puerto Rico Water and Sewer Authority	30,128
Puerto Rico General Services Administration	2,490
Puerto Rico Treasury Department	666
Municipal Revenues Collection Center	9,151
U. S. Department of Housing and Urban Development	27,489
Total	$ 154,048

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13. DEFERRED REVENUES

a. Municipal License Tax

The deferred revenues of $837,948 in the general fund related to municipal license tax collected in fiscal year 2009-10 that will be earned in fiscal year 2010-11.

b. Federal Government

The deferred revenues presented as federal government represents the portion of federal grants received for which qualifying expenditures have not been incurred. The amounts were determined taking into consideration the specific years of the grant. The balance of $27,327 in the HUD Program is related to the Section 8 Existing Program.

14. INTERGOVERNMENTAL REVENUES

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

The general fund intergovernmental revenues are as follows:

Puerto Rico Electric Power Authority	$1,861,331
Puerto Rico Treasury Department (Christmas Bonus)	189,638
Equalization Fund (.20 hundredth)	4,408,732
Total	$6,459,701

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15. LONG-TERM DEBTS

Bonds and other long-term liabilities outstanding at June 30, 2010 are as follows:

Bonds

$2,780,000 series of 1995, payable in annual installments of $40,000 to $270,000 until July 1, 2017, interest ranging from 4.7% to 6.63%.	$ 1,480,000
$430,000 series of 2002, payable in annual installments of $5,000 to $35,000 until July 1, 2027, interest ranging from 5% to 6.5%.	360,000
$455,000 series of 2002, payable in annual installments of $5,000 to $35,000 until July 1, 2027, interest ranging from 5% to 6.5%.	385,000
$265,000 series of 2006, payable in annual installments of $5,000 to $25,000 until July 1, 2030, interest ranging from 6.25% to 7.25%.	240,000
$635,000 series of 2007, payable in annual installments of $25,000 to $65,000 until July 1, 2021, interest ranging from 6.60% to 7.25%.	525,000
$415,000 series of 2008, payable in annual installments of $5,000 to $35,000 until July 1, 2032, interest from 6.48% to 7.50%.	400,000
$915,000 series of 2008, payable in annual installments of $15,000 to $75,000 until July 1, 2032, interest from 5.40% to 7.50%.	885,000
$2,045,000 series of 2009, payable in annual installments of $25,000 to $165,000 until July 1, 2034, interest from 6.00% to 7.00%.	2,020,000
Total bonds payable	$ 6,295,000

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Notes

$385,000 series of 2006, payable in annual installments of $45,000 to $65,000 until July 1, 2012; interest ranging from 4.23% to 5.33%.	$ 125,000
$835,000 series of 2008, payable in annual installments of $95,000 to $150,000 until July 1, 2008, interest ranging from 6.48% to 7.50%.	530,000
$890,000 series of 2008, payable in annual installments of $100,000 to $160,000 until July 1, 2015, interest ranging from 5.40% to 7.50%.	680,000
Note payable to CRIM (Financing of delinquent accounts) - On April 2, 2002, the Municipality entered into a financing agreement with the CRIM in the amount of $260,193 to finance delinquent property tax accounts sold to private investors, under the provision of Law No. 146 of October 11, 2001. The agreement is in the form of a non revolving line of credit bearing interest of 6.5% for the first five years and variable for the next 25 years at 125 points over London Interbank offered Rate (LIBOR) and is due on December 1, 2032. As described in Law No. 146, interest payments for the first five years will be financed through .48% of the net increase of the subsidy provided by the Commonwealth of Puerto Rico's general fund. Also, during the first five years any collection from those delinquent accounts will be credited to the loan principal. After the 5 year period the loan outstanding balance will be restructured for 25 years period.	188,320
Total notes payable	$ 1,523,320

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Other Long-term Liabilities

Note payable to CRIM (LIMS) - On June 27, 2001, the Municipality entered into a financing agreement with the CRIM in the amount of $286,847 for the payment of the Municipality's share of the cost of a management information system (LIMS) acquired by the CRIM for the management of taxpayer's properties located in Puerto Rico. The note is payable in semiannual installments of $38,472, including interest of 5.95% and is due on November 28, 2011. Amount is financed with unrestricted funds through withholdings from the advances of property tax and amounts of municipal equalization fund sen to the Municipality by the Municipal Revenue Collection Center	$ 54,438
Total other long-term liabilities	$ 54,438

The annual debt service requirements for the bonds payable and notes payable at June 30, 2009, are as follows:

	Bonds		*Notes Payable*	
	Principal	**Interest**	**Principal**	**Interest**
2011	$ 285,000	$ 347,321	$ 303,560	$ 116,859
2012	310,000	405,372	323,560	68,330
2013	335,000	385,348	278,560	82,506
2014	355,000	363,167	303,560	61,399
2015	390,000	341,456	168,560	43,491
2016-2020	1,525,000	1,350,028	42,800	54,595
2021-2025	1,090,000	933,537	42,800	29,283
2026-2030	1,195,000	540,995	42,800	15,973
2031-2035	810,000	132,500	17,120	3,195
	$6,295,000	$ 4,799,724	$ 1,523,320	$ 475,631

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Component Unit

The mortgage payable by the discretely component unit is owed by Moca Housing Project and consists of an 8% mortgage note, payable in monthly installments of $12,193, including interest, until 2017, collateralized with land and building.

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

Year Ended June 30,	Amount
2011	$ 81,639
2012	88,065
2013	94,996
2014	102,473
2015	110,537
2016-2017	293,520
	$ 771,230

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 $2.5 million as the Municipality's estimated current cost for landfill closure as of June 30, 2010. 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 $2.5 million are reported in the statement of net assets because it will not be funded with available expendable financial resources at June 30, 2010.

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Long-term liability activity for the year ended June 30, 2010 was as follows:

Primary Government	Beginning Balance	Additions	Payments	Ending Balance	Due within One Year
Governmental Activities:					
Bonds payable	$ 4,500,000	$ 2,045,000	$ 250,000	$ 6,295,000	$ 285,000
Notes payable	1,811,880		288,560	1,523,320	303,560
Total long-term debt	6,311,880	2,045,000	538,560	7,818,320	588,560
Other long-term liabilities:					
Landfill obligation	2,475,000			2,475,000	
CRIM - LIMS	88,159		33,721	54,438	35,757
Compensated absences	1,936,422	303,106		2,239,528	
Total other liabilities, governmental activities	4,499,581	303,106	33,721	4,768,966	35,757
Total noncurrent liabilities, governmental activities	$ 10,811,461	$ 2,348,106	$ 572,281	$ 12,587,286	$ 624,317

Component Unit:	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Moca Housing Project mortgage payable	$ 845,778	$ -	$ 74,548	$ 771,230	$ 81,639

16. RETIREMENT PLAN

d. Plan Description

The Employee's Retirement System of the Government of Puerto Rico and its Instrumentalities (ERS) is the administrator of a cost-sharing multiple-employer retirement system established by the Commonwealth of Puerto Rico. The System 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 retirement's systems.

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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 or members who have attained an age of at least fifty-eight (58) years and have completed 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, plus 2% 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 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.

On September 24, 1999, an amendment to Act No. 447 of May 15, 1951, which created ERS, was enacted with the purpose of establishing a new pension program (System 2000). Employees participating in the current system as of December 31, 1999, may elect to stay in the defined benefit plan or transfer to the

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new program. Persons joining the Municipality on or after January 2000, will only be allowed to become members of System 2000. System 2000 will reduce the retirement age from 65 years to 60 for those employees who joined the current plan on or after April 1, 1990.

System 2000 is a hybrid defined contribution plan, also known as a cash balance plan. Under this new plan, there will be a pool of pension assets, which will be invested by ERS, together with those of the current defined benefit plan. Benefits at retirement age will not be guaranteed by the Commonwealth of Puerto Rico. The annuity will be based on a formula which assumes that each year the employee's contribution (with a minimum of 8.275% of the employee's salary upon to a maximum of 10%) will be invested in an account which will be either: (1) earn a fixed rate based on the two-year Constant Maturity Treasury Note or, (2) earn rate equal to 75% of the return of the ERS's investment portfolio (net of management fees), or (3) earn a combination of both alternatives. Participants will receive periodic account statements similar to those of defined contribution plans showing their accrued balances. Disability pensions will not be granted under System 2000. The employer's contribution (9.275% of the employee's salary) will be used to fund the current plan.

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's 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, 2010 was approximately $411,237. The Municipality's payroll for employees covered by ERS was approximately $5.5 million. The Municipality total payroll for all employees was approximately $7.0 million.

Additional information on the ERS is provided in its financial statements for the year ended June 30, 2010, a copy of which can be obtained from the ERS, Minillas Station, PO Box 42003, San Juan, PR 00940.

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17. RISK MANAGEMENT

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

18. LEASES

Operating Leases

Leasing Arrangement with the Municipality as Lessor:

a. The Municipality leases spaces in its Market Place and Transportation center under operating lease agreements with terms ranging from one to five years.

b. Total income from leases during the year ended June 30, 2010 was approximately $18,220.

c. The Municipality retains title to its leased property. The lessee pays taxes, licenses, insurance, and maintenance costs of the leased assets.

Leasing arrangements with the Municipality as lessee.

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

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19. LANDFILL CLOSURE AND POSTCLOSURE COSTS

The Municipality adopted the provisions of Statement No. 18, Accounting for Municipal solid Waste Landfill Closure and Postclosure Care Costs issued by the Governmental Accounting Standard Board. This statement established standards for accounting and reporting for solid waste landfill costs owned by governmental entities (including the Municipality) that are required by federal and local laws and regulations to incur closure and postclosure care costs.

According to this statement, closure and postclosure care costs are recorded while the landfill is operating. The Municipality has determined that the present value of total estimated closing costs and post closing care costs amount to $2,475,000. (See Note 15).

20. 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 believes 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 outside counsels believe that is probable that any potential liability that might exist, if any, in excess of the insurance, will not affect significantly the financial position of the Municipality.

21. COMMITMENTS

The Municipality of Moca had several outstanding or planned construction projects as of June 30, 2010. These projects are evidenced by contractual commitments with contractors. The construction projects are commitments of the Other Governmental fund that amounted to approximately $1,622,354.

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22. RESTATEMENTS

General fund and HUD fund at the beginning of year have been adjusted to reflect the following restatements:

	General Fund	HUD Programs
Beginning balance of the year as previously reported	$ 128,256	$ 124,456
Adjustment in due to/from other fund	(58,820)	58,820
Beginning balance of the year as restated	$ 69,436	$ 183,276

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COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor/Program Title	Federal CFDA Number	Federal Disbursements/ Expenditures
U.S. Department of Housing and Urban Development (HUD)		
Direct Program:		
Section 8 Vouchers Program	14.871	$ 329,251
Pass-through State -Commonwealth of Puerto Rico/Commissions Office of Municipal Affairs - Community Development Block Grant - States Program SBGP	14.228	681,320
Pass-through Department of Family:		
Homeless Prevention And Rapid Re-Housing Program (Recovery Act Funded)	14.257	27,800
Subtotal U.S. Department of HUD		1,038,371
U.S. Department of Labor		
Pass-through Human Resources and Occupational Development Council:		
Younth Program Activities	17.259	231,200
Subtotal U.S. Department of Labor		231,200
U.S. Department of Health and Human Services (HHS)		
Pass-through the Puerto Rico Elderly Commission:		
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers	93.044	23,052
Special Programs for the Aging Title III, Part E, National Family Caregivers Support	93.052	11,035
Subtotal U.S. Department of HHS		34,087
U.S. Department of Homeland Security		
Pass-through Department of Justice of Puerto Rico		
State Domestic Preparedness Equipment Support Program	97.004	77,164
Subtotal U.S. Department of DHS		77,164
TOTAL		$ 1,380,822

See notes to schedule of expenditures of federal awards.

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COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

1. SIGNIFICANT ACCOUNTING POLICIES

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

2. BASIS OF PRESENTATION

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

	Expenditures
Expenditures as per basic financial statements:	
Housing and Urban Development Programs	$ 1,038,371
General Fund	34,087
Federal expenditures included within the other nonmajor governmental funds	308,364
Total expenditures per schedule of expenditures of federal awards	$ 1,380,822

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Ortiz, Rivera, Rivera & Co.
Certified Public Accountants and Business Advisors

CPA Orlando Luis Ortiz Cabrera
CPA Marco Antonio Rivera Zúñiga
CPA Luis Rivera Zúñiga
CPA Zoraida Cruz Claudio

Members:
American Institute of Certified Public Accountants (AICPA)
Puerto Rico Board of Certified Public Accountants

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

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Municipality of Moca, as of and for the year ended June 30, 2010, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated December 21, 2010. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Municipality of Moca' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a control deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatements of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality of Moca' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Municipality of Moca in a separate letter dated December 21, 2010.

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
December 21, 2010

Ortiz, Rivera, Rivera & Co.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited Municipality of Moca's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each Municipality of Moca' major federal programs for the year ended June 30, 2010. Municipality of Moca' 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' management. Our responsibility is to express and opinion on Municipality of Moca' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. 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

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examining, on a test basis, evidence about Municipality of Moca' 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 compliance with those requirements.

In our opinion, the Municipality of Moca complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control over Compliance

The management of Municipality of Moca is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Municipality of Moca internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control over compliance.

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

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

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This report is intended solely for the information of the management, Commissioner Office of Municipal Affairs, others within the entity 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.

Ortiz, Rivera, Rivera & Co.

San Juan, Puerto Rico
December 21, 2010

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COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

1. SUMMARY OF AUDIT RESULTS

a. The auditors' report expresses an unqualified opinion on the basic financial statements of the Municipality of Moca.

b. There were no significant deficiencies on internal control.

c. No instances of noncompliance material to the financial statements of Municipality of Moca were disclosed during the audit.

d. There were no significant deficiencies on internal controls over major programs.

e. The auditor's report on compliance with requirements applicable to federal award programs for Municipality of Moca express an unqualified opinion.

f. Audit findings relative to the major federal award programs for the Municipality of Moca are reported in number 3 of this schedule.

g. The programs tested as major programs included:

SBGP - CFDA No. 14.228
Section 8 – CFDA No. 14.871

h. The threshold for distinguishing types A and B programs was $300,000.

i. Municipality of Moca was determined to be a low-risk auditee.

2. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

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

None

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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, 2010

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 Audits Findings and Questioned Costs.

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