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

MUNICIPIO DE MOCA
AUDITORÍA 2012-2013

30 DE JUNIO DE 2013

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA

BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2013

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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PART I – FINANCIAL SECTION

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

CPA Orlando Luis Ortiz Cabrera
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Members:
American Institute of Certified Public Accountants (AICPA)
AICPA's Private Companies Practice Section (PCPS)
Puerto Rico Board of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Municipality of Moca as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the table of contents. We did not audit the financial statements of Moca Housing Project, as of June 30, 2013. 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 other auditors.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, each major fund, and the aggregate remaining fund information of the Municipality of Moca, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-8 and 46-47 be presented to supplement the basic financial statements. Such information, although not a part of the basic 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, economical, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality of Moca's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013, on our consideration of the Municipality of Moca's internal control over financial reporting an on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Municipality of Moca's internal control over financial reporting and compliance.

San Juan, Puerto Rico
December 20, 2013

Ortiz, Rivera, Rivera & Co.

The stamp E65044 of the Puerto Rico Society of Certified Public Accountants was affixed 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, 2013. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in the accompanying basic financial statements.

USING THIS ANNUAL REPORT

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

FINANCIAL HIGHLIGHTS

- *The Municipality net position decreased by $890,989.*
- *In the fund financial statements, general fund balance decreased by $374,352.*
- *Capital expenditures amounted to $4,054,394.*

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, 2012 even if cash involved have not been received or paid. The government-wide financial statements include: (1) the statements of net position and (2) the statement of activities.

Statement of Net Position

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

Statement of Activities

The statement of activities presents information showing how the Municipality's net position changed during the fiscal year ended June 30, 2013. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the Municipality.

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

Fund Financial Statements

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

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

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

FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE

Net Position

As noted earlier, net position may serve over time as a useful indicator of the Municipality's financial position. In the case of the Municipality, assets exceeded liabilities by $15,823,419 at June 30, 2013.

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

Changes in Net position

The Municipality's net position decreased by $890,989. Approximately 51 percent of the Municipality's total revenue came from grants and contributions, including federal aid, while 49 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, 2013 and 2012

	2013	2012
Program revenues		
Charges for services	$ 2,794,673	$ 3,360,013
Licenses and permits		
Operating grants and contributions	1,643,150	1,842,298
Capital grants and contributions		
General revenues		
Property taxes	3,491,142	3,787,801
Municipal license tax	1,487,258	1,052,631
Grants and contributions not restricted to specific programs	6,907,840	8,060,256
Interest, fines and penalties	336,289	115,344
Miscellaneous	247,056	850,158
Total revenues	16,907,408	19,068,501
Expenses		
General government	7,789,201	8,084,215
Public safety	1,081,903	1,050,700
Public works	5,443,241	6,678,639
Culture	212,462	223,627
Recreation	1,035,265	991,996
Health and welfare	1,335,282	2,048,292
Interest on long-term debt	901,043	810,882
Total expenses	17,798,397	19,888,351
Change in net position	(890,989)	(819,850)
Net position, beginning of year	16,714,408	17,534,258
Net position, end of year	$ 15,823,419	$ 16,714,408

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 $ 8,309,315, a decrease of $2,562,706 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 ($2,456,19).

The general fund is included within the governmental funds; it is the operating fund of the Municipality. As of June 30, 2012 the general fund has a surplus of $258,218. The surplus decreased by $374,352 during fiscal year ended June 30, 2013.

Notes to the Financial Statements

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

Required Supplementary Information

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Municipality's investment in capital assets as of June 30, 2013, amounts to $50.7 million, net of accumulated depreciation of $22.3 million, leaving a net book value of $28.4 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 8% in terms of net book value. Actual expenditures to purchase or construct capital assets were $4.0 million for the year. Depreciation charges for the year totaled $1.6 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, 2013 the Municipality has $961,673 of unexpended proceeds from bond issuances that are committed to future construction activities.

Long-Term Debt

At year-end, the Municipality had $ 19,838,900 in general and special bonds and notes and other long term debts. Such amount represents an increase of 6 percent with respect to prior year. The following is a summary of the Munipality's outstanding *debt as of June 30, 2013 and 2012:*

Municipality of Moca
Outstanding Long-term Debt
June 30, 2013 and 2012

	2013	2012
General and special obligations	$ 11,417,629	$ 11,626,200
Other long term debts:		
Landfill obligation	4,736,667	4,410,000
ASES	1,328,677	983,392
Compensated absences	2,355,927	2,331,438
Total	$ 19,838,900	$19,351,030

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Municipality's selected and appointed officials considered many factors when setting the fiscal year 2013-2014 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 2014 will be $13.8, a increase of approximately 4% 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 POSITION
JUNE 30, 2013

	Governmental Activities	Moca Housing Project
Assets		
Cash **(Notes 2 and 4)**	$ 3,162,359	$ 71,622
Cash with fiscal agent **(Notes 2 and 4)**	7,701,990	
Accounts receivable:		
Municipal licenses taxes	8,285	
Landfill	109,706	
Property taxes	15,682	
Sales taxes	59,219	
Due from agencies **(Note 5)**	237,519	
Other assets		18,408
Restricted funds		281,354
Capital assets, net **(Note 9)**	28,274,030	506,460
Total assets	$ 39,568,790	$ 877,844
Liabilities and Net Position		
Liabilities		
Accounts payable and accrued liabilities	$ 894,323	$ 179,075
Due to other agencies **(Note 10)**	113,174	
General obligations:		
Bonds	740,000	
Interest	275,930	
Deferred revenues:		
Municipal license tax **(Note 6)**	962,018	
Noncurrent liabilities: **(Note 13)**		
Due within one year	981,705	103,272
Due in more than one year	18,857,195	399,672
Accrued interest	921,026	
Total liabilities	23,745,371	682,019
Net Position		
Investment in capital assets, net of related debt	17,474,040	
Restricted for:		
Debt service	2,456,194	
Capital projects	5,383,478	
Unrestricted	(9,490,293)	195,825
Total net position	15,823,419	195,825
Total liabilities and net position	$ 39,568,790	$ 877,844

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

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Component Unit: Moca Housing Project
Primary Government:					
General government	$ 7,789,201	$ 1,774,969	$ -	$ (6,014,232)	$ -
Public safety	1,081,903		35,000	(1,046,903)	
Public works	5,443,241		1,183,642	(4,259,599)	
Culture	212,462			(212,462)	
Recreation	1,035,265			(1,035,265)	
Health and welfare	1,335,282		424,508	(910,774)	
Interest on long-term debt	901,043			(901,043)	
Total primary government	$ 17,798,397	$ 1,774,969	$ 1,643,150	(14,380,278)	-
Component Unit:					
Moca Housing Project	463,112	501,768			38,656
Total component unit	$ 463,112	$ 501,768	$ -	$ -	$ 38,656
General revenues:					
Property taxes **(Note 5)**				3,491,142	
Municipal license tax **(Note 6)**				1,487,258	
Sales and uses taxes **(Note 7)**				1,019,704	
Grants and contributions not restricted to specific programs				6,907,840	
Interest and investment earnings				336,289	
Miscellaneous				247,056	
Total general revenues				13,489,289	-
Change in net position				(890,989)	38,656
Net position at beginning of year				16,714,408	157,169
Net position at end of year				$ 15,823,419	$ 195,825

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

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
BALANCE SHEET-GOVERNMENTAL FUNDS
JUNE 30, 2013

Assets	General	State Assignments	Loan $3,360,000	Debt Service	Other Governmental Funds	Total Governmental Funds
Cash **(Notes 2 and 4)**	$ 557,261	$ 1,791,836	$ -	$ -	$ 813,262	$ 3,162,359
Cash with fiscal agent **(Notes 2 and 4)**			2,741,673	3,397,223	1,563,094	7,701,990
Cash restricted						-
Accounts receivable:						
Municipal license tax **(Note 6)**	8,285					8,285
Landfill	109,706					109,706
Property taxes				15,682		15,682
Sales taxes				59,219		59,219
Due from agencies **(Note 5)**	237,519					237,519
Due from other funds **(Note 8)**	656,978					656,978
Total assets	$ 1,569,749	$ 1,791,836	$ 2,741,673	$ 3,472,124	$ 2,376,356	11,951,738

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

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
BALANCE SHEET-GOVERNMENTAL FUNDS
JUNE 30, 2013

Liabilities and Fund Balance	General	State Assignments	Loan $ 3,360,000	Debt Service	Other Governmental Funds	Total Governmental Funds
Liabilities						
Accounts payable and accrued liabilities	$ 249,930	$ 150,685	$ 109,592	$ -	$ 384,116	$ 894,323
Due to other agencies **(Note 10)**	99,583				13,591	113,174
Due to other funds **(Note 8)**					656,978	656,978
General obligations:						
Bonds				740,000		740,000
Interest				275,930		275,930
Deferred revenues **(Note 11)**:						
Municipal license tax	962,018					962,018
Federal government						-
Total liabilities	1,311,531	150,685	109,592	1,015,930	1,054,685	3,642,423
Fund Balances						
Restricted		1,641,151		2,456,194	481,503	4,578,848
Committed			2,632,081		1,342,084	3,974,165
Assigned	207,573					207,573
Unassigned	50,645				(501,916)	(451,271)
Total fund balance	258,218	1,641,151	2,632,081	2,456,194	1,321,671	8,309,315
Total liabilities and fund balance	$ 1,569,749	$ 1,791,836	$ 2,741,673	$ 3,472,124	$ 2,376,356	$ 11,951,738

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

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2013

Total fund balances - governmental funds	$ 8,309,315
Amounts reported for governmental activities in the statement of net position are different because:	
• Capital assets, net used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	28,274,030
• Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. **(Note 3)**	(20,759,926)
Net position of governmental activities	$ 15,823,419

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

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-GOVERNMENTAL (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General	State Assignments	Loan $ 3,360,000	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes **(Note 5)**	$ 2,587,614	$ -	$ -	$ 903,528	$ -	$ 3,491,142
Municipal license tax **(Note 6)**	1,019,704					1,019,704
Sales and uses taxes **(Note 7)**	400,000			717,945	369,313	1,487,258
Licenses and permits	283,422					283,422
Charges for service and rents	1,491,547					1,491,547
Intergovernmental revenues **(Note 12)**:						
Federal grants and contributions	16,740				1,626,410	1,643,150
State contributions	5,749,657	636,488			521,695	6,907,840
Interest, fines, and penalties	333,567			2,722		336,289
Other revenues	247,056					247,056
Total revenues	12,129,307	636,488	-	1,624,195	2,517,418	16,907,408
EXPENDITURES						
General government	6,303,613	171,635			578,034	7,053,282
Public safety	851,032				166,895	1,017,927
Public works	3,642,361					3,642,361
Culture	212,462					212,462
Recreation	791,901					791,901
Health and welfare	683,498				1,183,402	1,866,900
Capital outlays		1,081,208	682,293		2,290,893	4,054,394
Debt service:						
Principal retirement				763,561		763,561
Interest and other	55,799			566,517		622,316
Total expenditures	12,540,666	1,252,843	682,293	1,330,078	4,219,224	20,025,104
Excess (deficiency) of revenues over expenditures	(411,359)	(616,355)	(682,293)	294,117	(1,701,806)	(3,117,696)
OTHER FINANCING SOURCES (USES)						
Loan proceeds					554,990	554,990
Transfers in	101,368			37,003	27,358	165,729
Transfers out	(64,361)			(1,368)	(100,000)	(165,729)
Total other financing sources (uses)	37,007	-	-	35,635	482,348	554,990
Net change in fund balances	(374,352)	(616,355)	(682,293)	329,752	(1,219,458)	(2,562,706)
FUND BALANCE AT BEGINNING OF YEAR	632,570	2,257,506	3,314,374	2,126,442	2,541,129	10,872,021
FUND BALANCE AT END OF YEAR	$ 258,218	$ 1,641,151	$ 2,632,081	$ 2,456,194	$ 1,321,671	$ 8,309,315

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

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds	$ (2,562,706)
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.	4,054,394
• 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.	(1,616,080)
• Governmental funds report issuance of long-term debt as other financial sources because provides current financial resources.	(554,990)
• Governmental funds report principal payments on long-term obligations as expenditures, whereas the principal payments reduces the long-term obligations in the statement of activities.	763,561
• Change in accrued interest expense which does not require the use of current financial resources.	(278,727)
• Some expenditures reported in the governmental funds do not require the use of current financial resources; therefore, are not reported as expense in statement of activities:	
• Accrued vacations and bonus, and other.	(369,774)
• Landfill expenses	(326,667)
Changes in net position of governmental activities	$ (890,989)

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

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

1. ORGANIZATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

- Statement of Net Position- The statement of net position is designed to display the financial position of the Municipality, including capital assets and infrastructure.

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

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

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

The following is a summary of the more significant policies.

a. Reporting Entity

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

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

1) The Mayor appoints a voting majority of an organization's governing body and, either (1) the Municipality has the ability to impose its will on that organization or (2) the organization has the potential to provide specific financial benefits to, or impose specific financial burdens on, the Municipality.

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

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

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

b. Government-Wide and Fund Financial Statements

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

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

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

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

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

On July 1, 2012, the Municipality adopted the provision of GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net position is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources.

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

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

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

The governmental fund financial statements are reported using the *current financial resources measurements focus* and the *modified accrual basis of*

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

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

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

The Municipality reports the following major governmental funds:

1) General Fund

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

2) State Assignment Fund

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

3) Loan $3,360,000

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

4) Debt Service Fund

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

d. Cash and Cash with Fiscal Agent

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

Cash with fiscal agent in the capital projects fund consists of unused proceeds from appropriations from the Legislature 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 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. Fund Balances

During fiscal year 2011, the Municipality adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB No. 54), which enhanced the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the Municipality is

bound to observe constraints imposed upon the use of the resources reported in governmental funds.

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

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

2) *Restricted* - Represent resources that can be spent only for the specific purposes stipulated by constitutional provisions, external resource providers (externally imposed by creditors or grantors), or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers.

3) *Committed* - Represent resources used for specific purposes, imposed by formal action of the Municipal's highest level of decision making authority (Municipal Legislature through resolutions and ordinances) and can only be changed by a similar law, ordinance or resolution, no later than the end of fiscal year.

4) *Assigned* - Represent resources intended to be used by the Municipality for specific purposes but do not meet the criteria to be classified as restricted or committed (generally executive orders approved by the Mayor). Intent can be expressed by the Municipal Legislature, the Mayor or by an official or body to which the Municipal Legislature delegates authority in conformity with the Autonomous Municipalities Act of Puerto Rico, as amended. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

5) *Unassigned* - Represent the residual classification for the Municipality's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification is used only to

report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

The Municipality reports resources constrained to stabilization as a specified purpose (restricted or committed fund balance in the general fund) only if: (1) such resources meet the other criteria for those classifications, as described above and (2) the circumstances or conditions that signal the need for stabilization are identified in sufficient detail and are not expected to occur routinely. However, the Municipality has not entered into any stabilization-like arrangements, nor has set aside material financial resources for emergencies and has not established formal minimum fund balance amounts as of and for the fiscal year ended June 30, 2013.

In situations when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, the Municipality uses restricted resources first, and then unrestricted resources. Within unrestricted resources, the Municipality generally spends committed resources first, followed by assigned resources, and then unassigned resources when expenditures.

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

h. Risk Financing

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

Cost of insurance allocated to the Municipality and deducted from the gross property tax collections by the Municipal Revenue Collection Center (the "CRIM") for the year ended June 30, 2013 amounted to $286,835. The current insurance policies have not been cancelled or terminated. The CRIM also deducted by $252,809 for workers' compensation insurance covering all municipal employees.

i. Compensated Absences

Employees are entitled to 30 days vacations leave and 18 sick days leave per year. Sick leave is recorded as expenditure in the year paid. Employees are entitled to payment of unused sick leave upon retirement if have been employed for at least 10 years in the municipal government. On July 1997, state Law 152 supra amended the Article 12.016, Section b (2) of the Municipal Law, authorizing the Municipality to pay any excess of vacations and sick leave accumulated over the maximum previously permitted by law. Calculations must be made until December 31 of every year. Excess of sick leave must be paid until March 31 next every natural year. Excess of vacations can be paid after July 1 of every fiscal year.

j. Landfill Closure and Postclosure Care Costs

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

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

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

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

k. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. The most significant estimates consist of the contribution received from the Puerto Rico Electric Power Authority and the Municipal Revenue Collection Center caused by the delay of the notification of the actual revenues and expenditures to the presented in the financial statements of the agencies mentioned above.

l. 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
65	Items Previously Reported as Assets and Liabilities	2013-14
66	Technical Corrections – 2012 - an amendment of GASB Statements No. 10 and 62	2013-14
67	Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25	2013-14
68	Accounting and Financial Reporting for Pensions - and amendment of GASB Statement No. 27	2014-15
69	Government Combinations and Disposals of government Operations	2013-14
70	Accounting for Financial Reporting for Non-exchange Financial Guarantees	2013-14

Statement Number	Statement Name	Adoption Required in Fiscal Year
71	Pension Transition for Contribution Made Subsequent to the Measurement Data	2014-15

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

m. Deferred Inflows

On July 1, 2012 the Municipality adopted the provisions of GASB Statement No. 63, *Financial Reporting of deferred Outflows of resources, Deferred Inflows of Resources, and Net Position* (GASB No. 63).

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

- Potential revenue does not meet both the "measurable" and "available" criteria for revenue recognition in the current period (reported as *"earned but unavailable revenue"* in the accompanying balance sheet-governmental funds). As previously discussed, available is defined as due (or past due) at June 30, 2013 and collected within 90 days (60 days for property taxes) thereafter to pay obligations due at June 30. In subsequent periods, when both criteria (measurable and available) are met, the liability for deferred revenue is removed and revenue is recognized.

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

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

3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund balance sheet includes a reconciliation between fund balance-governmental funds and net position of governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of the approximately $20.8 million differences are as follows:

Bonds payable	$ 10,799,990
Landfill obligation	4,736,667
Compensated absences	2,355,927
Note payable	617,639
ASES	1,328,677
Accrued interest	921,026
Net adjustment to reduce fund balance governmental funds to arrive at net position of governmental activities	$ 20,759,926

4. DEPOSITS - CUSTODIAL CREDIT RISK

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

The deposits at GDB of approximately $7.7 million that are restricted principally for capital projects and general fund, and the $3.2 million in the debt service fund are unsecured and uncollateralized, as no collateral is required to be carried by governmental banks.

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

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

5. PROPERTY TAXES

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

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

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 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 2012-13, 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 final settlement already received, for the year ended June 30, 2013 the amount collected from taxpayers and charges by CRIM received by the Municipality is more than amount advanced from CRIM for the same period by approximately $237,519. Such amount is presented as due from CRIM in the government fund financial statements, and government wide financial statements.

6. 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, 2013. 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%

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 $962,018, corresponding to the next fiscal year municipal license.

7. SALES AND USES 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.

8. INTERFUND TRANSACTIONS

b. Due from/to Other Funds

The due from and due to other fund balances as of June 30, 2013 are as follows:

Receivable Fund	Payable Fund	Amount
General	Other Governmental Funds	$ 656,978
		$ 656,978

b. Interfund Transfers

Interfund transfers for the year ended June 30, 2013 consisted of the following:

Transfer In	Transfer Out	Amount
Debt Service	General Fund	$ 37,003
Other Governmental Funds	General Fund	27,358
General Fund	Other Governmental Funds	100,000
General Fund	Debt Service	1,368
		$ 165,729

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.

9. CAPITAL ASSETS

Capital asset activity for the Municipality for the year ended June 30, 2013 was as follows:

Primary Government	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 3,520,256	$ 190,000	$ -	$ 3,710,256
Construction in progress	533,669	1,756,328		2,289,997
Total capital assets, not being depreciated	4,053,925	1,946,328	-	6,000,253
Capital assets, being depreciated:				
Buildings and building improvements	19,637,541	324,111		19,961,652
Furniture and fixture	1,361,550	29,290		1,390,840
Vehicles and equipment	8,615,158	472,310		9,087,468
Infrastructure	12,961,437	1,282,355		14,243,792
Total capital assets, being depreciated	42,575,686	2,108,066	-	44,683,752
Less accumulated depreciation for:				
Buildings and building improvements	5,654,097	454,690		6,108,787
Furniture and fixture	900,839	80,350		981,189
Vehicles and equipment	6,948,340	418,071		7,366,411
Infrastructure	7,290,619	662,969		7,953,588
Total accumulated depreciation	20,793,895	1,616,080	-	22,409,975
Total capital assets, being depreciated, net	21,781,791	491,986	-	22,273,777
Governmental activities capital assets, net	$ 25,835,716	$2,438,314	$ -	$ 28,274,030

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

General government	$ 366,145
Public safety	63,976
Recreation	243,364
Public works	942,595
Total depreciation expense-governmental activities	$ 1,616,080

Capital asset activity for Moca Housing Project, a discretely presented component unit, for the year ended June 30, 2013 was as follows:

Component Unit-Moca Housing Project	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
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	2,110,389	11,600		2,121,989
Building equipment	367,156	14,514		381,670
Furniture and fixtures	48,849			48,849
Equipment	14,284			14,284
Total capital assets, being depreciated	2,609,594	26,114	-	2,635,708
Less accumulated depreciation	2,123,674	66,474		2,190,148
Total accumulated depreciation	2,123,674	66,474	-	2,190,148
Total capital assets, being depreciated, net	485,920	(40,360)	-	445,560
Moca Housing Project capital assets, net	$ 546,820	$ (40,360)	$ -	$ 506,460

10. DUE TO OTHER AGENCIES

Due to other agencies at June 30, 2013 are as follows:

Puerto Rico Retirement System Administration	$ 86,870
Puerto Rico Water and Sewer Authority	11,423
Puerto Rico General Services Administration	1,290
U. S. Department of Housing and Urban Development	13,591
Total	$ 113,174

11. DEFERRED REVENUES

Municipal License Tax

The deferred revenues of $962,018 in the general fund related to municipal license tax collected in fiscal year 2012-13 that will be earned in fiscal year 2013-14.

12. 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	$ 812,803
Puerto Rico Treasury Department (Christmas Bonus)	180,697
Equalization Fund (.20 hundredth)	4,756,157
Total	$5,749,657

13. LONG-TERM DEBTS

Bonds and other long-term liabilities outstanding at June 30, 2013 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%.	$ 955,000
$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%.	320,000
$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%.	340,000
$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%.	225,000
$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%.	415,000
$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%.	370,000
$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%.	830,000
$2,045,000 series of 2009, payable in annual installments of $25,000 to $165,000 until July 1, 2034, interest from 6.00% to 7.00%.	1,910,000

$2,755,000 series of 2010, payable in annual installments of $30,000 to $50,000 until July 1, 2017, interest from 6.00% to 7.50%.	$ 175,000
$205,000 series of 2012, payable in annual installments of $5,000 to $15,000 until July 1, 2036, interest from 6.00% to 7.50%.	195,000
$660,000 series of 2012, payable in annual installments of $10,000 to $55,000 until July 1, 2036, interest from 6.00% to 7.50%.	640,000
$585,000 series of 2012, payable in annual installments of $15,000 to $55,000 until July 1, 2031, interest from 6.00% to 7.50%.	550,000
$394,990 series of 2013, payable in annual installments of $60,000 to $70,990 until January 1, 2019, interest from 3.50%.	394,990
$160,000 series of 2013, payable in annual installments of $5,000 to $15,000 until July 1, 2027, interest from 6.00% to 7.50%.	160,000
$3,360,000 series of 2012, payable in annual installments of $70,000 to $305,000 until July 1, 2032, interest from 6.00% to 7.50%.	3,215,000
$115,000 series of 2011, payable in annual installments of $5,000 until July 1, 2034, interest from 6.00% to 7.50%.	105,000
Total bonds payable	$ 10,799,990

Notes

$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%.	$ 150,000

$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%.	$ 305,000
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.	162,639
Total notes payable	$ 617,639

The annual debt service requirements for the bonds payable and notes payable at June 30, 2013, are as follows:

	Bonds		*Notes Payable*	
	Principal	Interest	Principal	Interest
2014	$ 575,000	$ 630,240	$ 303,560	$ 30,400
2015	623,000	681,956	168,560	19,716
2016	685,000	635,267	8,560	9,584
2017	727,000	595,299	8,560	9,051
2018	439,000	549,366	8,560	8,519
2019-2023	2,150,990	2,388,671	42,800	34,608
2024-2028	2,600,000	1,692,077	42,800	21,297
2029-2033	2,615,000	676,775	34,239	7,987
2034-2038	385,000	43,125		
	$ 10,799,990	$ 7,892,776	$ 617,639	$ 141,162

Component Unit

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

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

Year Ended June 30,	Amount
2014	103,272
2015	111,245
2016	119,834
2017	129,085
2018	39,508
	$ 502,944

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 $4.7 million as the Municipality's estimated current cost for landfill closure as of June 30, 2013. The reported liability represents the total estimated cost of closure since the Municipality expects to close the landfill in the year 2021. Actual costs may be different due to inflation, changes in technology, or changes in laws and regulations. The balance of closure and postclosure costs of $4.7 million are reported in the statement of net position because it will not be funded with available expendable financial resources at June 30, 2013.

Long-term liability activity for the year ended June 30, 2013 was as follows:

Primary Government	Beginning Balance	Additions	Payments	Ending Balance	Due within One Year
Governmental Activities:					
Bonds payable	$ 10,730,000	$ 554,990	$ 485,000	$ 10,799,990	$ 470,000
Notes payable	896,200		278,561	617,639	278,561
Total long-term debt	11,626,200	554,990	763,561	11,417,629	748,561
Other long-term liabilities:					
Landfill obligation	4,410,000	326,667		4,736,667	
ASES	983,392	345,285		1,328,677	
Compensated absences	2,331,438	24,489		2,355,927	233,144
Total other liabilities, governmental activities	7,724,830	696,441	-	8,421,271	233,144
Total noncurrent liabilities, governmental activities	$ 19,351,030	$ 1,251,431	$ 763,561	$ 19,838,900	$ 981,705

Component Unit:	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Moca Housing Project mortgage payable	$ 600,500	$ -	$ 97,556	$ 502,944	$ 103,272

14. FUND BALANCES

As of June 30, 2013, fund balances are comprised of the following:

	General	State Assignment	Loan 3,360,000	Debt Service	Other Governmental Funds	Total
Restricted:						
General government	$ -	$ -	$ -	$ -	$ 207,963	$ 207,963
Health and welfare					190,610	190,610
Capital outlays		1,641,151			82,930	1,724,081
Debt service				2,456,194		2,456,194
Committed:						
Capital outlays			2,632,081		1,342,084	3,974,165
Assigned:						
General government	152,931					152,931
Public safety	6,432					6,432
Public works	38,960					38,960
Culture	146					146
Recreation	8,204					8,204
Health and welfare	900					900
Unassigned	50,645				(501,916)	(451,271)
	$258,218	$1,641,151	$2,632,081	$2,456,194	$ 1,321,671	$ 8,309,315

15. NET POSITION

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

Capital assets, net of accumulated depreciation.	$28,274,030
Outstanding balance on capital related debt	(10,799,990)
Total invested in capital assets, net of related debt	$17,474,040

16. RETIREMENT PLAN

a. 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.

Participation is mandatory except for members of the Legislature, Government Secretaries, Heads of 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 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 (10.275% 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 10.275% of gross salary. Contributions' requirements are established by law. The actuarially determined contribution requirement and contributions actually made for the year ended June 30, 2013 was approximately $458,087. The Municipality's payroll for employees covered by ERS was approximately $6.0 million. The Municipality total payroll for all employees was approximately $6.8 million.

Additional information on the ERS is provided in its financial statements for the year ended June 30, 2013, a copy of which can be obtained from the ERS, Minillas Station, PO Box 42003, San Juan, PR 00940.

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, 2013 was approximately $2,385.

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.

19. CONTINGENCIES

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

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.

20. COMMITMENTS

The Municipality of Moca had several outstanding or planned construction projects as of June 30, 2013. These projects are evidenced by contractual commitments with contractors. The construction projects are commitments of the Other Governmental fund that amounted to approximately $961,673.

21. SUBSEQUENT EVENTS

In preparing these financial statements, the Municipality has evaluated events and transactions for potential recognition or disclosure through December 20, 2013, the date the financial statements were available to be issued.

PART II – REQUIRED SUPPLEMENTARY INFORMATION

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	$ 2,291,114	$ 2,291,114	$ 2,291,114	$ -
Municipal license taxes	1,236,000	1,236,000	1,040,230	(195,770)
Sales and use taxes	800,000	800,000	400,000	(400,000)
Licenses and permits	503,500	503,500	283 421	(220,079)
Charges for services and rent	1,880,900	1,880,900	1,616,426	(264,474)
Intergovernmental revenues:				
State contributions	7,126,411	7,126,411	6,927,464	(198,947)
Interest, fines and penalties	140,000	140,000	359,667	219,667
Other revenues	320,000	320,000	531,412	211,412
Total revenues	14,297,925	14,297,925	13,449,734	(848,191)
EXPENDITURES				
Current:				
General government	7,890,803	7,910,674	7,136,467	774,207
Public safety	950,047	893,723	855,925	37,798
Public works	3,595,300	3,807,130	3,578,634	228,496
Culture	239,485	218,309	212,608	5,701
Recreation	825,149	809,848	781,482	28,366
Health and welfare	797,141	818,241	815,495	2,746
Total expenditures	14,297,925	14,457,925	13,380,611	1,077,314
OTHER FINANCING SOURCES				
Reprogramming funds	-	160,000	160,000	-
Excess of revenues over expenditures	$ -	$ -	$ 229,123	$ 229,123

Explanation of Differences:

Sources/Inflows of resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	$ 13,449,734
Differences - budget to GAAP:	
Non-budgeted revenues	(882,702)
Net change in receivables	(437,725)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances	$ 12,129,307
Uses/outflows of resources:	
Actual amounts (budgetary basis) "total changes to appropriations" from the budgetary comparison schedule	$ 13,380,611
Differences - budget to GAAP:	
Non-budgeted expenditures	(813,319)
Prior year encumbrances recorded as current year expenditures for GAAP basis	(319,960)
Net change in payables	85,761
Current year encumbrances recorded as expenditures for budgetary purposes	207,573
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances	$ 12,540,666

See notes to Budgetary Comparison Schedule.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
NOTE TO BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Control

The Municipality's annual budget is prepared on the budgetary basis of accounting, which is not in accordance with accounting principles generally accepted in the United States of America, and represents departmental appropriations recommended by the Mayor and approved by the Municipal Legislature prior to the beginning of the fiscal year. Amendments to the budget require the approval of the Municipal Legislature. Transfers of certain appropriations within the budget known as Mayor's Executive Orders do not require the approval of the Municipal Legislature. The Municipality prepares its annual budget including the operations of the general fund.

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

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

The annual budget as presented in the Budgetary Comparison Schedule – General Fund is the budget resolutions at June 30, 2013 representing the original budget.

PART III – SINGLE AUDIT

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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	$ 339,623
Emergency Solutions Grant	14.231	7,162
Pass-through State-Commonwealth of Puerto Rico/Commissions Office of Municipal Affairs-Community Development Block Grant - States Program SBGP	14.228	1,014,583
Pass-through Department of Family:		
Homeless Prevention And Rapid Re-Housing Program (Recovery Act Funded)	14.257	15,103
Subtotal U.S. Department of HUD		1,376,471
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	93.044	81,270
Subtotal U.S. Department of HHS		81,270
U.S. Department of Agriculture		
Direct Program:		
Community Facilites Loans and Grants	10.766	394,990
Housing Preservation Grant	10.433	38,569
Subtotal U.S. Department of Agriculture		433,559
U.S. Department of Homeland Security		
Direct Program:		
Homeland Security Grant	97.067	94,611
Subtotal U.S. Department of Homeland Security		94,611
TOTAL		$ 1,985,911

See notes to the Schedule of Expenditures and Federal Awards.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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:	
General Fund	$ 18,892
Federal expenditures included within the other nonmajor governmental funds	1,967,019
Total expenditures per schedule of expenditures of federal awards	$ 1,985,911

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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, in accordance with the auditing standards generally accepted in the United St[illegible] of America and the standards applicable to financial audits contained in *Gover[illegible] uditing Standards* issued by the Comptroller General of the United States, [illegible] atements of the governmental activities, each major fund, and the aggregate [illegible] l information of Municipality of Moca, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements, and have issued our report thereon date [illegible] 2013. Our report includes a reference to other auditors who audited the [illegible] nents of Moca Housing Project, as described in our report on Municipality of Mo[illegible] al statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there

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is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

San Juan, Puerto Rico
December 20, 2013

Ortiz Rivera, Rivera & Co.

The stamp E65045 of the Puerto Rico Society of Certified Public Accountants was affixed to the original of this report.

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

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

Report on Compliance for each Major Federal Program

We have audited Municipality of Moca's compliance with the types of compliance requirements described in the *OMB Circular A-133* Compliance Supplement that could have a direct and material effect on each of Municipality's major federal programs for the year ended June 30, 2013. Municipality's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Municipality's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Municipality's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Municipality complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

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

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

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

ORTIZ, RIVERA, RIVERA & CO.

CERTIFIED PUBLIC ACCOUNTANTS • VALUE ADDED SERVICES

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

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

San Juan, Puerto Rico
December 20, 2013

Ortiz, Rivera, Rivera & Co.

The stamp E65046 of the Puerto Rico Society of Certified Public Accountants was affixed to the original of this report.

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COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

1. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified opinion	
Internal control over financial reporting:		
Material weakness (es) identified?	____ Yes	X No
Significant deficiency (ies) identified?	____ Yes	X No
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards

Internal control over major programs:		
Material weakness (es) identified?	____ Yes	X No
Significant deficiency (ies) identified?	____ Yes	X No
Type of auditor's report issued on compliance for major programs:	Unqualified opinion	
Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of OMB Circular A-133?	____ Yes	X No

Identification of major programs:

14.257	Section 8 Housing Voucher
10.766	Community Facilities Loans and Grants

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

Audited qualified as low-risk auditee?	X Yes	____ No

2. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

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

None

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF MOCA
SCHEDULE OF STATUS OF PRIOR YEAR
AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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