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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Municipal Legislature
Municipality of Corozal
Corozal, Puerto Rico

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Municipality of Corozal, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion on Governmental Activities

As discussed in note 19 to the financial statements, management has not recorded the related deferred outflows of resources, deferred inflows or resources, pension expense, and the proportionate share of the collective net pension liability reported buy the pension plan trust. Accounting principles generally accepted in the United States of America require that pension related liability, deferred outflow of resources, deferred inflow of resources, as applicable, be recognize in accordance with parameters established by the Statement No. 88, as well as the effect of current period changes of the aforementioned amounts that must be recognized in pension expense during the current period. Recognition of these amounts would affect the deferred outflows or resources, deferred inflows of resources, pension expense and the net position of the governmental activities. The amount by which ties departure would affect the deferred outflows/inflows of resources, liabilities, net position, and expenses of the governmental activities has not been determined.

Qualified Opinion

In my opinion, except for the matters described above in the "*Basis for Qualified Opinion on Governmental Activities* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Municipality of Corozal, as of June 30, 2018 and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the **Municipality of Corozal,** as of June 30, 2018, and the respective changes in the financial position and, where applicable, for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

Deposits with Governmental Bank

The Governmental Development Bank of Puerto Rico ("GDB") is in a liquidation process according to the fiscal plan presented by the government of the Commonwealth of Puerto Rico to the Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA"). As of June 30, 2018, the

funds of the Municipality of Corozal that were deposited in the GDB with Governmental Bank on the financial statements for $1,668,595 in Debt Service Fund, and $515,662 in Other Governmental Fund. These deposits are uninsured and uncollateralized. The probability of the Municipality to collect these funds is uncertain. My opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information Omitted

Management has omitted required supplementary information related to new pensions standards that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part o the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical contest. My opinion on the basic financial statements is not affected by the missing information.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and budgetary comparison information on pages 5 to 10 and 47 to 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information related 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures to not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Municipality's basic financial statements. The accompanying Financial Data Schedule, as required by U.S. Department of Housing and Urban Development, on pages 49 through 51, and the Schedule of expenditures of Federal Awards on pages 52 to 54 are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the basic financial statements.

The accompanying Financial Data Schedule and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate 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 my opinion, the financial data Schedule and the Schedule of Expenditures of Federal Awards are 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*, I have also issued my report dated June 26, 2019 on my consideration of the Municipality of Corozal internal control over financial reporting and on my 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 my 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's internal control over financial reporting and compliance.

Arecibo, Puerto Rico
June 26, 2019

The stamp number E3722 [illegible]
Was affixed to the record
Original report.

CPA JUAN A. FELICIANO CHARNECO
License No. 1263
Expires December 1, 2019