

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

**MUNICIPIO DE AGUADILLA  
AUDITORÍA 2014-2015**

**30 DE JUNIO DE 2015**

# COMMONWEALTH OF PUERTO RICO AUTONOMOUS MUNICIPALITY OF AGUADILLA



## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2015



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Commonwealth of Puerto Rico

Autonomous Municipality of Aguadilla

**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended June 30, 2015**



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# INTRODUCTORY SECTION



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## LETTER OF TRANSMITTAL



To the Mayor, Members of the Municipal Legislature, and the Citizens of the **Autonomous Municipality of Aguadilla, of the Commonwealth of Puerto Rico**:

We are pleased to present, a Comprehensive Annual Financial Report (CAFR) of the **Autonomous Municipality of Aguadilla, (Municipality)** for the fiscal year ended June 30, 2015. The management of the **Municipality** is responsible for the accuracy, the completeness, and fairness of the presentation of the financial data, including all required disclosures. Because the costs of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects, and reported according to the accounting principles generally accepted in the United States of America. This belief is based on a comprehensive system of internal controls established for this purpose.

The **Municipality** financial statements have been audited by Román Toro & Co., PSC, a public accounting firm fully licensed and qualified to perform audits of local governments within the Commonwealth of Puerto Rico, with the purpose of providing reasonable assurance that the financial statements of the **Municipality**, for the fiscal year ended June 30, 2015, are free of material misstatement. This audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditors concluded based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the **Municipality's** financial statements as of and for the year ended June 30, 2015, are fairly presented in conformity with the accounting principles generally accepted in the United States of America, except for the governmental activities of the government-wide financial statements, due to that the implementation of GABS Nos. 68 and 71 was based on unaudited financial statements of the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico, a cost-sharing multi-employer pension plan in which the **Municipality** is an employer. The **Municipality** doesn't have control to produce the audited financial information and depends on the ERS's management and plan auditors (see Note 18 of the Basic Financial Statements for more information). The independent auditor's report is presented as the first component of the Financial Section of this report..

The **Municipality** is also required to undergo an annual single audit in conformity with the provisions of the United States Office of Management and Budget's (OMB) Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on those involving the administration of Federal Awards. Information related to this Single Audit; including a Schedule of Expenditures of Federal Awards, the Independent Auditor's Report on compliance with requirements applicable to each major program and on internal controls over compliance according to OMB Circular A-133, and a Schedule of Findings and Questioned Costs, is included in a separately issued report.

## THE REPORT

The Financial Section is prepared according to accounting principles generally accepted in the United States of America. This Section of the CAFR includes the Management's Discussion and Analysis (MD&A), which can be found immediately following the report of the independent auditors, the basic financial statements and combining and individual fund statements and schedules, the Notes to the Basic Financial Statements, and Required Financial Information related to pensions. The MD&A serves as a narrative introduction, overview, and analysis that accompany the basic financial statements. The MD&A should be read in conjunction with the transmittal letter. The basic financial statements include the government-wide financial statements; which presents an overview of the **Municipality's** entire operations. These statements provide separate data for "governmental activities" and "business-type activities". The fund level statements present the financial information of each of the **Municipality's** major funds, as well as non-major funds.

The Statistical Section includes tables containing historical financial data, debt statistics, and other miscellaneous social and economic data of the **Municipality**.

## AN OVERVIEW OF THE MUNICIPALITY

It is said that Columbus landed at the site of Aguadilla in 1493. Luis de Córdova founded the **Municipality** in the year 1775. Aguadilla is known as La Villa del Ojo de Agua (Village of the Eye of Water). Aguadilla is also known as Jardín del Atlántico (Garden of the Atlantic). Aguadilla derives its name from a name given by the Indians Guadilla or Guadiya, which means garden.

The **Municipality** occupies a total area of 76.3 square miles, of which 35.3 square miles are land area and 39 square miles of water. We serve a population of approximately 64,685 citizens, according to the 2010 Census.

The governmental system of the **Municipality** is composed of the executive and legislative bodies. The Mayor is the Chief Executive Officer and is elected every four years in the general elections of the Commonwealth of Puerto Rico. The legislative body consists of 16 Legislators also elected in the general elections of Puerto Rico for a four-year period. The Mayor appoints the Finance Director and Internal Auditor both positions have to be confirmed by the Municipal Legislature.

The **Municipality** has Governmental Funds and Proprietary Funds. The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when 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 purposes, the government considers revenues to be available if they are collected within sixty (60) days of the end of the current period. Expenditures generally are recorded when liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In 2013, the **Municipality** created the **Aguadilla City Enterprises** as a new Enterprise to group and combine the administration and operation of the Aguadilla's **Waterfalls Aquatic Park**, Aguadilla's **Ice Skating Arena** and others non-major enterprise funds. Accordingly, the individual fund data for those enterprise funds are not provided as combining statements in this report. The purpose of these funds and other projects (presented later) are to provide an income source to the **Municipality** other than taxes imposed to the citizens and visitors of Aguadilla.

The state government of Puerto Rico approved Act No. 149 of 2009, and amendments, which modifies Act No. 81 of 1991, to allow municipalities to acquire franchise businesses. Under this new Act, the **Municipality** then created three new franchises, which are being operated on the **Waterfalls Aquatic Park** facilities: Chicken Inn (chicken, burgers, and pizza), Riquíssimo (bakery and deli), and Sweet Dreams Creamery.

They are administered under the **Waterfalls Aquatic Park**. These franchises will be operated within the **Aguadilla City Enterprises**, and only this Proprietary Fund is presented in the Financial Statements. The **Municipality** retains exclusive rights to sell licenses for these new franchises in Puerto Rico.

The accompanying basic financial statements include all departments and organizations units whose funds are under the custody and control of the **Municipality**. In evaluating the **Municipality** as a reporting entity, management has addressed all the potential component units. GASB Accounting Standards Codification Section 2600, Reporting Entity and Component Unit Presentation and Disclosure, require the inclusion of organizations that raise and hold funds for the direct benefit of the primary government. Our specific evaluations of the criteria applicable to the **Municipality** indicate no organizations meet the criteria to be included as component units.

## SERVICES PROVIDED TO AGUADILLA'S CITIZENS

The **Municipality** provides essential services to the population such as: welfare, public safety, street maintenance and repair, urban development, recycling programs, parks and recreation, general services, among others.

**HEAD START AND EARLY HEAD START** The **HEAD START** Program has been at the service of the children of this City for over 35 years, as part of services offered by the **Municipality**. The role of this program is to guide and direct families to become educators for life, strengthening parent's position as role models. This is achieved by providing them with education and experiences useful not only in their roles as parents, but for their careers and goals in life. The **EARLY HEAD START** combines education and care for infants and children from newborn to 2 1/2 years old. With an interdisciplinary focus, we are looking to develop the maximum potential of each child in different aspects from the physical, to the social, emotional and intellectual.



power the lights and the fountain, as well as the two kiosks. The entire walking and running track surface was replaced, as well as a new ornamental fence and sidewalks, plus a playground for kids. Some other parks around the City have been improved or remodeled for our citizen's and visitor's enjoyment. This year we celebrated the first edition of the Crashboat Downhill Tournament, where over 100 athletes from Puerto Rico participated going downhill on skates on route to Crash Boat Beach. We have also developed the **MUNICIPAL BASEBALL ACADEMY**, serving more than 400 children and young athletes. This year, our young athletes participated in training clinics at the Tres Palmas Sport Complex, where they were coached by **Tony Grafanino, Terry Evans, Derrin Ebert, and Ray Holbert**, whom all played Major League Baseball.

**SPORTS** We have created the **CENTERS FOR CREATION AND DEVELOPMENT**, with specialized trainers in about 35 sport disciplines for our children and youth. We invested \$1,804,686 to remodel the Skate Park at the Plácido Acevedo Festivals Plaza, substituting all the wood and metal ramps with concrete structures. We also put a renewable sources energy system with solar panels and wind mills to



**PUBLIC WORK SERVICES** This important department is in charge of maintaining the roads, bridges and all related infrastructure in the best possible conditions. The **Municipality's** General Fund has separated a budget of approximately \$2 million for their operation of the current fiscal year. This year many roads were repaved or repaired at a total cost of \$1,021,000.

**HEALTH AND SANITATION** This department is responsible for the solid waste disposal. The **Municipality** is committed with our environment, and accordingly, we have implemented an intensive recycling program in all the communities of Aguadilla. This year we acquired new equipment for our employees, so they can provide this service more efficiently.

This department is in charge of the coordination of the landfill post-closure maintenance. The closure of the landfill has been approved by the US Environmental Protection Agency as of July 2010. The post-closure costs will be financed through the revenue from the sales and usage taxes and from the collection of waste from private companies in the Aguadilla area. Maintenance cost was \$262,687 this year, which is being funded by the General Fund, and by the sales and usage taxes.



In addition, this department has the responsibility of the pruning of trees and debris collection. The importance of these services, is that due to the susceptibility of our area to suffer from flooding and other hazardous weather, it helps to prevent disasters and loss of properties and, more important, lives. We have also taken care of some maintenance for State Roads that were not being properly kept by the Central Government. We do this by coordinating Public Works, Emergency Management, Sanitation, Public Buildings, and Recycling brigades to help keep our communities clean and free of dangerous debris and dead vegetation that could become hazardous in the dry months.

**PUBLIC SAFETY** Aguadilla has its own police department, Aguadilla's City Police Department (ACPD). The ACPD only has jurisdiction in the **Municipality** and provides services and protection to local citizens and travelers alike. This year we provided a budget of approximately \$1.9 million for equipment, payroll, and other related expenditures.

This department has 60 employees from which only nine are for administrative functions. Among our special projects, we bought a modern and sophisticated mobile headquarter. This unit is equipped with four security cameras, one special camera that elevates up to seven feet to monitor activities, conference room and a detention area, among other features. We have placed several security cameras among the **Municipality** to monitor strategic areas that are distant from the Municipal Headquarters. In addition, we have a boat specially equipped for marine surveillance, and four jet skis.

This year we received recertification as a **Tsunami and a Storm Ready City** from the State Emergency Management Agency, The National Meteorology Service, and the Puerto Rico Seismic Network. This certifies our city as Tsunami and Storm Ready. These certifications have a three-year duration and are given to cities that have complied with requisites as: establishing and or designating a focal point of warning in case of Tsunami which operates 24/7, like the Municipal Police and the Emergency Management Office.



They must also have systems in place to receive official Tsunami communications, like radio equipment, television, internet, fax, phones, and radio frequencies among others. Also, they need to have the means to propagate information like radios, sirens, in addition to evacuation plans and maps, emergency drills, table exercises, and the distribution of educational materials and trainings to the general population.

Aguadilla also hosts the Puerto Rico Police Command (PRPC) for its region. This region covers Aguada, Aguadilla, Isabela, Moca, Rincón and San Sebastián. It also hosts the PRP Highway Patrol Division for its region, the Fuerzas Unidas de Rápida Acción (United Forces for Rapid Action) of the PRSP, the US Army Reserve Center, PR National Guard, and the Border Patrol.

**URBAN DEVELOPMENT** The **Municipality** is performing several projects and major improvements in the infrastructure that is property of the **Municipality** as well as property that belongs to the Commonwealth of Puerto Rico. During this fiscal year, we have invested approximately \$1.5 million on such projects, and an additional \$19 million in capital outlays.

**OFFICE OF PERMITS** In 2000, a Territorial Ordering Plan was adopted by the **Municipality** to make an inventory of land, roads, and infrastructure that are the property of the **Municipality**. The **Municipality** is at the Fifth Level of Hierarchy of Autonomy. With this level of autonomy, the **Municipality** can decide about preliminary development projects and construction permits for urbanization projects, municipal projects, and projects of social interest, among others.

One of the most significant projects that have been delegated with this agreement is the construction of malls, with an area of less than 249,999 square meters and hotels with a maximum of 200 rooms. The department is integrated by 23 employees that evaluate, inspect, and document the projects; including engineers and technicians. This department investigates complaints of construction and use, and is responsible for helping enforce the law, identifying projects of illegal nature, imposing fines, and referring for legal processing.

## NEW PROJECTS

There are currently two ongoing projects at the **Aguadilla's Waterfalls Aquatic Park**, one is the construction of a new hotel next to the park, which will be called **Las Cascadas Hotel**. This project represents an economic injection for the **Municipality** and an employment source for the western region of Puerto Rico. The Hotel requires an investment of approximately \$23 million, which will be financed through an emission of bonds of the Governmental Development Bank of Puerto Rico. **Las Cascadas Hotel** will have 79 rooms between two wings on an L shape and seven floors. At the top level it will have a cocktail lounge and a pool. Total investment during the fiscal year was \$6,671,955, for a total of \$17,056,012 as of June, 2015. We began construction of the hotel in 2013 and expect completion in December, 2015. The revenue that this proprietary fund will generate will absorb the repayment of this debt. This hotel is going to be administered by the **Municipality**, in association with Marriott International, who are going to consult in the areas of marketing and sales. **Las Cascadas Hotel** will have a Denny's Restaurant location inside, with over 7,000 square feet of construction and will employ approximately 250 employees when it is finished, with an investment of over \$2 million. The other project is a new kid's area at the park, with an investment of \$1,075 million, designed for the enjoyment of younger children and toddlers.



**Ocean Dreams Apartments, Real Marina Suites, and Atlantic View**, are three apartment's complex that will be built and available for sale with in the next five years, all these projects have an incredible ocean view. Facilities of pool, private parking, and other amenities will be available for the residents of these complexes.

The **Ocean Dreams Apartments** consists of 40 units distributed along four floors. The complex will have 12 units with a construction area of 1,028 square feet, which includes 2 rooms and 2 bathrooms. The other 28 units will consist of 3 rooms and 2 bathrooms in a construction area of 1,117 square feet. The investment of this project is approximately \$5,630,000; and the projected selling price will start at \$200,000 per unit.

The **Real Marina Suites** consists of 60 units, from which 12 units will have a distribution of two rooms and two bathrooms in 1,160 square feet of construction; and 48 units with a distribution of three rooms and two bathrooms in 1,293 square feet of construction. The starting selling price is \$250,000 per unit, and the investment is estimated in \$7.75 million. Construction on this project will begin next year.

The **Atlantic View** will have 60 units, all of them with a construction area of 1,303 square feet, and a distribution of 3 rooms and 2 bathrooms. This project needs an investment of \$7.6 million, with a selling price of \$300,000.



A project that will increase and strengthen the fishing industry is the **Paseo Real Marina**. This project will include the installation of stone revetments along approximately 2,100 meters of coastal zone to protect State Road PR-442 and Yumet Street from Columbus Park to the intersection with San Carlos Street, improvements to PR-442 and PR-440 along the Aguadilla Bay. When it is completed, it will have a parking area, the replacement of a bridge over La Cacula Creek, a boat ramp, public areas and sidewalks, new light fixtures and putting utility connections underground, and kiosks. The second phase of this project was started this year with an investment of over \$5 million. The third phase, which is still in planning, will include improvements to some municipal streets. Being environmentally responsible is a very important principle for us, and to that end, we recently entered into a contract with a Marine Biologist to monitor the health of all coral reefs in the vicinity of the project and to relocate any of them if necessary. This contract will

be for three years, to account for the estimated time to complete the project. The total investment for this will be approximately \$169,000 for the duration of the contract. It's a small investment in relation to the benefits that looking out for the environment and the marine life of the area will have. We want this project to be enjoyed by generations to come, and we must ensure that the area will be alive and well in order to be attractive to all who visit.

This effort has been recognized by The U.S. Conference of Mayors and Waste Management, which selected The **Paseo Real Marina** Project as one of the second round finalists for the 2016 City Livability Award. The Conference of Mayors City Livability Program, sponsored by Waste Management, Inc., honors mayors and their city governments for developing programs that enhance the quality of life in urban areas. Established in 1979, the City Livability Awards are given annually to ten mayors and their cities a first-place award and four Outstanding Achievement Awards for cities under 100,000 population, and a first-place and four Outstanding Achievement Awards for cities of 100,000 or more inhabitants. The final selection will come in May of 2016, with the winners being recognized in June at the 84<sup>th</sup> Annual Conference of Mayors. We are honored to be considered for the award.

Approval from the Board of Planning has been obtained to build an **Arts Center Complex**. This project includes an Arts Center with capacity for 1,500 seats and an IMAX® theatre with 800 seats, a hotel with a casino, apartments for rent or sale, and commercial locals of approximately 40,000 square feet of available space.

Other projects that we are working on are the **Museum of Discovery, Music Museum, and a Historical Archive** in the town center. This complex will also include a cyber-café, music and dance classrooms. Also in the town center, a new gym will be constructed. Construction began this year with a total investment as of June, 2015 of \$2,602,285. Since Paseo Real Marina is going to bring more touristic traffic to the area, and fishing has always been a strong part of that, we are going to rebuild the **Higüey Fishery**. We are currently in the planning stages and have contracted a designer.

## SITES OF INTEREST



As mentioned above, the **Municipality** operates four Proprietary Funds: the **Aguadilla's Waterfalls Aquatic Park**, **Aguadilla Ice Skating Arena (A.I.S.A.)**, the **Aguadilla Bowling Alley**, operated and accounted for under the **Aguadilla City Enterprises**. The aquatic park opened its doors in 1985 and is currently known as the biggest water park in the Caribbean; and includes 10 different rides. Its attractions include the "Crazy River" which simulates rapid rivers, and the Wave Pools, which simulate the waves of a beach.

For children there's the Kiddy Pool area, and as mentioned before, a new, and for the lovers of speed and adventure there's the Speed Slide, "The Bomb", and the Water Tunnel. This park offers four water slides with an approximate travel time that ranges from fifty-seconds to eighty-seconds; these are the Cosmos and the Snake. During this fiscal year, major improvements were made to our facilities, to offer our community a renovated park.



**A.I.S.A.** opened its doors in 2005, and is believed to be the only facility of its kind in the Caribbean. Although Puerto Rico hosts several ice skating events during the Christmas season, the **A.I.S.A.** is the only ice-skating facility open year-round. The arena was built by the **Municipality**, under the current Municipal administration of Hon. Carlos Méndez Martínez.

**A.I.S.A.** is located along the beachfront, and it is about the size of a Junior-Hockey (115' x 62') arena. This facility has on the first floor the ice-skating rink, an arcade, and three activity rooms available for rent. These activity rooms are rented at a rate of \$150.00.

The second floor hosts a Boxing Club, a Music Room for the City Band, and an office space rented. The Boxing Club is an initiative of the **Municipality**, in which boxing practices are provided to our citizens at no charge.

The Music Room has instruments available for use to our visitors, and music lessons are provided at no charge to adults and children. In the **A.I.S.A.**, we constructed in the third floor, three activity rooms with ocean view. In the first floor of the **A.I.S.A.**, a new restaurant was constructed, **Yolas Restaurant**.

As part of the **Aguadilla City Enterprises** four franchises operated during this fiscal year. Along with these Municipal Enterprises, our **Municipality** has other parks and facilities of recreational interest.



The **Municipality** has the **Punta Borinquen Lighthouse**, which was built in 1889, and has been designated a historic site worthy of preservation by the National Register of Historic Places.

Near to this lighthouse is the Punta Borinquen Golf Course, which is an 18 holes golf course, originally built for President Dwight D. Eisenhower.

We have a historic monument, **El Parterre**. This is a beautiful recreational park that was first built on the late 1890's. This park has become a valuable icon of the **Municipality** as the years have gone by and the majesty of this spring dresses the park.

In Aguadilla, we have two other mayor plazas, **Youth Fountain** and **Los Catalanes**. The first one has a big fountain in tribute to the youth, gazebos, and five kiosks for the sale of food and drinks. **Los Catalanes Plaza** consists of public areas for rest, fountains, and five kiosks.

Aguadilla was the site of the U.S. military's Ramey Air Force Base for almost five decades. During this period, Aguadilla was home to the Strategic Air Command 72nd Bombardment Wing, Heavy equipped with B-52s, a very strategic facility during the Cold War.

Though the infrastructure still exists, it was handed over to the Government of Puerto Rico in 1973. The aerial facilities are now civilian controlled by the Puerto Rico Ports Authority. The facilities now make up the **Rafael Hernández International Airport**. The barracks now host the Faro Inn Suites, a 79-room hotel. The Officer's Club now hosts the Faro Conference Center, a 22,000-foot (6,700 m) meeting facility. The hospital has been transformed to become the **Courtyard by Marriott Punta Borinquen Resort & Casino**, a 150-room hotel with a casino and the first Marriott in Puerto Rico out of the San Juan Metropolitan Area. Ramey also hosts the **University of Puerto Rico - Aguadilla Campus** and the Friedrich Froebel Bilingual School (K-6). The High School became Ramey Job Corps Campus and the elementary school became the Esther Feliciano Mendoza Middle School.



There is still an active part of the base that hosts the Coast Guard Borinquen Air Station. There are also other government agencies installed at Ramey, including the United States Department of Homeland Security, Customs & Border Protection, and the United States Border Patrol, the United Forces for Rapid Action of the Puerto Rico State Police and the Puerto Rico National Guard.

Ramey is also the site of the new **Skate and Splash Park**. This is a recreational park ideal for kids and adults. The project has a skate bowl in concrete ideal for everyone who likes this sport, a splash park and other recreational sites for kids, and a racetrack. In addition, a building is located in the center of the park, which has gazebos, and in the second floor a room available for rent.

The strategic location of Aguadilla has made it one of the most famous in world-class surfing beaches. Aguadilla's beaches, being the most numerous of all other municipalities in Puerto Rico, host a variety of amateur and professional surfing events every year. They have also hosted a variety of championships, including the ISA world championships in 1968 and 1988. Aguadilla's famous surfing spots include "Surfer's Beach", "Table Tops", "Gas Chamber", "Las Ruinas", and "Survival".

## ECONOMIC FACTORS

### Local Economy

Aguadilla was once primarily a fishing village, but has changed with the times. Although there is still a great deal of commercial fishing in Aguadilla, the City is now also home to a variety of industrial plants ranging from LifeScan, Symmetricom and Hewlett Packard at San Antonio Technological Park. These industrial plants have drastically increased the income per capita of Aguadilla, creating a robust middle class and upper-middle class, by Puerto Rican standards.

We have two other industrial sites: Montaña Industrial Park and Camaseyes. In the last one, Suiza Dairy, and Productos La Aguadillana are located. While the Puerto Rico Police Academy, Automeca Technical College, and another branch of Hewlett Packard are located in Montaña Industrial Park.

Effective November 15, 2006, the Commonwealth of Puerto Rico implemented a State Sales & Usage Taxes of 6%. Through Act No. 80 of July 29, 2007, all Municipalities in Puerto Rico were required to impose an additional 1%, which is retained by the Municipalities. We restricted the use of the 1% for the solid waste disposal management. During this fiscal year, the Sales and Usage Taxes Revenue was just above \$4.3 million. There are other new companies establishing in our City, discussed in detail in the Major Initiatives Section.

### Long – Term Financial Planning

As shown in the Balance Sheet – Governmental Funds Financial Statements, the General Fund has a total of \$11.6 of fund balance. This amount, according to GASB 54 requirements, Fund Balance is divided onto four categories: Restricted, Committed, Assigned, and Unassigned. There was no Restricted Fund Balance for the year, Committed Fund Balance was \$1,356,627, Assigned Fund Balance was \$882,875, and Unassigned Fund Balance was \$9,337,913.

The Due from Other Funds line item of the Balance Sheet – Governmental Funds Financial Statements General Fund which is \$4.6 million, mainly related to the expenditures incurred by projects and services carried by other funds, which are financed by the General Fund until the Federal Government or State Agencies transfer the funds.

## Relevant Financial Policies

Budgeting is an internal control tool, the budgetary control is maintained by line item and administered by the Executive Branch and the Legislative Branch.

The Mayor along with the administration of the Executive Branch Budget is authorized to make adjustments through Executive Orders, which have to be notified to the Legislative Branch. An analysis of the encumbrances that are outstanding on each line item is made before the release of a purchase order. Accountability for budgetary compliance is held at the department level. This control ensures compliance with the legal requirements of the approved budget.

Beginning with Fiscal Year 2014-15, the Municipality is producing interim Financial Statements, which are being audited. This initiative has been instrumental in having better control of our finances, with more current information about how the operation is going throughout the year, so we can make corrections if necessary, instead of waiting months after the end of the year to see if our goals were met.

The **Municipality** adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB) that relate to pension activity: Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*.

These statements establish standards of accounting and financial reporting, but not funding or budgetary standards, for the **Municipality's** defined benefit pension plans. This Statement replaces the requirements of prior GASB statements impacting accounting and disclosure of pensions (see Note 18 of the Basic Financial Statement for more information).

## Major Initiatives



New companies have chosen Aguadilla as their destination for creating or expanding their businesses. Last year, we announced that Lufthansa Technik was opening a \$57 million service center at the Aguadilla Rafael Hernández Airport, for aviation maintenance, repair and overhauling. Related to that industry, in March of this year a new company established offices in the **Municipality**, Infosys BPO. Infosys is a business process outsourcing subsidiary, and it will employ 250 people, mainly local residents and engineers with experience in the aerospace and aviation industries. They moved into a 12,000 square-foot facility where they will deliver complex order-to-cash business processes for clients in the aviation sector. Another company that announced an investment in our city was CommSense.



In November, 2014 they announced the establishment of a call center dedicated to telemarketing for enterprises who offer their products or services to clients in the US. Initially, they will create 300 jobs, with another 200 to be created within three years. Total investment for the CommSense facilities will be approximately \$5.1 million.

Last year we saw the establishment of what we call **The Franchise Corridor**. Since then, Walgreens, Chili's, Sizzler, Yougufuti, Papa John's, Firehouse Subs, and Wendy's have bought space and constructed their stores in the area.

Another project that has already begun construction, is the **Historical Archive** and the **Museum of the Discovery**. This **Historical Archive** is expected to be completed around January, 2016. Other projects currently in construction are: the remodeling of the Plácido Acevedo Plaza with an investment of \$53,000 (with a Unisex Gym), a Municipal Gym on the San Antonio Ward with an investment of \$88,204, and a New Municipal Cemetery with an investment of \$2,230,231. Last year, we inaugurated the **Atlantic Gardens Veteran's Cemetery**, which received \$1 million from the Office for Veteran Affairs of Puerto Rico to cover operating expenses for the next five years.

This year we announced a salary increase for all employees of the **Municipality**, not only for our hourly workers, but for all to a minimum of \$10.25 an hour. That minimum wage rate was made possible by a growing economy in our **Municipality**, and responsible resource management by our administration. *"In the middle of the crisis that Puerto Rico is going through, that has affected most municipalities on the Island, we can reward the excellent work done by our public servants, giving them a significant raise that will help them cope with the high living costs in Puerto Rico. One of the most important factors for a good public administration, is the commitment by its employees, and this is achieved when we have employees in a positive work environment, ready to give the extra mile because their work is compensated in a fair and reasonable way. We will keep working to give a better quality of life to our residents and visitors"* (Carlos Méndez, Mayor).

In December, 2014 the **Municipality** announced that, as a result of the positive year end numbers on our financial statements, we were going to be declaring a dividend to our citizens. This is a more direct and tangible way of sharing the results of the **Municipality's** positive financial results with our shareholders, the people who are part of our community. So, as a dividend, the Municipality gave a free pass to **Aguadilla's Waterfalls Aquatic Park** to each and every citizen for one day, that could be redeemed in person at the Town Hall, or via the internet.

#### **AWARDS AND ACKNOWLEDGMENTS**

We express our appreciation to the Mayor and the Municipal Legislature for their continuous support. We recognize that the preparation of this report could not have been accomplished without the assistance of the entire staff of the Finance Department.

Also, due credit is deserved by our independent auditors, Román Toro & Co., PSC, and our financial consultants CPA Díaz Martínez, PSC, for their continuous advice and commitment.

Last year we received our sixth **Certificate of Achievement for Excellence in Financial Reporting** for our **Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2014**. The Certificate of Achievement is a prestigious national award recognizing compliance with the highest standards for the preparation of state and local government financial reports.

For a Certificate of Achievement to be awarded, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, which complies with program standards. This report also must satisfy both the generally accepted accounting principles and applicable legal requirements.

We believe that our current report conforms to the Certificate of Achievement Program requirements, and we submit it to the GFOA to determine its eligibility.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Noemi Alfonso Valle'.

Mrs. Noemi Alfonso Valle  
Finance Director

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Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Commonwealth of Puerto Rico  
Autonomous Municipality of Aguadilla**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

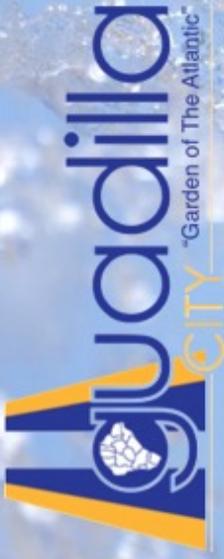
**June 30, 2014**

Executive Director/CEO

**The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Municipality of Aguadilla, Puerto Rico for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. The Certificate of Achievement is a prestigious national award recognising conformance with the highest standards for preparation of state and local government financial reports.**

**In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organised Comprehensive Annual Financial Report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.**

**A Certificate of Achievement is valid for one year only. The Municipality of Aguadilla, Puerto Rico has received a Certificate of Achievement for the last six consecutive years (fiscal years ended 2009, 2010, 2011, 2012, 2013, and 2014). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.**

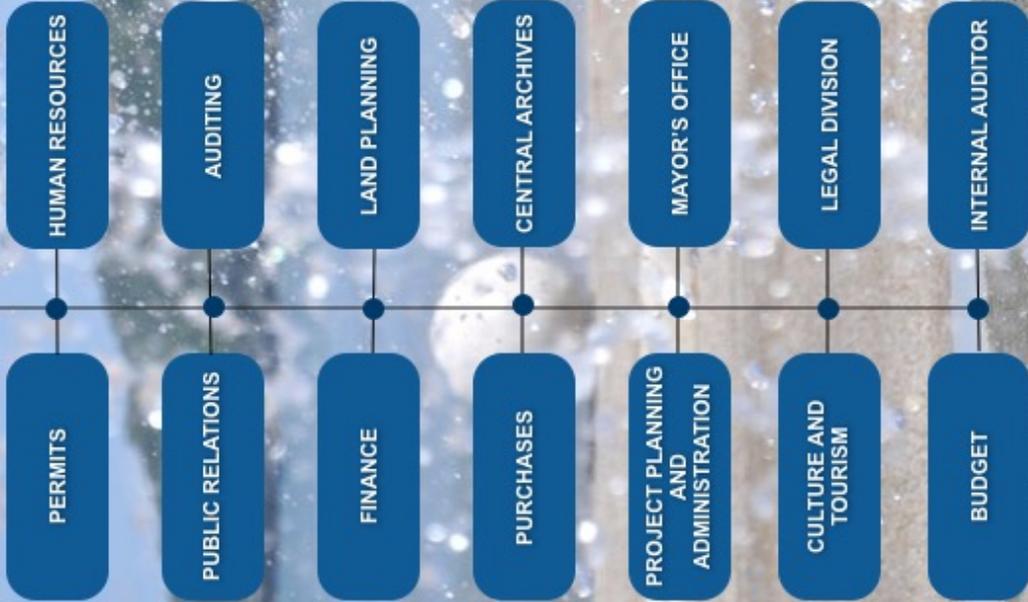


**HON. CARLOS MENDEZ MARTINEZ**  
MAYOR

**HON. RAFAEL FERNANDEZ NADAL**  
MUNICIPAL LEGISLATURE PRESIDENT

**CITY ADMINISTRATOR**

**CONSULTING OFFICES**



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***MAYOR***

HON. CARLOS MENDEZ MARTINEZ

***MUNICIPAL LEGISLATURE***

***PRESIDENT***

HON. RAFAEL FERNANDEZ NADAL

***VICEPRESIDENT***

HON. JOSE R. BARRADAS MEJIAS

***LEGISLATORS***

HON. ANA N. MENDEZ BARRETO

HON. MELVIN BARRETO RUIZ

HON. EDWIN MATOS CARDONA

HON. DAVID GONZALEZ PUMAREJO

HON. MIRTA SOTOMAYOR GONZALEZ

HON. ALBERTO L. TORRES TORRES

HON. EVELYN HERNANDEZ TALAVERA

HON. ISABEL GOMEZ ORTIZ

HON. JULIANA ALDARONDO VARGAS

HON. MIRELYS CRUZ CORTES

HON. JOHN A. GONZALEZ LEON

HON. MILTON MORALES PEREZ

HON. NOEMI CABRERA

HON. EDGAR SANABRIA ALVAREZ



**MS. WANDA I. PEREZ – MAYOR OFFICE DIRECTOR**

**MS. NOEMI ALFONSO VALLE – FINANCE DIRECTOR**

**MR. JOSE I. LACOURT RIVERA – AUDIT DEPARTMENT DIRECTOR**

**MS. DAMARIS MEDINA – MUNICIPAL SECRETARY**

**MS. LISSETTE FELICIANO – CITY ADMINISTRATOR**

**MR. RAMON HILERIO – PLANNING & BUDGET DEPARTMENT DIRECTOR**

**MS. ELIKA MARINA VEGA – HUMAN RESOURCES DEPARTMENT DIRECTOR**

**ENG. ORLANDO GONZALEZ – PERMITS DEPARTMENT DIRECTOR**

**MR. JOSE CASTRO – PUBLIC WORKS DIRECTOR**

**MS. OMayra ROSA – CITY ENTERPRISES ADMINISTRATOR**

# FINANCIAL SECTION

- Independent Auditor's Report
- Management Discussion and Analysis
- Basic Financial Statements
- Notes To The Basic Financial Statements
- Combining Financial Statements



**Campanitas de Cristal Fountain**



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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and  
Members of the Municipal Legislature  
Autonomous Municipality of Aguadilla, Puerto Rico

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Autonomous Municipality of Aguadilla, Puerto Rico (Municipality)**, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's 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 by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 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.

## Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Unmodified
General Fund	Unmodified
Head Start Fund	Unmodified
Municipal Cemetery Construction Fund	Unmodified
Real Marina Fund	Unmodified
Las Cascadas Hotel Fund	Unmodified
Debt Service Fund	Unmodified
Other Governmental Funds	Unmodified
Proprietary Fund	Unmodified

### Basis for Qualified Opinion on Governmental Activities and Note Disclosure Regarding Pension Plan

The net pension liability and deferred outflows/inflows of resources in governmental activities of the government-wide Statement of Net position, and pension expense for the current period change in that liability in governmental activities of the government-wide Statement of Activities were derived from the application of the proportional share included in the unaudited financial statements, notes and required supplementary information of the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico, cost-sharing multiple-employer pension plan. We were unable to obtain sufficient appropriate audit evidence about the proportional share used to determine the deferred outflows/inflows of resources, net pension liability, and pension expenses of the governmental activities and the information disclosed in the notes of the pension plan. Consequently, we were unable to determine whether any adjustments to these amounts and disclosures were necessary. The net pension liability and deferred outflows/inflows of resources represent 37 percent and 100 percent, of the total liabilities, deferred outflows/inflows of resources, respectively, as of June 30, 2015, while pension expense represents 9 percent of total expenses for the fiscal year then ended.

### Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion on Governmental Activities and Note Disclosure Regarding Pension Plan" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the **Municipality**, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the **Municipality**, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis-of-Matter

### *Newly Adopted Standards*

As discussed in Note 18 to the financial statements, the **Municipality** adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions -an amendment of GASB No. 27, and GASB No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – and amendment of GASB Statement No. 68*, during fiscal year 2015. Our opinions are not modified with respect to this matter.

### *Restatement of Prior Year Financial Statements*

As discussed in Note 22 to the financial statements, the 2014 financial statements have been restated for the implementation of GASB Statements Nos 68 and 71. Our opinions are not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and employees' retirement systems information on pages 5 through 29, and pages 113 through 115 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information related to management's discussion and analysis 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. We were unable to apply certain limited procedures to the required supplementary information related to employees' retirement systems information applicable to **Municipality**, in accordance with auditing standards generally accepted in the United States of America. We do not express an opinion or provide any assurance on the information.

### *Other Information*

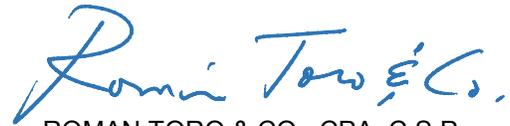
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Municipality's** basic financial statements. The combining and individual nonmajor fund financial statements, and introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying combining and individual nonmajor fund financial statements 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. Such 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by** Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2016 on our consideration of the **Municipality's** internal control over financial reporting on our test 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considered **Municipality's** internal control over financial reporting and compliance.



ROMAN TORO & CO., CPA, C.S.P.  
LICENSE # 35 – IN FORCE

Yauco, Puerto Rico  
March 17, 2016

Stamp #E204739 was affixed to  
the original report



The information in this section is not covered by the Independent Auditor's Report, but is presented as required supplementary information for the benefit of the readers of the Comprehensive Annual Financial Report (CAFR).

As management of the **Autonomous Municipality of Aguadilla of the Commonwealth of Puerto Rico (Municipality)**, we offer readers of the **Municipality's** financial statements this narrative overview and analysis of the financial activities of the **Municipality** for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the information included in our letter of transmittal, which can be found preceding this narrative, and with additional information that we have furnished in the **Municipality's** Basic Financial Statements, which immediately follow this section.

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## FINANCIAL HIGHLIGHTS

### Government-wide Highlights

The government-wide financial statements report information about the **Municipality** as a whole using the economic resources measurement focus and accrual basis of accounting:

- Net Position of the **Municipality** Governmental Activities, on a government-wide basis, increased at the close of fiscal year 2015 by \$3,408,414, and 2014 increased by \$3,490,060, as restated.
- Net Position of the **Municipality** Business-Type Activities, on a government-wide basis, increased at the close of fiscal year 2015 by \$101,431, and 2014 increased by \$2,271,814.
- Net Position of the **Municipality**, Governmental Activities, on a government-wide basis, exceeded its liabilities at the close of fiscal year 2015 by \$82,980,155, and 2014 by \$79,571,741, as restated.
- Net Position of the **Municipality** Business-Type Activities, on a government-wide basis, exceeded its liabilities at the close of fiscal year 2015 by \$13,798,864 and 2014 by \$13,697,433.
- The assets and deferred outflows of resources of the **Municipality** exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2015 by \$96,779,019, and 2014 by \$93,269,174, as restated (*See summary Statements of Net Position and analysis on page 13*).
- Prior period adjustments of \$73,038,645 is primarily the result of the **Municipality's** unfunded pension obligations by the implementation of the GASB Statement Nos. 68 and 71.
- Total Revenues of the **Municipality** Governmental Activities, on a government-wide basis, increased by \$891,980 (1.68%) and expenses increased (\$2,810,392) (5.87%) in comparison with year 2014.
- Total Revenues of the **Municipality** Business-Type Activities, on a government-wide basis, increased by \$345,222 (14.20%) and expenses increased \$678,839 (37.5%) in comparison with year 2014.
- Total net change in net position, on a government-wide basis, amounted to \$3,509,845, a decrease of (\$2,252,029) (39.09%) with respect to prior year (2014) net change.

### Fund Highlights

The fund financial statements provide detailed information about the **Municipality's** most significant funds using the current financial resources measurement focus and modified accrual basis of accounting:

- At the close of the current fiscal year, the **Municipality's** governmental funds reported combined ending fund balances of \$41,737,437, an increase of \$6,744,385 in comparison with the prior year.
- The General Fund reported an excess of revenues over expenditures and other financing sources and uses of \$995,641 and unassigned fund balance of \$9,337,913.
- Proprietary funds reported combined fund net position of \$13,798,864, an increase of \$101,431 in comparison with prior year, after transfer of (\$186,710). Without these transactions the result of operation of the proprietary funds was positive by \$288,141.

continue

## General Financial Highlights

- The Net Investment in Capital Assets from Governmental Activities as of June 30, 2015 was \$137,157,924 (\$225,277,489 of capital assets, net of accumulated depreciation, related debt of \$109,177,708 and unspent capital debt proceeds of \$21,058,143), and \$10,550,362 (net of accumulated depreciation) from Business-Type Activities.
- Long term debt general and special obligations bonds increased to \$94,209,835, approximately an increase of 15% (\$12,282,006) with respect to prior year balance.
- The line of credit issued by the Governmental Development Bank as interim financing for the construction of Las Cascadas Hotel for the total approved line of credit of \$21,750,000, the amount used as June 30, 2015 was \$14,967,273, an increase of \$5,741,176 from prior year. Actually, the project is in the final stage.
- Prior period adjustment of \$73,038,645 is primarily the result of the **Municipality's** Net Pension Liability by the implementation of the GASB Statement Nos. 68 and 71.
- Other noncurrent liabilities increases and net reductions from payments amounted to \$600,000 and (\$689,795), respectively. Such decrease is principally for payment of compensated absences for the amount of \$601,393 during the fiscal year.
- On a budgetary basis, actual revenues exceeded actual expenditures by \$1,794,397. The **Municipality** used the amount of \$2,611,590 for transfers out to other funds, principally for construction projects.
- Estimated Revenues increased by \$701,108 and total expenditures reflect economies of \$2,081,699. Total Variances amounted to (\$817,193) or 2.6% of estimated resources.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the **Municipality's** basic financial statements, which include four components: (1) Governmental-wide Financial Statements, (2) Fund Financial Statements, (3) Notes to the Basic Financial Statements, and (4) Required Supplementary Information. The focus is on both the **Municipality** as a whole (governmental-wide) and the major individual funds. The dual perspectives allow the reader to address relevant questions, broaden a basis for comparison (year-to-year or government-to-government), and enhance the **Municipality's** accountability. These various elements of the Comprehensive Annual Financial Report are related as shown in the graphic below.

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Organization of Autonomous Municipality of Aguadilla of the Commonwealth of Puerto Rico  
Comprehensive Annual Financial Report

CAFR	INTRODUCTORY SECTION	INTRODUCTORY SECTION		
	FINANCIAL SECTION	+		
		MANAGEMENT'S DISCUSSION AND ANALYSIS		
		GOVERNMENT-WIDE FINANCIAL STATEMENTS	FUND FINANCIAL STATEMENTS	
		STATEMENT OF NET POSITION	GOVERNMENTAL FUNDS	PROPRIETARY FUNDS
			BALANCE SHEET	STATEMENT OF NET POSITION
		STATEMENT OF ACTIVITIES	STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES	STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
			STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	STATEMENT OF CASH FLOWS
		NOTES TO THE BASIC FINANCIAL STATEMENTS		
	REQUIRED SUPPLEMENTARY INFORMATION			
INFORMATION ON INDIVIDUAL NON-MAJOR FUNDS AND OTHER SUPPLEMENTARY INFORMATION THAT IS NOT REQUIRED				
STATISTICAL SECTION	STATISTICAL SECTION			

- **Basic Financial Statements**

The **Municipality's** basic financial statements consist of two kinds of statements, each with a different view of the **Municipality's** finances. The Government-wide Financial Statements provide both long-term and short-term information about the **Municipality's** overall financial status. The Fund Financial Statements focus on major aspects of the **Municipality's** operations, reporting those operations in more detail than the government-wide statements. To understand the long-term impact of the **Municipality's** near-term financing decisions, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide Financial Statements. Both the Governmental Funds Balance Sheet and the Governmental Funds Statements of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The **Municipality** maintains 36 individual governmental funds. The **Municipality** segregates from the General Fund a number of significant functions in 6 major funds. Data for the other 30 governmental funds are combined into a single, aggregated presentation.

The following figure summarizes the major features of the financial statements. The overview section below also describes the structure and contents of each of the statements in more detail.

continue

	GOVERNMENT-WIDE STATEMENTS	FUND FINANCIAL STATEMENTS	
		GOVERNMENTAL	PROPRIETARY
SCOPE	Entire entity	The day-to-day operating activities of the <b>Municipality</b> for basic governmental services	The day-to-day operating activities of the <b>Municipality</b> for business-type enterprises
ACCOUNTING BASIS AND MEASUREMENT FOCUS	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
TYPE OF ASSET AND LIABILITY INFORMATION	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter	All assets and liabilities, both financial and capital, short-term and long-term
TYPE OF INFLOW AND OUTFLOW INFORMATION	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid

• ***New Significant Accounting Standards Implemented***

In fiscal year 2014-2015, the **Municipality** adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB) that relate to pension activity:

- Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*

Statement No. 68 (Statement) establishes standards of accounting and financial reporting, but not funding or budgetary standards, for the **Municipality's** defined benefit pension plans. This Statement replaces the requirements of prior GASB statements impacting accounting and disclosure of pensions.

The significant impact to the **Municipality** of implementing Statement No. 68 is the reporting of the **Municipality's** unfunded pension liability on the **Municipality's** full accrual basis of accounting government-wide financial statements. There are also new note disclosure requirements and supplementary schedules required by the Statement.

The measurement date for the pension liabilities is as of June 30, 2014. This date reflects a one year lag and was used so that these financial statements could be issued in an expedient manner. Activity (i.e. contributions made by the **Municipality**) occurring during fiscal year 2014-2015 are reported as deferred outflows of resources in accordance with Statement No. 71.

continue

In order to implement the Statements, a prior period adjustment was made to the **Municipality's** July 1, 2014 net position. This prior period adjustment decreased the **Municipality's** net position by \$73,038,645 from \$152,610,386 to \$79,571,741 and reflects the reporting of: 1) Net Pension Liabilities of \$74,281,883, and 2) Deferred Outflows of Resources of \$1,231,609 and other adjustments. Please refer to Note 18 for more information regarding the **Municipality's** pensions.

The adoption of Statement No. 68 has no impact on the **Municipality's** governmental fund financial statements, which continue to report expenditures equal to the amount of the **Municipality's** actuarially determined contribution (formerly referred to as the "annual required contribution"). The calculation of pension contributions is also unaffected by this Statement.

Also, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* were issued by the Governmental Accounting Standards Board, but does not have impact on the **Municipality's** financial statements.

- **Government-wide Financial Statements**

The government-wide statements report information about the **Municipality** as a whole using accounting methods similar to those used by private-sector businesses. They are prepared using the flow of economic resources measurement focus and the accrual basis of accounting.

**Statement of Net Position** – Presents information on all of the **Municipality's** assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position.

$$\text{Net Position} = (\text{Assets} + \text{Deferred Outflows of Resources}) - (\text{Liabilities} + \text{Deferred Inflows of Resources})$$

Over time, increases or decreases in net position may serve as a useful indicator of whether its financial position is improving or deteriorating. Other non-financial factors such as the condition of the **Municipality's** roads and other infrastructure may need to be considered to assess the overall financial position of the **Municipality**.

**Statement of Activities** – Presents information showing how the **Municipality's** net position changed during the year. All changes in net position (current year's revenues less expenses) are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows* (Accrual Basis of Accounting). Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The *Statement of Activities* is focused on both the gross and net cost of various activities (including Governmental and Business-Type Activities). This is intended to summarize and simplify the reader's analysis of the revenues and costs of various state activities and the degree to which activities are subsidized by general revenues.

Both of these government-wide financial statements distinguish functions of the **Municipality** that are principally supported by taxes and intergovernmental revenues (Governmental Activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (Business-Type Activities).

The Governmental Activities of the **Municipality** include general government, public works and sanitation; public safety, culture and recreation, housing, welfare, and community development and education. These activities are primarily financed through property taxes, other local taxes and intergovernmental revenues. The Business-Type Activities of the **Municipality** include the Aguadilla City Enterprises that group the administration and operation of the Aguadilla's Waterfalls Aquatic Park, Aguadilla's Ice Skating Arena and others non-major enterprise funds.

The government-wide financial statements can be found on pages 30-31 of this report.

continue

- **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The **Municipality**, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the **Municipality** can be divided into two categories: governmental funds and proprietary funds. The fund financial statements provide more detailed information about the **Municipality's** most significant funds. Funds are accounting devices that the **Municipality** uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by Federal and Government regulations, as well by bond covenants.

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as Governmental Activities in the government-wide statements. However, unlike the government-wide statements, the governmental funds 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 may be useful in evaluating the **Municipality's** near-term financing requirements.

As required by GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances for the governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government honors constraints on the specific purposes for which amounts in those funds can be spent.

In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the **Municipality's** governmental funds reported combined ending fund balances of \$41.7 million. Approximately 17.8% of this amount is available for spending at the government's discretion (Unassigned Fund Balance). The remainder of fund balance is restricted, committed or assigned to indicate that is not available for new spending because it has already been committed.

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, readers may better understand the long-term impact of the government's near-term financing decisions. Both 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*.

The **Municipality** maintains several individual governmental funds. Information is presented separately in the governmental fund *Balance Sheet* and in the governmental fund *Statement of Revenues, Expenditures, and Changes in Fund Balances* for six major funds and an aggregate total for all non-major funds. The **Municipality's** major governmental funds are the General Fund, Head Start Fund, Municipal Cemetery Construction Fund, Real Marina Fund, Las Cascadas Hotel Fund, and Debt Service Fund. Individual fund data for the **Municipality's** non-major governmental funds are provided in the form of combining statements elsewhere in this report.

The General Fund is the chief operating fund of the **Municipality**. At the end of the current fiscal year, the General Fund balance was \$11,577,415 of which \$9,337,913 represents unassigned fund balance of the General Fund. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balances represent 35% of the total fund expenditures, while total fund balance represents 43.5% of that same amount. This percentage is a key financial policy for the **Municipality** of which needs to be greater than 20%.

The net increase to fund balance for the General Fund for 2015 was \$995,641. This increase was a result of an increase of revenues during the fiscal year by the amount of \$1,325,624 or 4.23% in comparison of prior year. The **Municipality** will continued streamlining of operations throughout the **Municipality** by freezing staff positions. Another increase to the minimum wage of \$9.65 per hour, with an increase of \$0.65 per hour to all level of salary for employees, was declared effective January 2015, and to \$10.25 effective July 2015.

The governmental fund financial statements can be found on pages 32-36 of this report.

The **Municipality** adopts an annual appropriated budget for its general fund. A *Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual* has been provided for the General Fund to demonstrate compliance with this budget (page 37).

**Proprietary Funds** – The **Municipality** maintain only one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as Business-Type Activities in the government-wide financial statements. The **Municipality** uses enterprise funds to account for its Aguadilla City Enterprises.

Proprietary funds financial statements provide the same type of information as the government-wide financial statements, but in greater detail. The proprietary funds financial statements provide separate information of Aguadilla City Enterprises, which are considered to be major proprietary fund of the **Municipality**. In prior years, the Aguadilla's Waterfalls Aquatic Park and Aguadilla's Ice Skating Arena were considered and reported as major enterprise funds. However, by GAAP criteria, those enterprises need not be considered major enterprises, because for 2014 the **Municipality** created the Aguadilla City Enterprises as new enterprise to group and combined the administration and operation of the Aguadilla's Waterfalls Aquatic Park, Aguadilla's Ice Skating Arena and others non-major enterprise funds. Accordingly, the individual fund data for those enterprise funds are not provided in the form of *combining statements* in this report.

The basic proprietary fund financial statements can be found on pages 38-40 of this report.

- **Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. Information in the Notes to the Financial Statements is described as follows:

- Note 1 provides a general description of the Financial Reporting Entity.
- Note 2 provides a general description of the **Municipality's** Significant Accounting Policies and information on Budgetary and Legal Compliance
- Note 3 provides information of Reconciliation for Government-wide and Fund Financial Statements.
- Notes 4 to 17 provide detailed notes on cash and investments, receivables, capital assets, debt obligations, revenues, and other financial components of the financial statements.
- Notes 18 to 24 provide information on retirement plans, retiree and other health benefits, contingencies, commitments, summarizes any necessary prior period adjustments, and description of new accounting standards.

The notes to the basic financial statements can be found on pages 41-112 of this report.

- **Required Supplementary Information**

The required supplementary information reported are related to the implementation of GASB Statement No. 68 and GASB Statement No. 71 for pension liability reporting, are presented immediately following the notes to the financial statements and can be found on pages 113 through 115 of this report.

- **Combining Statements**

The combining statements referred to earlier in connection with non-major governmental funds and non-major proprietary funds are presented immediately following the required supplementary information and can be found on pages 116-131 of this report.

## FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE

### Government-wide Financial Statements Analysis

The following Table presents a summary of the Statements of Net Position as of June 30, 2015 and 2014:

Commonwealth of Puerto Rico Autonomous Municipality of Aguadilla Statement of Net Position As of June 30,								
	Governmental Activities		Business-Type Activities		Total		Total	
	2015	2014	2015	2014	2015	2014	Dollar Change	Percent Change
Current and Non-current Assets	\$ 67,225,468	\$ 57,429,703	\$ 3,610,210	\$ 3,031,771	\$ 70,835,678	\$ 60,461,474	\$ 10,374,204	17.16%
Capital Assets (as Restated)	225,277,489	209,920,816	10,550,362	10,891,270	235,827,851	220,812,086	15,015,765	6.80%
<b>Total Assets</b>	<b>292,502,957</b>	<b>267,350,519</b>	<b>14,160,572</b>	<b>13,923,041</b>	<b>306,663,529</b>	<b>281,273,560</b>	<b>25,389,969</b>	9.03%
<b>Deferred Outflows of Resources</b>	<b>4,854,974</b>	<b>1,231,609</b>	-	-	<b>4,854,974</b>	<b>1,231,609</b>	<b>3,623,365</b>	294.20%
Current Liabilities	7,675,737	6,773,690	352,475	222,361	8,028,212	6,996,051	1,032,161	14.75%
Unearned Revenues	9,123,853	9,357,268	-	-	9,123,853	9,357,268	(233,415)	-2.49%
Noncurrent Liabilities	117,236,507	99,303,120	9,233	3,247	117,245,740	99,306,367	17,939,373	18.06%
Net Pension Liabilities	79,703,855	74,281,883	-	-	79,703,855	74,281,883	5,421,972	0.00%
<b>Total Liabilities</b>	<b>213,739,952</b>	<b>189,715,961</b>	<b>361,708</b>	<b>225,608</b>	<b>214,101,660</b>	<b>189,941,569</b>	<b>24,160,091</b>	12.72%
<b>Deferred Inflows of Resources</b>	<b>637,824</b>	-	-	-	<b>637,824</b>	-	<b>637,824</b>	100.00%
Net Position:								
Net Investment in Capital Assets	137,157,924	128,227,425	10,550,362	10,891,270	147,708,286	139,118,695	8,589,591	6.17%
Restricted	19,285,563	21,098,552	-	-	19,285,563	21,098,552	(1,812,989)	-8.59%
Unrestricted (Deficit)	(73,463,332)	(69,754,236)	3,248,502	2,806,163	(70,214,830)	(66,948,073)	(3,266,757)	4.88%
<b>Total Net Position</b>	<b>\$ 82,980,155</b>	<b>\$ 79,571,741</b>	<b>\$ 13,798,864</b>	<b>\$ 13,697,433</b>	<b>\$ 96,779,019</b>	<b>\$ 93,269,174</b>	<b>\$ 3,509,845</b>	3.76%

### Analysis of Net Position

As noted earlier, net position (assets + deferred outflow of resources over liabilities + deferred inflows of resources) may serve over time as a useful indicator of a government's financial position. Assets + deferred outflow of resources exceeded liabilities + deferred inflows of resources by \$96,779,019 at the close of the most recent fiscal year.

continue

The largest portion of the **Municipality's** net position reflects its investment in capital assets (e.g., land, buildings, infrastructure, motor vehicles, and machinery and equipment) for \$147,708,286 [total capital assets less accumulated depreciation and less any related outstanding debt used to acquire those assets]. The **Municipality** uses these assets to provide services to its citizens and consequently, these assets are not available for future spending. The resources needed to repay the debt related to these capital assets must be provided from other sources, because capital assets are not generally liquidated for the purpose of retiring debt.

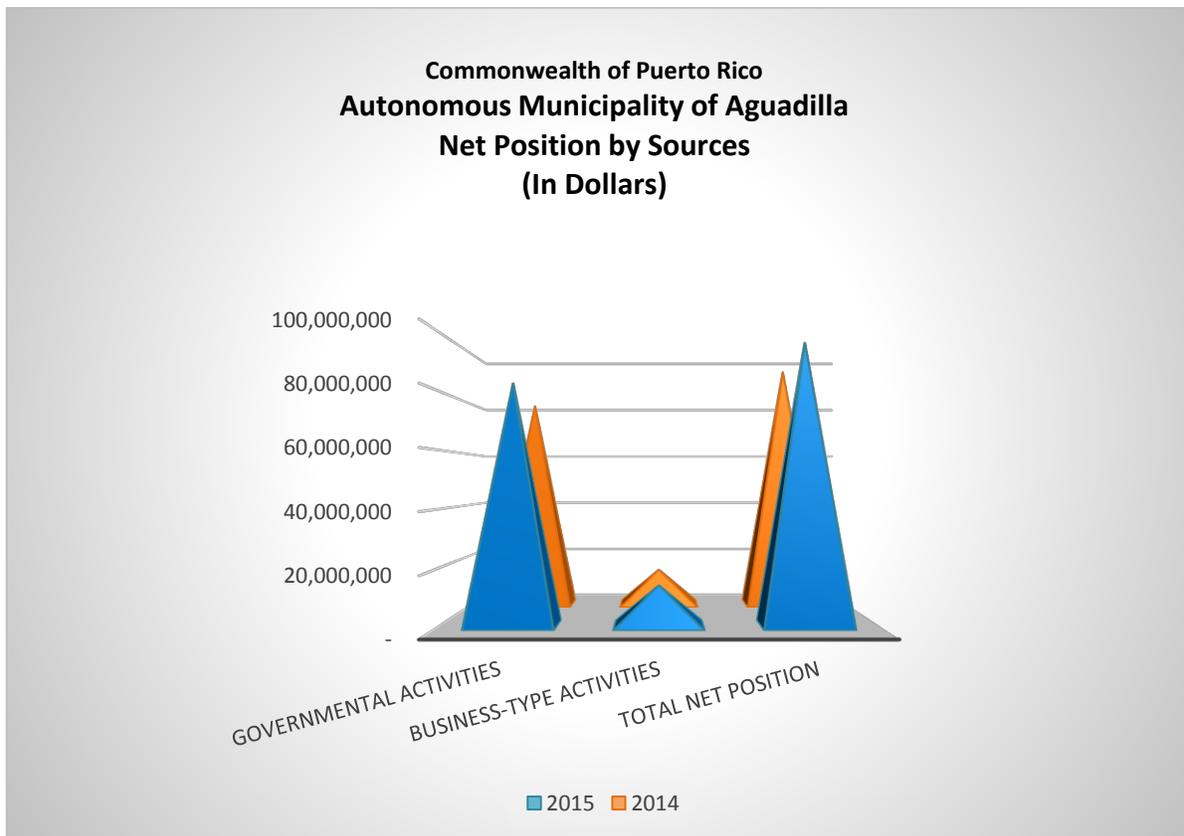
Restricted net position represent resources that are subject to external restrictions on how they may be used.

Unrestricted net position are the part of the net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

As of June 30, 2015 the **Municipality** presented Unrestricted Net Position (Deficit) of (\$70,214,830). This balance was affected by long-term obligations such as compensated absences \$4,350,521, and other debts the amount of \$3,708,878 (including Landfill Post-Closure Care Costs obligation of \$2,947,359) for which the **Municipality** did not provide funding in previous budgets. Historically, such obligations have been budgeted on a pay-as-you-go basis without providing funding for their future liquidation. There is \$3,248,502 in Unrestricted Net Position (Deficit) reported in connection with the **Municipality's** Business-Type Activities and (\$73,463,332) in Governmental Activities.

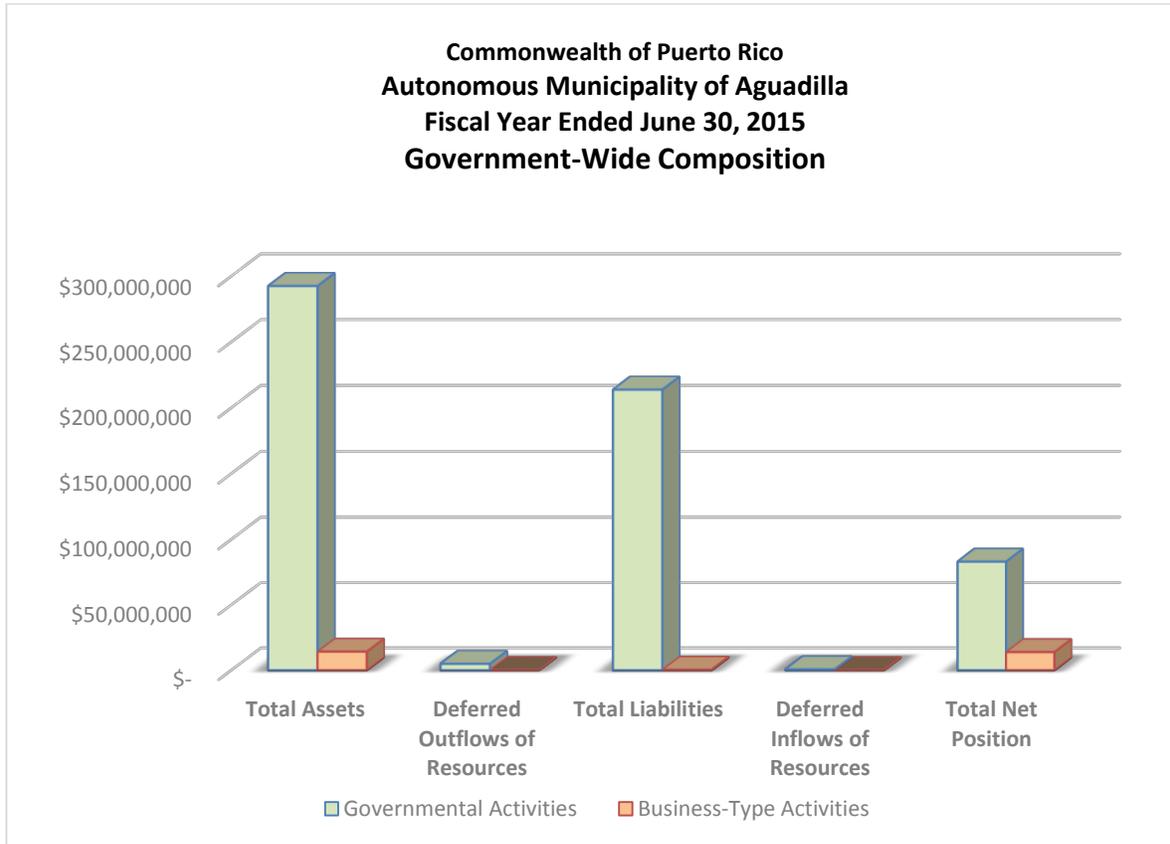
An additional portion of the **Municipality's** net position (\$19,285,563) represents resources that are subject to external restrictions on how they may be used. There was a decrease of (\$1,812,989) in Restricted Net Position. (See **Table 1** and **Figures 1 and 2**).

FIGURE 1



continue

FIGURE 2



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### Changes in Net Position

The following table summarizes the changes in net position for the years ended June 30, 2015 and 2014:

	Governmental Activities		Business-Type Activities		Total		Total	
							Dollar	Percent
	2015	2014	2015	2014	2015	2014	Change	Change
<b>Revenues:</b>								
Program Revenues:								
Charges for Services	\$ 1,622,096	\$ 1,553,791	\$ 2,776,870	\$ 2,431,648	\$ 4,398,966	\$ 3,985,439	\$ 413,527	10.38%
Operating Grants and Contributions	12,282,772	10,860,546	-	-	12,282,772	10,860,546	1,422,226	13.10%
Capital Grants and Contributions	161,642	-	-	-	161,642	-	161,642	100.00%
General Revenues:								
Property Taxes	13,436,719	16,048,488	-	-	13,436,719	16,048,488	(2,611,769)	-16.27%
Volume of Business Taxes	11,305,314	10,266,649	-	-	11,305,314	10,266,649	1,038,665	10.12%
Sales and Usage Taxes	4,319,846	4,300,571	-	-	4,319,846	4,300,571	19,275	0.45%
Construction Excise Taxes	2,414,963	1,626,065	-	-	2,414,963	1,626,065	788,898	48.52%
Intergovernmental	6,510,288	6,927,561	-	-	6,510,288	6,927,561	(417,273)	-6.02%
Interests	1,087,738	613,672	-	-	1,087,738	613,672	474,066	77.25%
Other General Revenues	780,096	832,151	-	-	780,096	832,151	(52,055)	-6.26%
<b>Total Revenues</b>	<b>53,921,474</b>	<b>53,029,494</b>	<b>2,776,870</b>	<b>2,431,648</b>	<b>56,698,344</b>	<b>55,461,142</b>	<b>1,237,202</b>	<b>2.23%</b>
<b>Governmental Activities Expenses:</b>								
General Administration	19,572,624	21,605,608	-	-	19,572,624	21,605,608	(2,032,984)	-9.41%
Public Safety	2,520,193	2,037,547	-	-	2,520,193	2,037,547	482,646	23.69%
Public Works	3,219,522	2,762,485	-	-	3,219,522	2,762,485	457,037	16.54%
Culture and Recreation	1,197,822	998,705	-	-	1,197,822	998,705	199,117	19.94%
Health and Sanitation	5,404,208	3,983,684	-	-	5,404,208	3,983,684	1,420,524	35.66%
Public Instruction	5,866,989	6,154,158	-	-	5,866,989	6,154,158	(287,169)	-4.67%
Human Services and Welfare	7,081,349	6,102,196	-	-	7,081,349	6,102,196	979,153	16.05%
Urban Development	1,797,896	522,299	-	-	1,797,896	522,299	1,275,597	244.23%
Reimbursement to Grantor Agency	58,670	-	-	-	58,670	-	58,670	100.00%
Interest Costs	3,980,497	3,722,696	-	-	3,980,497	3,722,696	257,801	6.93%
<b>Total Expenses</b>	<b>50,699,770</b>	<b>47,889,378</b>	<b>-</b>	<b>-</b>	<b>50,699,770</b>	<b>47,889,378</b>	<b>2,810,392</b>	<b>5.87%</b>
<b>Business-Type Activities Expenses:</b>								
Aguadilla City Enterprises	-	-	2,488,729	1,809,890	2,488,729	1,809,890	678,839	37.51%
<b>Total Expenses</b>	<b>-</b>	<b>-</b>	<b>2,488,729</b>	<b>1,809,890</b>	<b>2,488,729</b>	<b>1,809,890</b>	<b>678,839</b>	<b>37.51%</b>
<b>Increase (Decrease) in Net Position Before Capital Contribution and Transfer</b>	<b>3,221,704</b>	<b>5,140,116</b>	<b>288,141</b>	<b>621,758</b>	<b>3,509,845</b>	<b>5,761,874</b>	<b>(2,252,029)</b>	<b>-39.09%</b>
Capital Contributions	-	(1,669,127)	-	1,669,127	-	-	-	0.00%
Transfer-in (Out)	186,710	19,071	(186,710)	(19,071)	-	-	-	0.00%
<b>Changes in Net Position</b>	<b>3,408,414</b>	<b>3,490,060</b>	<b>101,431</b>	<b>2,271,814</b>	<b>3,509,845</b>	<b>5,761,874</b>	<b>(2,252,029)</b>	<b>-39.09%</b>
Net Position - Beginning	79,571,741	76,081,681	13,697,433	11,425,619	93,269,174	87,507,300	5,761,874	6.58%
<b>Net Position - Ending</b>	<b>\$ 82,980,155</b>	<b>\$ 79,571,741</b>	<b>\$ 13,798,864</b>	<b>\$ 13,697,433</b>	<b>\$ 96,779,019</b>	<b>\$ 93,269,174</b>	<b>\$ 3,509,845</b>	<b>3.76%</b>

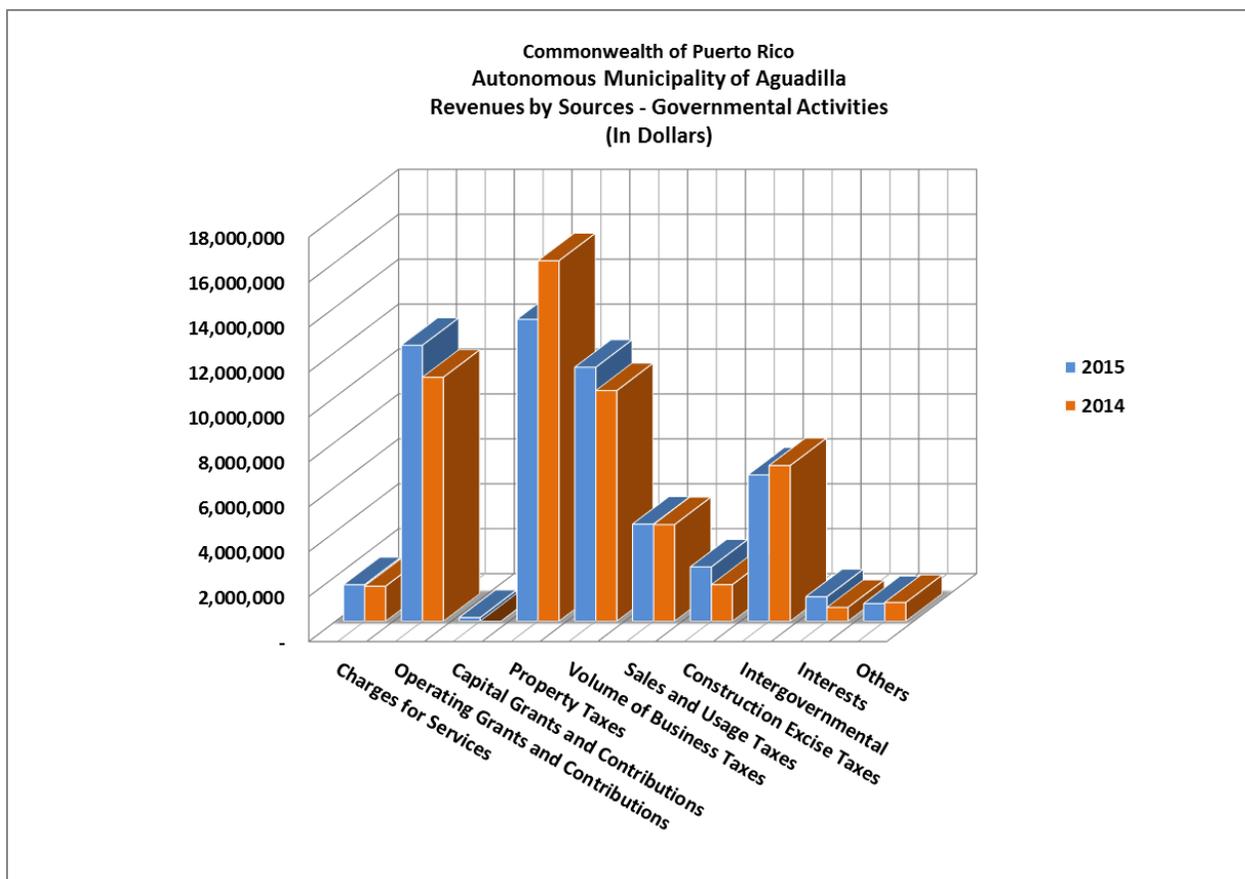
### Analysis of Changes in Net Position

The Municipality's net position overall increased by \$3,509,845 during fiscal year 2014-2015, compared to \$5,761,874 increase last fiscal year (after implementation of GASB No. 68). The Governmental Activities component of 2014-2015 change was a \$3,408,414 increase, and Business-Type Activities increase of \$101,431. A discussion of these changes is presented in the Government and Business-Type Activities below.

**Governmental Activities.** The **Municipality's** net position increased by \$3,408,414 during the current fiscal year. For the most part, decreases in expenses as part of cost control to absolve inflation and more effective coordination of services to citizens, such as public work, culture and recreation, urban development, and to cover the interest cost. Also, non-capitalized expenses were incurred for maintenance of capital assets.

**Figure 3** present revenues comparison by sources of the Governmental Activities during the past two years:

**FIGURE 3**

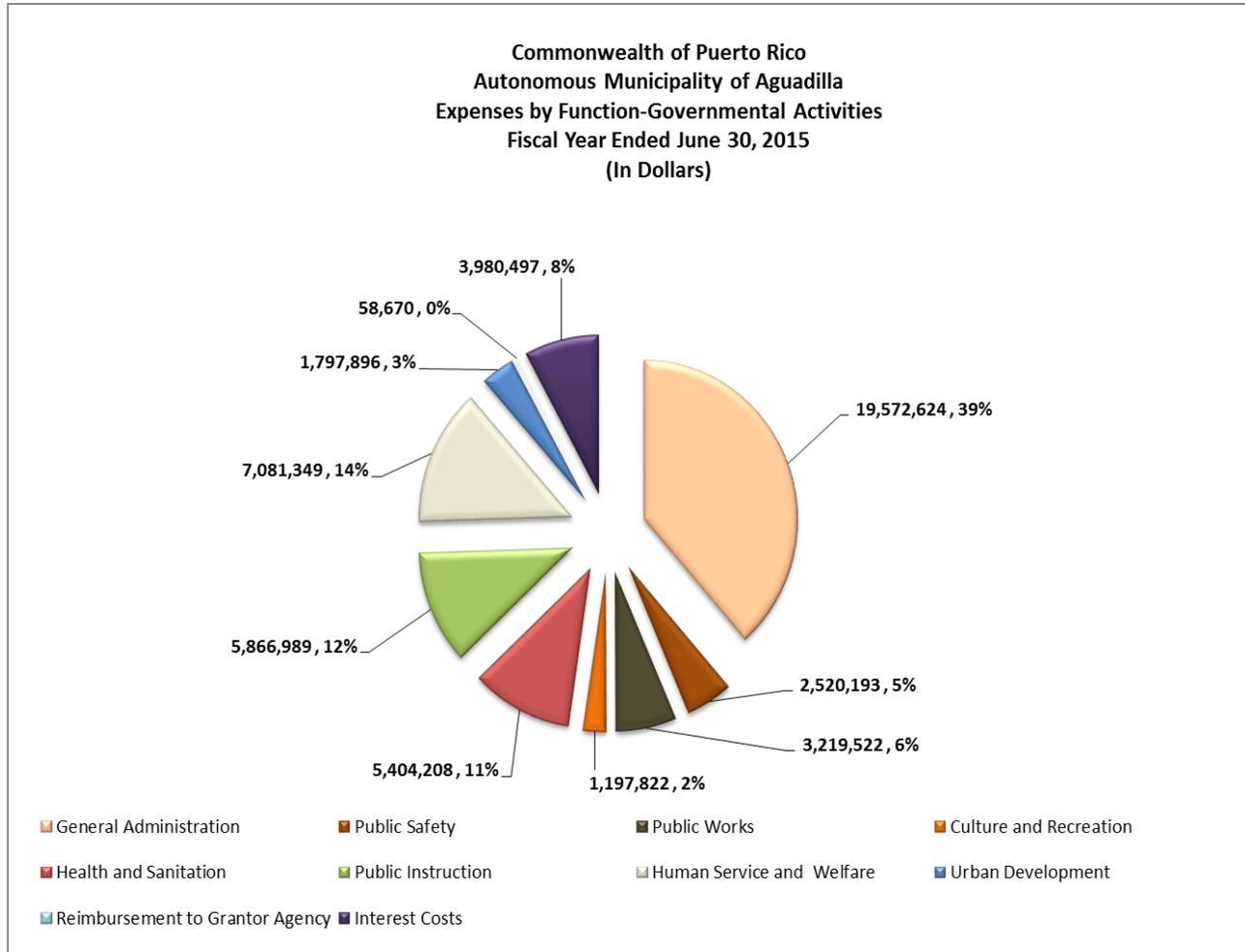


Approximately 22.8% of the **Municipality's** revenues came from grants and contributions, 24.9% from property taxes, volume of business taxes 21%, intergovernmental 12.1%, and 19.3% from other sources. The **Municipality's** expenses cover a range of services. The largest expenses are general administration with 38.6%, human services and welfare with 14%, education representing approximately 11.6%, and health and sanitation with 10.7%. Program revenues of the **Municipality** covered 27.7% of total expenses.

Expenses increased 5.87% or (\$2,810,392) in comparison with 2014 year principally in health and sanitation and urban development.

Figure 4 present expenses by function of the Governmental Activities during the fiscal year 2014-2015:

FIGURE 4

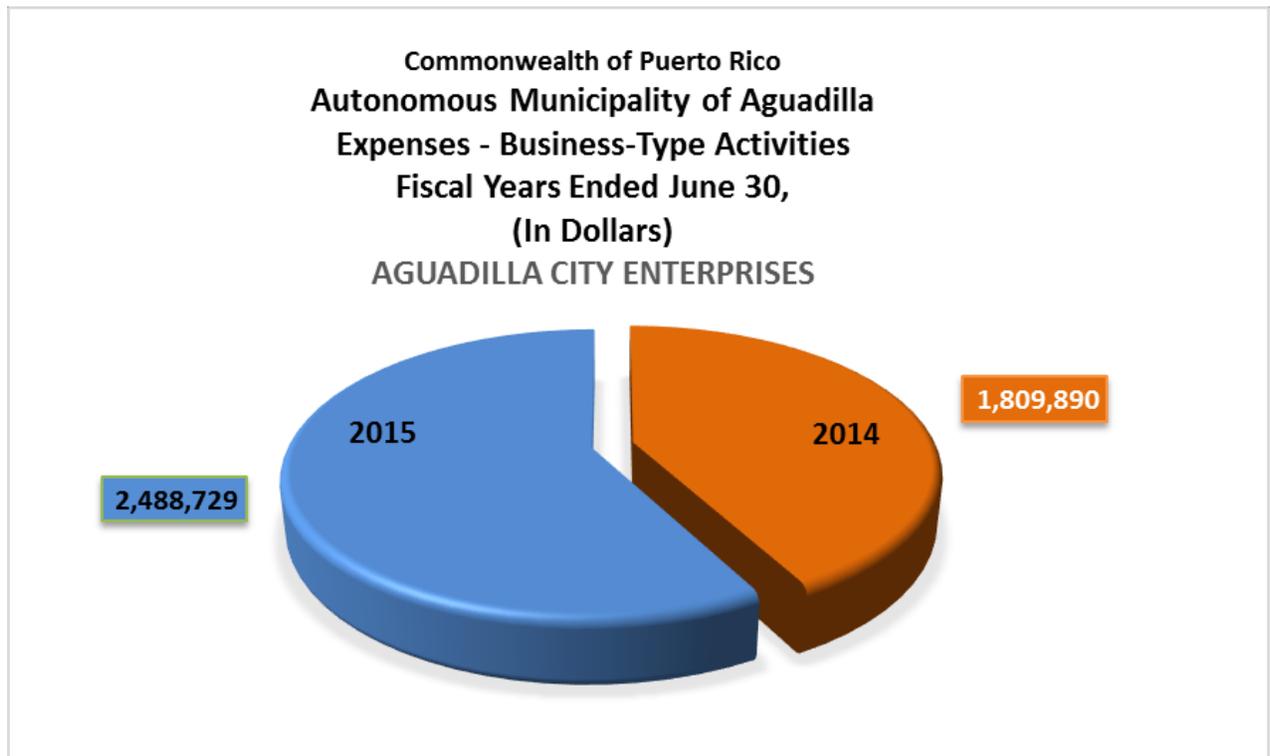
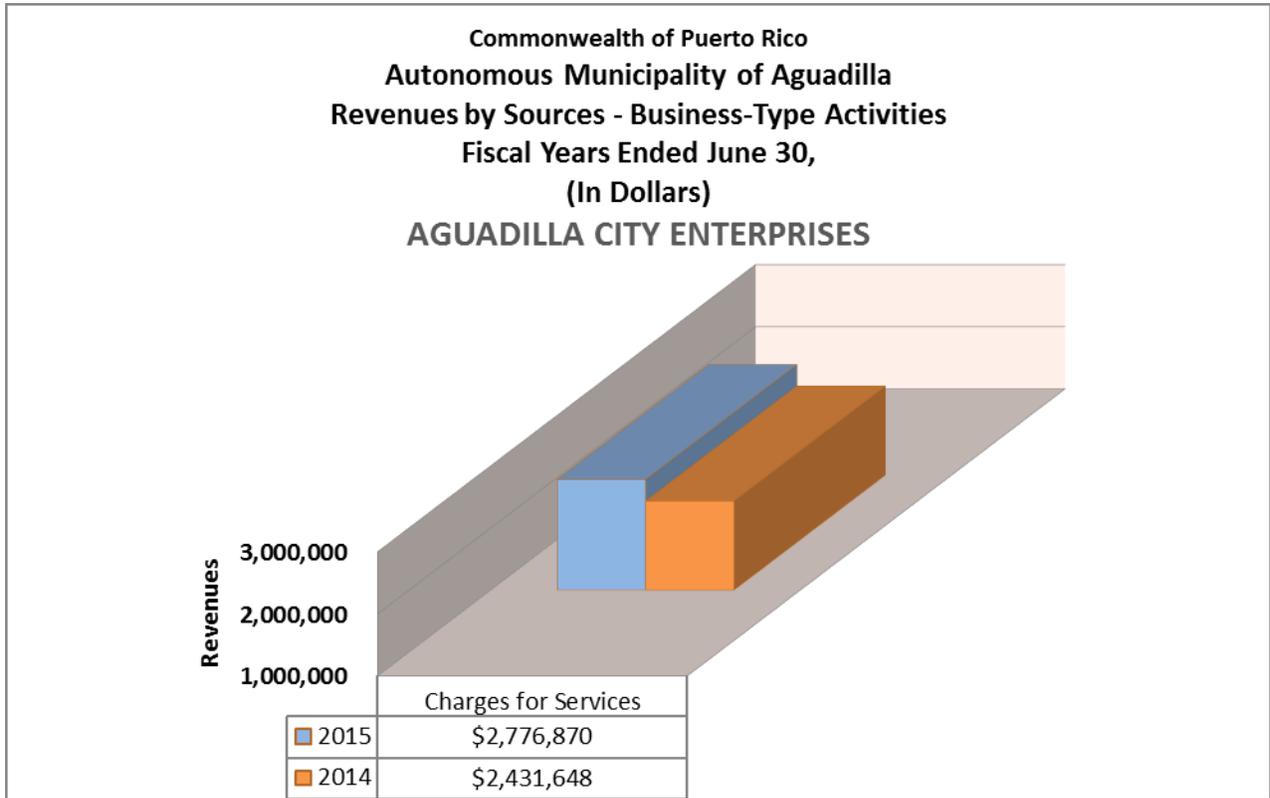


**Business-Type Activities.** The proprietary fund net position increased by \$101,431 during the current fiscal year. The increase in charges for services was due to a coordinated program to use all recreational facilities with a corresponding cost control.

For the most part, increases in expenses closely related to expenses control to cover specific areas in the demand for services. During 2014 the **Municipality** created the Aguadilla City Enterprises as new enterprise to group and combined the administration and operation of the Aguadilla's Waterfalls Aquatic Park, Aguadilla's Ice Skating Arena and others non-major enterprise funds. The **Municipality** expected control of expenses and an increase in revenues by coordinating activities within all facilities.

Figures 5 present revenues by sources and expenses comparison of the Business-Type Activities during the past two years:

FIGURES 5



The following table focuses on the cost of each of the Municipality's largest functions/programs as well as each functions/program's net cost (total cost less fees generated by the programs and program-specific intergovernmental aid):

**Table 3**

**Commonwealth of Puerto Rico  
Autonomous Municipality of Aguadilla  
Municipality Cost of Programs/Functions  
Fiscal Years Ended June 30,**

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
<b>Governmental Activities:</b>				
General Government	\$ 19,572,624	\$ 21,605,608	\$ 18,324,178	\$ 20,552,093
Public Safety	2,520,193	2,037,547	2,469,723	1,959,795
Public Works	3,219,522	2,762,485	3,219,522	2,762,485
Culture and Recreation	1,197,822	998,705	997,822	998,705
Health and Sanitation	5,404,208	3,983,684	5,030,558	3,483,408
Public Instruction	5,866,989	6,154,158	(2,156,079)	654,841
Human Services and Welfare	7,081,349	6,102,196	4,365,558	3,091,037
Urban Development	1,797,896	522,299	342,811	(1,750,019)
Reimbursement to Grantor Agency	58,670	-	58,670	-
Interest Costs	3,980,497	3,722,696	3,980,497	3,722,696
<b>Total Expenses</b>	50,699,770	47,889,378	36,633,260	35,475,041
<b>Business-Type Activities:</b>				
Aguadilla City Enterprises	2,488,729	1,809,890	(288,141)	(621,758)
<b>Total Expenses</b>	2,488,729	1,809,890	(288,141)	(621,758)
<b>Total Expenses</b>	<b>\$ 53,188,499</b>	<b>\$ 49,699,268</b>	<b>\$ 36,345,119</b>	<b>\$ 34,853,283</b>

Some of the cost of Governmental Activities in 2015 was paid by those who directly benefited from the programs (\$1,622,096) and other governments and organizations that subsidized certain programs with grants and contributions (\$12,444,414). The \$36,633,260 net cost of services was covered by other general revenues including property taxes, volume of business taxes, sales and usage taxes, intergovernmental and others. Business-Type Activities in 2015 were paid by those directly benefited from the programs.

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**Governmental Funds Financial Statements Analysis**

The focus of the **Municipality's** governmental funds is to provide information on near-term inflows, outflows and balances of resources available for spending (modified accrual basis of accounting). Such information is useful in assessing the **Municipality's** financing requirements. Fund balances for the governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government honors constraints on the specific purposes for which amounts in those funds can be spent (see **Table 4**).

Commonwealth of Puerto Rico Autonomous Municipality of Aguadilla Fund Balance As of June 30,										
	FUND BALANCES									
	Restricted		Committed		Assigned		Unassigned		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>FUNDS:</b>										
General	\$ -	\$ -	\$ 1,356,627	\$ 247,991	\$ 882,875	\$ 309,747	\$ 9,337,913	\$ 10,024,036	\$ 11,577,415	\$ 10,581,774
Head Start	-	-	-	-	-	-	-	-	-	-
Municipal Cemetery										
Construction	8,314,759	-	-	-	-	-	-	-	8,314,759	-
Real Marina	6,554,199	5,294,309	1,826,041	-	-	-	-	-	8,380,240	5,294,309
Las Cascadas Hotel	-	-	-	-	-	-	(1,579,203)	(972,422)	(1,579,203)	(972,422)
Debt Service	7,276,716	7,623,529	-	-	-	-	-	-	7,276,716	7,623,529
Other Governmental	5,170,263	8,899,829	2,919,843	3,990,121	-	-	(322,596)	(424,088)	7,767,510	12,465,862
<b>Total</b>	<b>\$ 27,315,937</b>	<b>\$ 21,817,667</b>	<b>\$ 6,102,511</b>	<b>\$ 4,238,112</b>	<b>\$ 882,875</b>	<b>\$ 309,747</b>	<b>\$ 7,436,114</b>	<b>\$ 8,627,526</b>	<b>\$ 41,737,437</b>	<b>\$ 34,993,052</b>

In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the **Municipality's** governmental funds reported combined ending fund balances of \$41.7 million. Approximately 17.8% of this amount is available for spending at the government's discretion (Unassigned Fund Balance). The remainder of fund balance is restricted, committed or assigned to indicate that is not available for new spending because it has already been committed. For the fiscal year ended June 30, 2015, the governmental funds reported combined ending fund balances of \$41.7 million, with a net increase of approximately \$6.7 million in comparison with the current year. This increase was due primarily by the uses of restricted funds.

- *Restricted Fund Balance*, \$27,315,937, consists of amounts with constraints put on their use by creditors, grantors, contributors, laws, regulations or enabling legislation. Examples of restrictions on funds are those for (1) purpose of fund (i.e., improve and construction of facilities), (2) grants for capital outlay, and (3) legislated amounts reserved for debt repayments.
- *Committed Fund Balance*, \$6,102,511, consists of amounts for specific purposes determined by the Municipal Legislature, such as Construction of Real Marina account of \$3.5 million and Sanitation account of \$1.3 million.
- *Assigned Fund Balance*, \$882,875, consists of amounts for specific purposes to cover purchase orders and contracts.
- *Unassigned Fund Balance*, \$7,436,114, represents the residual classification for the **Municipality's** General Fund.

The general fund is the operating fund of the **Municipality**. Unassigned Fund Balance of the General Fund represents approximately 22.4% of total fund balances and 80.6% of total ending General Fund Balance that is in compliance with Fund Balances Policies.

The **Municipality** reports 36 individual governmental funds. Information is presented separately in the governmental fund statements for the General, Head Start, Municipal Cemetery Construction, Real Marina, Las Cascadas Hotel, and Debt Service funds, which are all considered major funds. Data from the other 30 governmental funds are aggregated into a single column on the fund statements. Individual fund data for these nonmajor governmental funds is provided in the combining financial statements immediately following the Notes to the Basic Financial Statements and Required Supplementary Information.

For the year ended June 30, 2015, the fund balance of the general fund increased by \$995,641 when in the prior year there is an increase of \$189,323 (see **Table 5**).

**Table 5**

**Commonwealth of Puerto Rico  
Autonomous Municipality of Aguadilla  
General Fund  
As of June 30,**

Description	2015	2014	Dollar Change	Percentage Change
<b>Revenues:</b>				
Property Taxes	\$ 9,416,495	\$ 10,113,691	\$ (697,196)	-6.89%
Volume of Business Taxes	11,305,314	10,266,649	1,038,665	10.12%
Sales and Usage Taxes	822,501	1,030,904	(208,403)	-20.22%
Construction Excise Taxes	2,414,963	1,626,065	788,898	48.52%
Intergovernmental	6,510,288	6,692,224	(181,936)	-2.72%
Interests	1,078,246	570,453	507,793	89.02%
Charges for Service	379,500	199,999	179,501	89.75%
Miscellaneous	726,772	828,470	(101,698)	-12.28%
Total Revenues	<u>32,654,079</u>	<u>31,328,455</u>	<u>1,325,624</u>	4.23%
<b>Expenditures:</b>				
General Government	16,123,748	16,666,380	(542,632)	-3.26%
Public Safety	1,812,135	1,791,935	20,200	1.13%
Public Work	2,427,015	2,470,945	(43,930)	-1.78%
Culture and Recreation	831,965	768,716	63,249	8.23%
Health and Sanitation	3,213,239	2,682,387	530,852	19.79%
Landfill Post-Closure Costs	-	22,523	(22,523)	-100.00%
Human Services and Welfare	3,511,798	3,109,210	402,588	12.95%
Urban Development	554,351	440,980	113,371	25.71%
Capital Outlay	572,597	904,093	(331,496)	-36.67%
Total Expenditures	<u>29,046,848</u>	<u>28,857,169</u>	<u>189,679</u>	0.66%
Net Transfer In (Out)	(2,611,590)	(2,281,963)	(329,627)	-14.44%
Other Financing Sources	-	-	-	0.00%
<b>Net Change in Fund Balance</b>	<b><u>\$ 995,641</u></b>	<b><u>\$ 189,323</u></b>	<b><u>\$ 806,318</u></b>	425.90%

continue

**Proprietary Funds**

The **Municipality** reports only one individual proprietary fund. Information is presented separately in the proprietary fund statements for the Aguadilla City Enterprises Fund, which is considered major fund.

The **Municipality's** proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

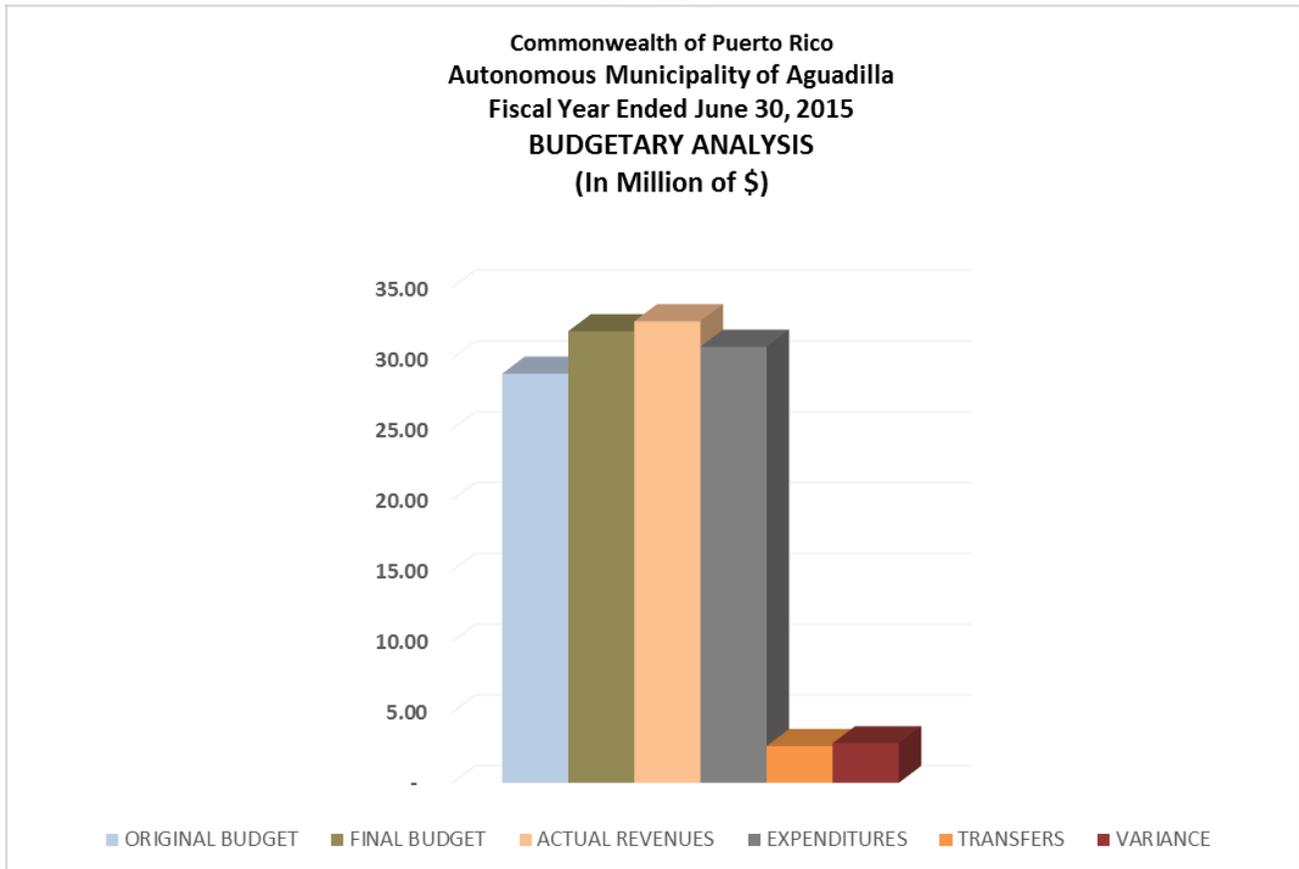
**GENERAL FUND BUDGETARY HIGHLIGHTS**

The General Fund original budget for the fiscal period 2014-2015 was greater than prior year budget by approximately \$0.6 million due to an increase in volume of business taxes and construction excise taxes revenues. Actual revenues were less than the revised budgeted revenues by \$1,708,091 due to decrease in intergovernmental revenues.

Also, economies were generated during the year of approximately \$4.5 million. The **Municipality** reported less expenditure than appropriations in those functions on payments for professional and nonprofessional services. Total Variances amounted to (\$817,193) after transfer to other funds or \$2.6 million for capital projects.

**Figure 6** presents the budgetary comparison by their components during the fiscal year 2014-2015:

**FIGURE 6**



## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of the fiscal year, the **Municipality** has invested \$235,827,851 (net of accumulated depreciation) in a broad range of capital assets, including buildings, parks, roads, bridges, land and equipment. This amount represents a net increase of \$15,015,765 or 6.8% more than prior year.

The **Municipality** acquired a total of \$19,046,984 of capital assets during the fiscal year 2014-2015 as follows:

#### **Governmental Activities**

- Construction in progress of buildings and facilities – \$17,993,779. Principal investment corresponded to Real Marina and “Las Cascadas” Hotel projects.
- Acquisition of Motor Vehicles – \$813,021
- Acquisition of Machinery and Equipment – \$232,299

Prior year adjustment was presented for construction in progress for a total amount of (\$341,158).

Others important repair and maintenance of infrastructure (not capitalized) was realized during the past year.

During the year, fully depreciated motor vehicles, and machinery and equipment was retired for the amount of (\$506,697).

Also, building was disposed with a net loss of (\$35,000).

#### **Business-Type Activities**

- Acquisition of Equipment – \$7,885

During the year, fully depreciated equipment was retired for the amount of (\$23,129).

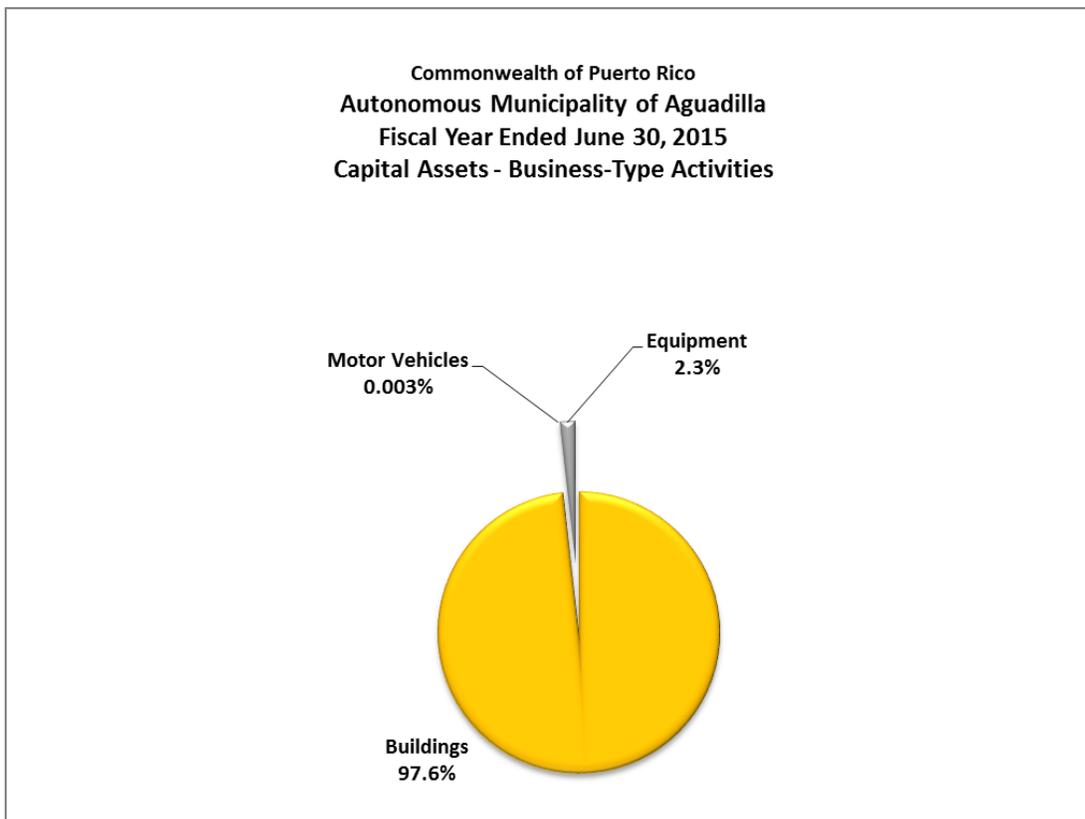
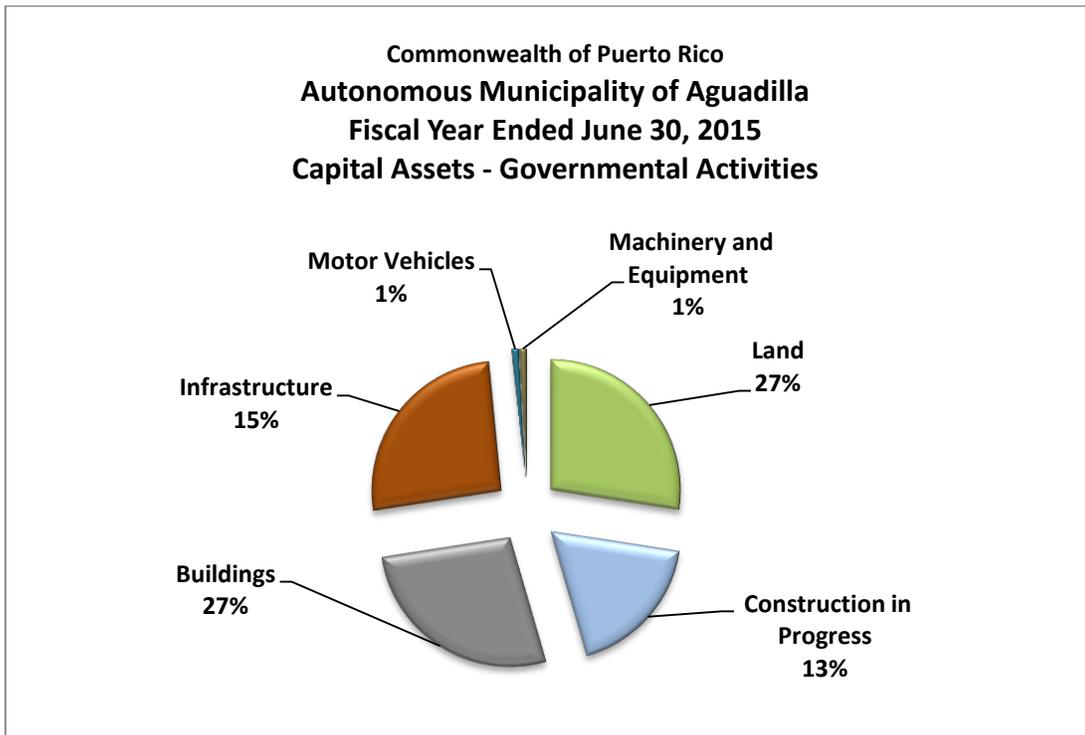
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Table 6 and Figures 7 present the components of capital assets during the fiscal year 2014-2015:

<b>Table 6</b> <b>Commonwealth of Puerto Rico</b> <b>Autonomous Municipality of Aguadilla</b> <b>Capital Assets, Net</b> <b>As of June 30,</b>				
Description	2015	2014	Dollar Change	Percentage Change
<b>Governmental Activities:</b>				
Non-Depreciable Capital Assets:				
Land	\$ 61,864,581	\$ 61,864,581	\$ -	0.00%
Construction in Progress	40,666,189	22,672,410	17,993,779	79.36%
Depreciable Capital Assets (Net):				
Buildings	60,867,021	62,426,057	(1,559,036)	-2.50%
Infrastructure	58,398,099	59,551,366	(1,153,267)	-1.94%
Motor Vehicles	1,782,285	1,717,081	65,204	3.80%
Machinery and Equipment	1,699,314	1,689,321	9,993	0.59%
Total Governmental Capital Assets	<u>225,277,489</u>	<u>209,920,816</u>	<u>15,356,673</u>	7.32%
<b>Business-Type Activities:</b>				
Non-Depreciable Capital Assets:				
Construction in Progress	-	-	-	0.00%
Depreciable Capital Assets (Net):				
Buildings	10,363,397	10,635,078	(271,681)	-2.55%
Motor Vehicles	1,050	4,199	(3,149)	-74.99%
Equipment	185,915	251,993	(66,078)	-26.22%
Total Business-Type Capital Assets	<u>10,550,362</u>	<u>10,891,270</u>	<u>(340,908)</u>	-3.13%
<b>Total</b>	<b><u>\$ 235,827,851</u></b>	<b><u>\$ 220,812,086</u></b>	<b><u>\$ 15,015,765</u></b>	6.80%

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FIGURES 7



Additional information on the **Municipality's** capital assets can be found in Note 10 to the financial statements on pages 79-80 of this report.

continue

**Noncurrent Liabilities**

On September 2012, the **Municipality** received the approval of a Non-Revolving Construction Credit Facility (Non-Revolving Facility) and a Permanent Financing Facility Revenue Bond (Permanent Facility) under the Municipal Financing Act of 1996 in the amount of \$21,750,000 for the construction of Las Cascadas Hotel (Project), to be located on an approximately 1.7 acres land parcel adjacent to Las Cascadas Water Park. The construction begins on June 2013. During fiscal year 2014-2015 the amount of \$5,741,176 of the Non-Revolving Facility Line of Credit are used, for a total amount used of \$14,967,273. This amount shall bear interest at a variable annual rate equal to: (i) until the Construction Maturity Date [earlier of the completion of construction of the Project and the second anniversary, or twenty four (24) months, after the closing of the Facility], the Prime Rate plus 1.00%, and (ii) after the Construction Maturity Date, the Prime Rate plus 1.00%, but in no event less than 6.25% per annum. The Permanent Facility principal and variable interest, are payable in a maximum term of one hundred twenty (120) months, or ten (10) years, after the Construction Maturity Date. The project is in final stage expected to be finished on December 2015 (see the cover photo of this report carpet).

At year-end, the **Municipality** had \$94,209,835 in general and special obligations bonds, an increase of 14.99% with respect to prior year. Also, the implementation of the GASB No. 68 created a new Net Pension Liability. Following is a summary of the **Municipality's** outstanding debt as of June 30, 2015 and 2014:

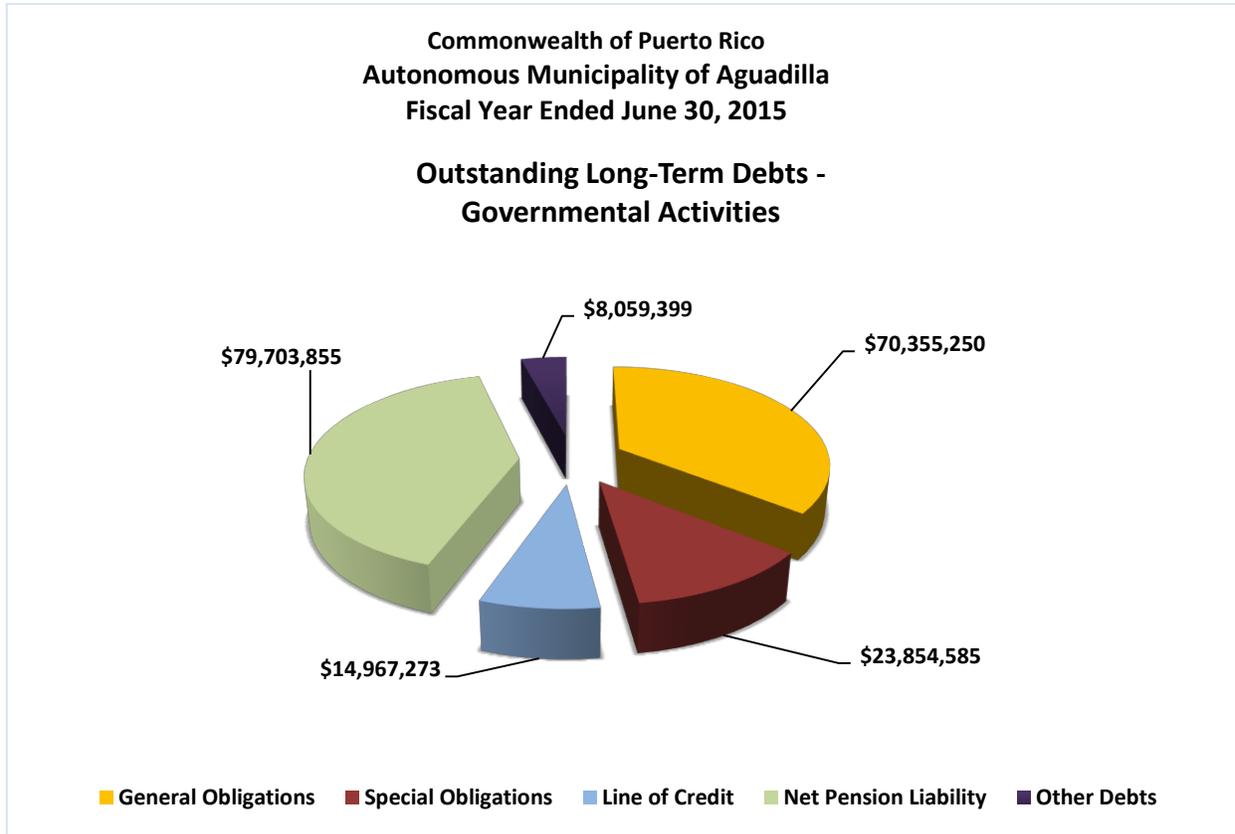
<b>Table 7</b>				
<b>Commonwealth of Puerto Rico</b>				
<b>Autonomous Municipality of Aguadilla</b>				
<b>Outstanding Long-Term Debts</b>				
<b>As of June 30,</b>				
	<b>2015</b>	<b>2014</b>	<b>Dollar Change</b>	<b>Percentage Change</b>
<b>Governmental Activities:</b>				
General and Special Obligation Bonds	\$ 94,209,835	\$ 81,927,829	\$ 12,282,006	14.99%
Line of Credit	14,967,273	9,226,097	5,741,176	62.23%
Net Pension Liability	79,703,855	74,281,883	5,421,972	7.30%
Law Number 146 - MRCC	161,519	171,019	(9,500)	-5.55%
Landfill Obligation	2,947,359	3,002,276	(54,917)	-1.83%
Claims and Judgments	600,000	23,985	576,015	2401.56%
Compensated Absences	4,350,521	4,951,914	(601,393)	-12.14%
<b>Total</b>	<u>\$ 196,940,362</u>	<u>\$ 173,585,003</u>	<u>\$ 23,355,359</u>	13.45%
<b>Business-Type Activities:</b>				
Compensated Absences	<u>\$ 9,233</u>	<u>\$ 3,247</u>	<u>\$ 5,986</u>	184.35%

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continue

Figure 8 presents the components of long-term debts during the fiscal year 2014-2015:

FIGURE 8



More detailed information about the **Municipality's** long-term liabilities is presented in Note 11 to the financial statements on pages 81-85 of this report.

## ***Deferred Outflows / Inflows of Resources***

### **Deferred Outflows of Resources**

Deferred outflows of resources are new to the **Municipality's** Statement of Net Position for this fiscal year. This classification balance, although similar to "assets," is set apart because these items do not meet the technical definition of being a **Municipality** asset on the date of these financial statements. In other words, these amounts are not available to pay liabilities in the way assets are available. When all the recognition criteria are met, the deferred outflow of resources will become an expense/expenditure.

The most significant deferred outflow of resources reported are related to the implementation of GASB Statement No. 68 and GASB Statement No. 71 for pension liability reporting. GASB 71 requires that contributions made during the fiscal year to the retirement system be reported as deferred outflows of resources. Consequently, the majority of the deferred outflows of resources reported are comprised of current year contributions to the retirement system. However, there may be some deferred outflows of resources attributable to the various components that impact pension changes, and can include investment changes amortization, changes due to actuarial assumptions, and differences between expected or actual experience.

continue

### Deferred Inflows of Resources

Deferred inflows of resources are the counterpart to deferred outflows of resources on the Statement of Net Position. Deferred inflows of resources are not technically liabilities of the **Municipality** as of the date of the financial statements. When all the recognition criteria are met, the deferred inflow of resources will become revenue or an increase to net position.

Deferred inflows of resources related to pensions represent a net amount attributable to the various components that impact pension changes, and can include investment changes amortization, changes due to actuarial assumptions, and differences between expected or actual experience.

More detailed information about the **Municipality's** deferred outflows of resources and deferred inflows of resources is presented in Note 7 to the financial statements on page 77 of this report.

### ***ECONOMIC FACTORS AND NEXT YEAR'S BUDGET***

The **Municipality's** selected and appointed officials considered many factors when setting the fiscal year 2014-2015 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's** unemployment rate now stands at 13.5%, which compares with the Commonwealth of Puerto Rico rate of 13.1%.

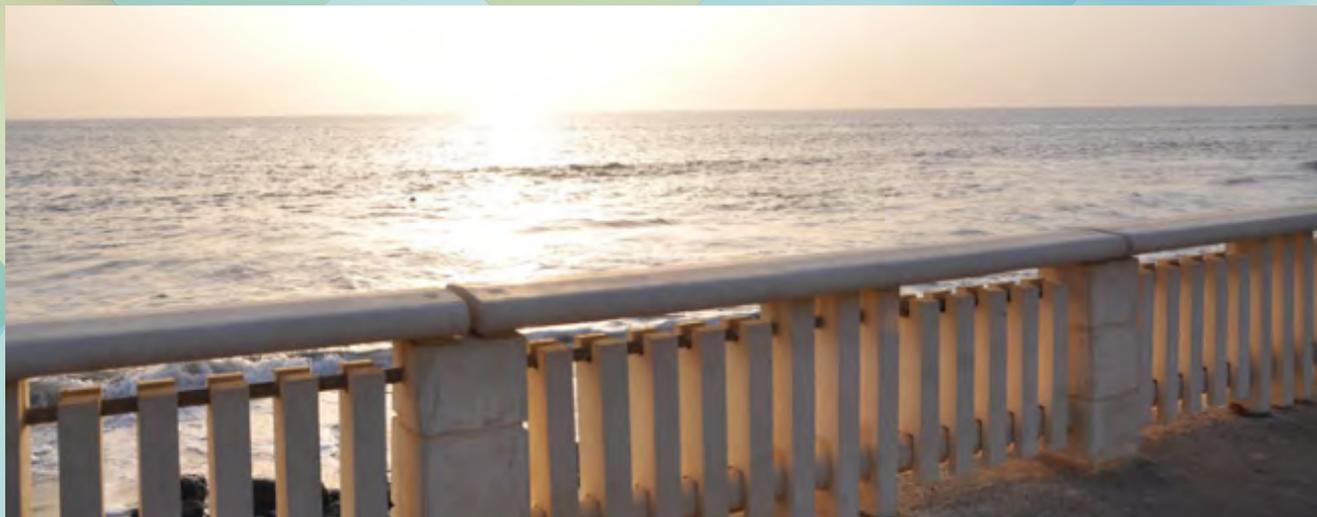
The **Municipality** applied a conservative approach in development budget estimates. Amounts available for appropriations in the General Fund for the fiscal year 2015-2016 are \$30.7 million, approximately \$1.8 million additional than the fiscal year 2014-2015. The **Municipality** expects limited changes in revenues for the next year due to Puerto Rico economic rescission, except for sales and used taxes and volume of business taxes for new businesses established last year. Budgeted expenditures are expected to stabilize accordingly to the projected revenues. Among planned projects, this budget may be adjusted in accordance with economic injection projected when the construction project promoted by the **Municipality** and others private projects were develop during the year.

### ***CONTACTING THE MUNICIPALITY'S FINANCIAL MANAGEMENT***

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the **Municipality's** finances and to demonstrate the **Municipality's** accountability for the money it receives. If you have questions about this report or need additional information, contact the **Municipality's** Finance Department at [(787) 891-1005] or P.O. Box 1008, Aguadilla, Puerto Rico 00605.

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# BASIC FINANCIAL STATEMENTS



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	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<b>ASSETS:</b>			
Cash and Investments .....	\$ 26,341,502	\$ 3,610,210	\$ 29,951,712
Cash with Fiscal Agent.....	33,567,060	-	33,567,060
Receivables (Net):			
Federal Grants .....	6,779,218	-	6,779,218
Sales and Usage Taxes .....	330,900	-	330,900
Others .....	107,554	-	107,554
Internal Balances.....	<u>99,234</u>	<u>(99,234)</u>	<u>-</u>
Capital Assets:			
Land, Improvements and Construction in Progress .....	102,530,770	-	102,530,770
Other Capital Assets [Net of Depreciation].....	<u>122,746,719</u>	<u>10,550,362</u>	<u>133,297,081</u>
Total Capital Assets.....	<u>225,277,489</u>	<u>10,550,362</u>	<u>235,827,851</u>
<b>TOTAL ASSETS .....</b>	<b><u>292,502,957</u></b>	<b><u>14,061,338</u></b>	<b><u>306,564,295</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Contributions to Employees Retirement System.....	<u>4,854,974</u>	<u>-</u>	<u>4,854,974</u>
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES .....</b>	<b><u>4,854,974</u></b>	<b><u>-</u></b>	<b><u>4,854,974</u></b>
<b>LIABILITIES:</b>			
Accounts Payable and Accrued Expenses.....	5,498,551	253,241	5,751,792
Accrued Interest.....	1,218,067	-	1,218,067
Due to Governmental Units.....	428,923	-	428,923
Deposits and Bonds.....	530,196	-	530,196
Unearned Revenues .....	9,123,853	-	9,123,853
Noncurrent Liabilities:			
Due within One Year .....	5,901,366	9,233	5,910,599
Due in more than One Year .....	111,335,141	-	111,335,141
Net Pension Liabilities.....	<u>79,703,855</u>	<u>-</u>	<u>79,703,855</u>
<b>TOTAL LIABILITIES .....</b>	<b><u>213,739,952</u></b>	<b><u>262,474</u></b>	<b><u>214,002,426</u></b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unamortized Investment Employees Retirement System .....	<u>637,824</u>	<u>-</u>	<u>637,824</u>
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES .....</b>	<b><u>637,824</u></b>	<b><u>-</u></b>	<b><u>637,824</u></b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets.....	137,157,924	10,550,362	147,708,286
Restricted for:			
Capital Projects .....	378,995	-	378,995
Head Start Program.....	5,438,121	-	5,438,121
Debt Service .....	7,884,058	-	7,884,058
Community Development Projects .....	1,303,353	-	1,303,353
Other Purposes .....	4,281,036	-	4,281,036
Unrestricted (Deficit).....	<u>(73,463,332)</u>	<u>3,248,502</u>	<u>(70,214,830)</u>
<b>TOTAL NET POSITION .....</b>	<b><u>\$ 82,980,155</u></b>	<b><u>\$ 13,798,864</u></b>	<b><u>\$ 96,779,019</u></b>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.



FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>GOVERNMENTAL ACTIVITIES:</b>							
Mayor and Municipal Legislature ....	\$ 2,392,205	\$ -	\$ -	\$ -	(\$ 2,392,205)	\$ -	(\$ 2,392,205)
General Government.....	17,180,419	1,248,446	-	-	(15,931,973)	-	(15,931,973)
Public Safety .....	2,520,193	-	50,470	-	(2,469,723)	-	(2,469,723)
Public Works .....	3,219,522	-	-	-	(3,219,522)	-	(3,219,522)
Culture and Recreation .....	1,197,822	-	200,000	-	(997,822)	-	(997,822)
Health and Sanitation .....	5,404,208	373,650	-	-	(5,030,558)	-	(5,030,558)
Public Instruction .....	5,866,989	-	8,023,068	-	2,156,079	-	2,156,079
Human Services and Welfare.....	7,081,349	-	2,715,791	-	(4,365,558)	-	(4,365,558)
Urban Development .....	1,797,896	-	1,293,443	161,642	(342,811)	-	(342,811)
Reimbursement to Grantor Agency.	58,670	-	-	-	(58,670)	-	(58,670)
Interest on Long-Term Debts .....	3,980,497	-	-	-	(3,980,497)	-	(3,980,497)
<b>Total Governmental Activities ...</b>	<b>50,699,770</b>	<b>1,622,096</b>	<b>12,282,772</b>	<b>161,642</b>	<b>(36,633,260)</b>	<b>-</b>	<b>(36,633,260)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Aguadilla City Enterprises .....	2,488,729	2,776,870	-	-	-	288,141	288,141
<b>Total Business-Type Activities ..</b>	<b>2,488,729</b>	<b>2,776,870</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>288,141</b>	<b>288,141</b>
<b>Total Activities.....</b>	<b>\$ 53,188,499</b>	<b>\$ 4,398,966</b>	<b>\$ 12,282,772</b>	<b>\$ 161,642</b>	<b>(36,633,260)</b>	<b>288,141</b>	<b>(36,345,119)</b>
<b>GENERAL REVENUES:</b>							
Taxes:							
Property Taxes, levied for General Purposes.....					9,319,287	-	9,319,287
Property Taxes, levied for Debt Service .....					4,117,432	-	4,117,432
Volume of Business Taxes .....					11,305,314	-	11,305,314
Sales and Usage Taxes.....					4,319,846	-	4,319,846
Construction Excise Taxes .....					2,414,963	-	2,414,963
Intergovernmental .....					6,510,288	-	6,510,288
Interests.....					1,087,738	-	1,087,738
Miscellaneous .....					780,096	-	780,096
Transfers .....					186,710	(186,710)	-
<b>Total General Revenues, Capital Contributions and Transfers.....</b>					<b>40,041,674</b>	<b>(186,710)</b>	<b>39,854,964</b>
<b>Change in Net Position .....</b>					<b>3,408,414</b>	<b>101,431</b>	<b>3,509,845</b>
Net Position – Beginning of Year, As Restated.....					79,571,741	13,697,433	93,269,174
<b>NET POSITION – ENDING OF YEAR.....</b>					<b>\$ 82,980,155</b>	<b>\$ 13,798,864</b>	<b>\$ 96,779,019</b>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.



	GENERAL FUND	HEAD START FUND	MUNICIPAL CEMETERY CONSTRUCTION FUND	REAL MARINA FUND	LAS CASCADAS HOTEL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS:</b>								
Cash and Cash Equivalents .....	\$ 16,854,885	\$ 1,331,875	\$ -	\$ 2,849,722	\$ -	\$ -	\$ 5,305,020	\$ 26,341,502
Cash with Fiscal Agent.....	-	-	10,499,941	5,721,671	952,466	10,829,783	5,563,199	33,567,060
Receivables:								
Federal Grants .....	-	5,748,319	-	-	-	-	1,030,899	6,779,218
Sales and Usage Taxes .....	70,000	-	-	-	-	-	260,900	330,900
Due from Other Funds .....	4,646,757	-	-	495,580	-	-	742,485	5,884,822
Others Receivables.....	99,234	-	-	-	-	-	107,554	206,788
<b>TOTAL ASSETS.....</b>	<b>\$ 21,670,876</b>	<b>\$ 7,080,194</b>	<b>\$ 10,499,941</b>	<b>\$ 9,066,973</b>	<b>\$ 952,466</b>	<b>\$ 10,829,783</b>	<b>\$ 13,010,057</b>	<b>\$ 73,110,290</b>
<b>LIABILITIES:</b>								
Accounts Payable.....	\$ 418,250	\$ 58,084	\$ 2,185,182	\$ 471,758	\$ 1,618,414	\$ -	\$ 746,863	\$ 5,498,551
Bonds Payable .....	-	-	-	-	-	2,335,000	-	2,335,000
Accrued Interest .....	-	-	-	-	-	1,218,067	-	1,218,067
Due to Governmental Units.....	428,923	-	-	-	-	-	-	428,923
Deposits and Bonds .....	530,196	-	-	-	-	-	-	530,196
Due to Other Funds.....	-	1,170,526	-	214,975	913,255	-	3,586,066	5,884,822
Unearned Revenues .....	8,716,092	-	-	-	-	-	407,761	9,123,853
<b>Total Liabilities .....</b>	<b>10,093,461</b>	<b>1,228,610</b>	<b>2,185,182</b>	<b>686,733</b>	<b>2,531,669</b>	<b>3,553,067</b>	<b>4,740,690</b>	<b>25,019,412</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>								
Unavailable Revenues – Federal Grants .....	-	5,851,584	-	-	-	-	501,857	6,353,441
<b>Total Deferred Inflows of Resources.....</b>	<b>-</b>	<b>5,851,584</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>501,857</b>	<b>6,353,441</b>
<b>FUND BALANCES:</b>								
Restricted .....	-	-	8,314,759	6,554,199	-	7,276,716	5,170,263	27,315,937
Committed .....	1,356,627	-	-	1,826,041	-	-	2,919,843	6,102,511
Assigned.....	882,875	-	-	-	-	-	-	882,875
Unassigned (Deficit).....	9,337,913	-	-	-	(1,579,203)	-	(322,596)	7,436,114
<b>Total Fund Balances.....</b>	<b>11,577,415</b>	<b>-</b>	<b>8,314,759</b>	<b>8,380,240</b>	<b>(1,579,203)</b>	<b>7,276,716</b>	<b>7,767,510</b>	<b>41,737,437</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES .....</b>	<b>\$ 21,670,876</b>	<b>\$ 7,080,194</b>	<b>\$ 10,499,941</b>	<b>\$ 9,066,973</b>	<b>\$ 952,466</b>	<b>\$ 10,829,783</b>	<b>\$ 13,010,057</b>	<b>\$ 73,110,290</b>



<b>Total Fund Balances – Governmental Funds (Page 32)</b> .....	<b>\$ 41,737,437</b>
Amounts reported for Governmental Activities in the Statement of Net Position (Page 24) are different because:	
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. In the current period, these amounts are:	
Non Depreciable Capital Assets .....	\$102,530,770
Depreciable Capital Assets .....	184,436,185
Accumulated Depreciation .....	<u>(61,689,466)</u>
Total Capital Assets .....	225,277,489
Deferred Outflows of Resources in Governmental Activities are not recorded in the funds in the current period. ....	4,854,974
Some of the <b>Municipality's</b> revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are unavailable in the funds:	
Head Start Program .....	5,851,584
Community Development Block Grant Program.....	<u>501,857</u>
Total Unavailable Revenues .....	6,353,441
Deferred Inflows of Resources in Governmental Activities corresponded to future period and therefore are not reported in the funds.....	(637,824)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
General Obligation Bonds .....	(68,020,250)
Special Obligation Bonds .....	(23,854,585)
Interim Note (Line of Credit) .....	(14,967,273)
Net Pension Liability .....	(79,703,855)
Other Obligations .....	<u>(8,059,399)</u>
Total Noncurrent Liabilities.....	<u>(194,605,362)</u>
<b>Total Net Position of Governmental Activities (Page 30)</b> .....	<b><u>\$ 82,980,155</u></b>



COMMONWEALTH OF PUERTO RICO  
AUTONOMOUS MUNICIPALITY OF AGUADILLA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	GENERAL FUND	HEAD START FUND	MUNICIPAL CEMETERY CONSTRUCTION FUND	REAL MARINA FUND	LAS CASCADAS HOTEL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>								
Property Taxes .....	\$ 9,416,495	\$ -	\$ -	\$ -	\$ -	\$ 4,508,127	\$ -	\$ 13,924,622
Volume of Business Taxes .....	11,305,314	-	-	-	-	-	-	11,305,314
Sales and Usage Taxes .....	822,501	-	-	-	-	1,084,414	2,412,931	4,319,846
Construction Excise Taxes .....	2,414,963	-	-	-	-	-	-	2,414,963
Intergovernmental .....	6,510,288	-	-	-	-	-	277,078	6,787,366
Federal Grants .....	-	5,858,621	-	-	-	-	4,018,638	9,877,259
Interests .....	1,078,246	-	-	8,798	-	-	694	1,087,738
Charges for Service .....	379,500	-	-	-	-	-	1,242,596	1,622,096
Rent .....	162,563	-	-	-	-	-	-	162,563
Miscellaneous .....	564,209	-	-	-	-	-	53,324	617,533
Total Revenues .....	<u>32,654,079</u>	<u>5,858,621</u>	<u>-</u>	<u>8,798</u>	<u>-</u>	<u>5,592,541</u>	<u>8,005,261</u>	<u>52,119,300</u>
<b>EXPENDITURES:</b>								
Current:								
Mayor and Municipal Legislature .....	1,994,915	-	-	-	-	-	-	1,994,915
General Government .....	14,128,833	-	-	40,209	-	1,791	703,754	14,874,587
Public Safety .....	1,812,135	-	-	-	-	-	125,517	1,937,652
Public Works .....	2,427,015	-	-	-	-	-	-	2,427,015
Culture and Recreation .....	831,965	-	-	-	-	-	154,697	986,662
Health and Sanitation .....	3,213,239	-	-	-	-	-	1,153,914	4,367,153
Public Instruction .....	-	5,799,951	-	-	-	-	-	5,799,951
Landfill Post-Closure Care Costs .....	-	-	-	-	-	-	262,687	262,687
Human Services and Welfare .....	3,511,798	-	-	-	-	-	3,095,514	6,607,312
Urban Development .....	554,351	-	-	-	-	-	1,017,526	1,571,877
Reimbursement to Grantor Agency .....	-	58,670	-	-	-	-	-	58,670
Capital Outlay .....	572,597	-	2,230,241	5,030,048	6,347,957	-	4,858,256	19,039,099
Debt Service:								
Principal .....	-	-	-	-	-	3,892,494	-	3,892,494
Interest and Other Charges .....	-	-	-	-	-	3,772,727	-	3,772,727
Total Expenditures .....	<u>29,046,848</u>	<u>5,858,621</u>	<u>2,230,241</u>	<u>5,070,257</u>	<u>6,347,957</u>	<u>7,667,012</u>	<u>11,371,865</u>	<u>67,592,801</u>
<b>Excess of Revenues Over (Under)</b>								
<b>Expenditures .....</b>	<u><b>3,607,231</b></u>	<u><b>-</b></u>	<u><b>(2,230,241)</b></u>	<u><b>(5,061,459)</b></u>	<u><b>(6,347,957)</b></u>	<u><b>(2,074,471)</b></u>	<u><b>(3,366,604)</b></u>	<u><b>(15,473,501)</b></u>

continue



	GENERAL FUND	HEAD START FUND	MUNICIPAL CEMETERY CONSTRUCTION FUND	REAL MARINA FUND	LAS CASCADAS HOTEL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>OTHER FINANCING SOURCES (USES):</b>								
Issuance of Interim Note .....	\$ -	\$ -	\$ -	\$ -	\$ 5,741,176	\$ -	\$ -	\$ 5,741,176
Proceed of Bonds .....	-	-	10,545,000	5,745,000	-	-	-	16,290,000
Transfers – In .....	-	-	-	3,527,537	-	2,583,946	2,215,575	8,327,058
Transfers – Out .....	(2,611,590)	-	-	(1,125,147)	-	(856,288)	(3,547,323)	(8,140,348)
Total Other Financing Sources and (Uses).....	(2,611,590)	-	10,545,000	8,147,390	5,741,176	1,727,658	(1,331,748)	22,217,886
<b>Net Change in Fund Balances.....</b>	<b>995,641</b>	<b>-</b>	<b>8,314,759</b>	<b>3,085,931</b>	<b>(606,781)</b>	<b>(346,813)</b>	<b>(4,698,352)</b>	<b>6,744,385</b>
Fund Balances – Beginning, As Restated.....	10,581,774	-	-	5,294,309	(972,422)	7,623,529	12,465,862	34,993,052
<b>FUND BALANCES – ENDING.....</b>	<b>\$ 11,577,415</b>	<b>\$ -</b>	<b>\$ 8,314,759</b>	<b>\$ 8,380,240</b>	<b>(\$ 1,579,203)</b>	<b>\$ 7,276,716</b>	<b>\$ 7,767,510</b>	<b>\$ 41,737,437</b>



**Net Change in Fund Balances – Total Governmental Funds (Page 35) ..... \$ 6,744,385**

Amounts reported for Governmental Activities in the Statement of Activities (Page 31) 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. In the current period, these amounts are:

Capital Assets .....	\$ 19,039,099	
Loss on Disposition of Capital Asset .....	(35,000)	
Depreciation Expense .....	<u>(3,647,426)</u>	
Excess of Capital Assets over Depreciation Expense .....		15,356,673

Revenues that provide current financial resources received in advance in prior fiscal year and recognized in the Statement of Activities, are reported as revenues in the governmental funds in current period:

Municipal Revenues Collection Center – Property Taxes Liquidation ...	(487,903)	
Community Development Block Grant .....	215,145	
Head Start Program .....	<u>2,074,932</u>	
Total of Revenues .....		1,802,174

Line of Credit provide current financial resources to governmental funds, but issuing debt increases Noncurrent Liabilities in the Statement of Net Position. In the current period, proceeds received was..... (5,741,176)

Bonds proceeds provide current financial resources to governmental funds, but issuing debt increases Noncurrent Liabilities in the Statement of Net Position. In the current period, proceeds received was..... (16,290,000)

Repayment of long-term principal is expenditure in the governmental funds, but the repayment reduces Noncurrent Liabilities in the Statement of Net Position. In the current year the repayments were..... 3,892,494

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in Landfill Post-Closure Care Costs .....	54,917	
Increase in Claims and Judgments .....	(576,015)	
Decrease in Compensated Absences .....	601,393	
Change in Net Pension Liability .....	<u>(2,436,431)</u>	
Total Additional Expenditures.....		<u>(2,356,136)</u>

**Change in Net Position of Governmental Activities (Page 31) ..... \$ 3,408,414**



COMMONWEALTH OF PUERTO RICO  
AUTONOMOUS MUNICIPALITY OF AGUADILLA

STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

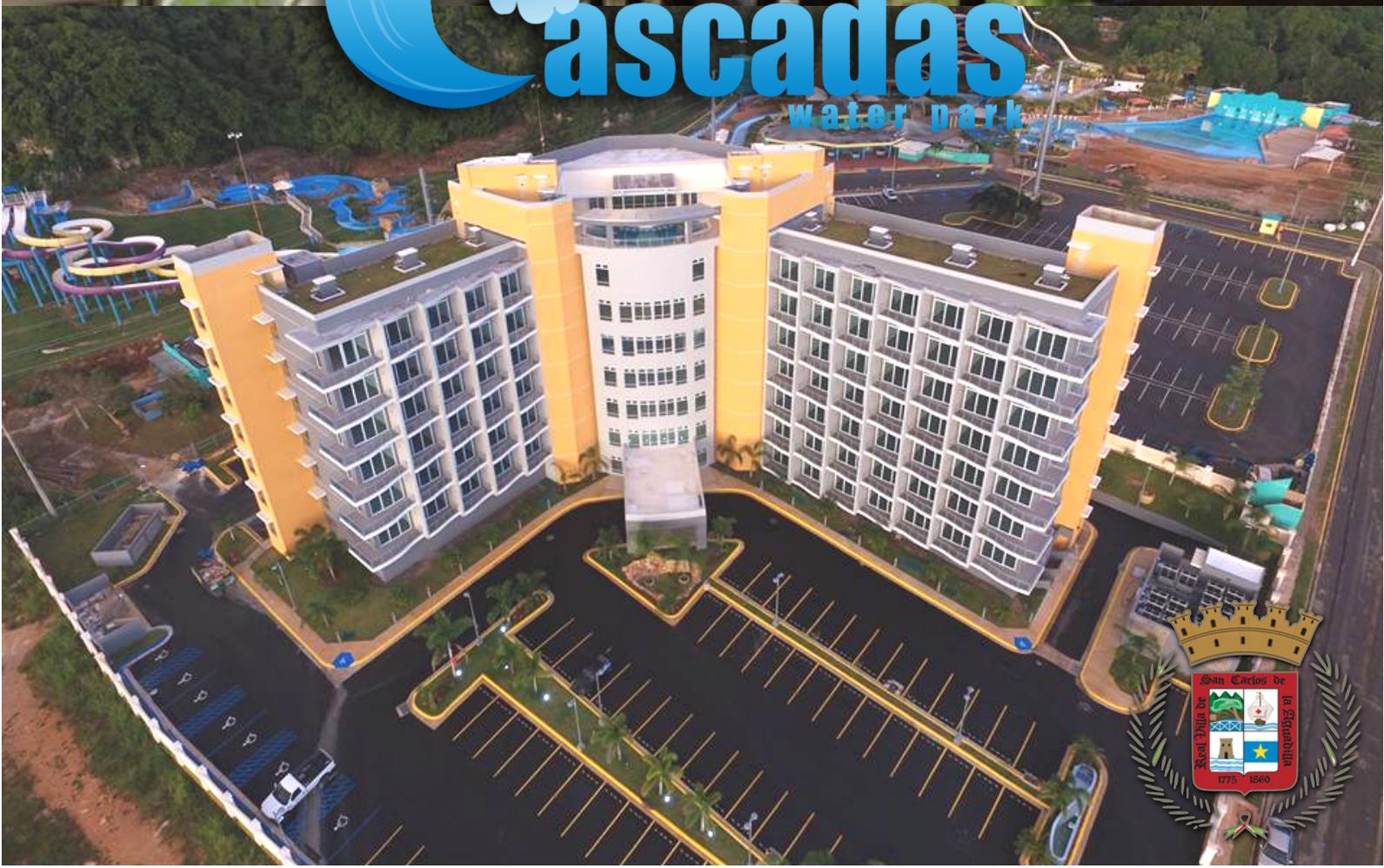
	BUDGET AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	BUDGET TO GAAP DIFFERENCES OVER (UNDER)	ACTUAL AMOUNTS (GAAP BASIS)
	ORIGINAL	FINAL			
<b>REVENUES:</b>					
Property Taxes .....	\$ 9,244,007	\$ 9,458,621	\$ 9,416,495	\$ -	\$ 9,416,495
Volume of Business Taxes.....	10,100,000	11,200,194	11,305,314	-	11,305,314
Sales and Usage Taxes .....	1,260,002	840,001	822,501	-	822,501
Construction Excise Taxes.....	1,340,000	2,356,936	2,414,963	-	2,414,963
Intergovernmental Revenues .....	5,880,874	5,966,766	6,510,288	-	6,510,288
Interests.....	486,500	1,072,804	1,078,246	-	1,078,246
Miscellaneous.....	567,953	1,002,491	1,051,114	(B) 55,158	1,106,272
Total Revenues.....	<u>28,879,336</u>	<u>31,897,813</u>	<u>32,598,921</u>	<u>55,158</u>	<u>32,654,079</u>
<b>EXPENDITURES:</b>					
Current:					
Mayor and Municipal Legislature .....	1,754,238	2,188,703	2,175,527	(A) 180,612	1,994,915
General Government.....	13,729,594	14,060,010	13,936,248	(A) (192,585)	14,128,833
Public Safety .....	1,894,566	1,928,129	1,823,368	(A) 11,233	1,812,135
Public Works .....	2,540,012	2,499,276	2,499,078	(A) 72,063	2,427,015
Culture and Recreation .....	916,352	849,174	844,126	(A)/(B) 12,161	831,965
Health and Sanitation .....	3,117,221	3,217,007	3,213,437	(A) 198	3,213,239
Human Services and Welfare .....	3,561,503	3,614,501	3,530,867	(A) 19,069	3,511,798
Urban Development .....	474,801	3,938,327	2,191,735	(A) 1,637,384	554,351
Capital Outlays .....	50,400	591,096	590,138	(A) 17,541	572,597
Total Expenditures .....	<u>28,038,687</u>	<u>32,886,223</u>	<u>30,804,524</u>	<u>1,757,676</u>	<u>29,046,848</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	<u>840,649</u>	<u>(988,410)</u>	<u>1,794,397</u>	<u>1,812,834</u>	<u>3,607,231</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers to Other Funds .....	<u>(840,649)</u>	<u>(2,611,590)</u>	<u>(2,611,590)</u>	<u>-</u>	<u>(2,611,590)</u>
Total Other Financing Sources (Uses).....	<u>(840,649)</u>	<u>(2,611,590)</u>	<u>(2,611,590)</u>	<u>-</u>	<u>(2,611,590)</u>
<b>Net Change in Fund Balance .....</b>	<b>-</b>	<b>(3,600,000)</b>	<b>(817,193)</b>	<b>1,812,834</b>	<b>995,641</b>
Budgetary Fund Balance, As Restated July 1, 2014 .....	<u>5,000,950</u>	<u>5,000,950</u>	<u>5,000,950</u>	(C) 5,580,824	<u>10,581,774</u>
<b>BUDGETARY FUND BALANCE, JUNE 30, 2015.....</b>	<b>\$ <u>5,000,950</u></b>	<b>\$ <u>1,400,950</u></b>	<b>\$ <u>4,183,757</u></b>	<b>\$ <u>7,393,658</u></b>	<b>\$ <u>11,577,415</u></b>

**Explanation of Differences:**

- (A) Encumbrances for equipment and supplies ordered but not received are reported in the year. The orders are placed for budgetary purposes, but are reported in the year the equipment and supplies are received for GAAP purposes.
- (B) Non-Budgetary Items.
- (C) The amount reported as "Fund Balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Municipality's budget. (See Note 2.C. for the description of the Municipality's budgetary accounting method.) This amount differs from the fund balance reported in the *Statement of Revenues, Expenditures, and Changes in Fund Balance* because of the cumulative effect of transactions such as those described above.



Las  
**Cascadas**  
water park



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	<u>BUSINESS-TYPE ACTIVITIES</u>
	<u>ENTERPRISE FUND</u>
<b>ASSETS:</b>	
Current Assets:	
Cash.....	\$ 3,610,210
<b>Total Current Assets .....</b>	<b><u>3,610,210</u></b>
Noncurrent Assets:	
Capital Assets:	
Buildings, Vehicles and Equipment .....	16,227,360
Less Accumulated Depreciation .....	<u>(5,676,998)</u>
<b>Total Noncurrent Assets.....</b>	<b><u>10,550,362</u></b>
<b>TOTAL ASSETS .....</b>	<b><u>14,160,572</u></b>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable and Accrued Expenses.....	253,241
Due to Other Funds.....	99,234
Compensated Absences .....	<u>9,233</u>
<b>Total Current Liabilities .....</b>	<b><u>361,708</u></b>
<b>Noncurrent Liabilities:.....</b>	<b><u>-</u></b>
<b>TOTAL LIABILITIES .....</b>	<b><u>361,708</u></b>
<b>NET POSITION:</b>	
Net Invested in Capital Assets .....	10,550,362
Unrestricted.....	<u>3,248,502</u>
<b>TOTAL NET POSITION .....</b>	<b><u>\$ 13,798,864</u></b>



	<u>BUSINESS-TYPE ACTIVITIES</u>
	<u>ENTERPRISE FUND</u>
<b>OPERATING REVENUES:</b>	
Charges for Services.....	\$ 2,406,476
Sales.....	<u>370,394</u>
Total Operating Revenues.....	<u>2,776,870</u>
<b>OPERATING EXPENSES:</b>	
Contractual Services.....	96,176
Payroll Expenses.....	425,276
Fringes Benefits.....	82,593
Utilities.....	491,344
Repair and Maintenance.....	439,354
Supplies and Other Expenses.....	605,193
Depreciation.....	<u>348,793</u>
Total Operating Expenses.....	<u>2,488,729</u>
Operating Income.....	<u>288,141</u>
<b>NONOPERATING REVENUES (EXPENSES):</b> .....	<u>-</u>
Income (Loss) Before Transfer .....	288,141
Transfer.....	<u>(186,710)</u>
<b>Changes in Net Position</b> .....	<b>101,431</b>
Net Position, Beginning.....	<u>13,697,433</u>
<b>NET POSITION, ENDING</b> .....	<b><u>\$ 13,798,864</u></b>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.



	<u>BUSINESS-TYPE ACTIVITIES</u>
	<u>ENTERPRISE FUND</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from Customers and Users .....	\$ 2,776,870
Payments to Suppliers .....	(1,595,036)
Payments to Employees .....	<u>(501,883)</u>
Net Cash Provided by Operating Activities.....	<u>679,951</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Internal Activities – Receipts from Other Funds.....	93,083
Operating Subsidies and Transfers to Other Funds.....	<u>(186,710)</u>
Net Cash Used in Noncapital Financing Activities.....	<u>(93,627)</u>
<b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:</b>	
Purchases of Capital Assets .....	<u>(7,885)</u>
Net Cash Used by Capital and Financing Activities .....	<u>(7,885)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES .....</b>	<b><u>-</u></b>
<b>Net Increase in Cash and Cash Equivalents.....</b>	<b><u>578,439</u></b>
Cash, Beginning.....	<u>3,031,771</u>
<b>Cash, Ending.....</b>	<b><u>\$ 3,610,210</u></b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating Income.....	\$ 288,141
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</b>	
Depreciation .....	348,793
(Increase) Decrease in Current Assets and Liabilities:	
Accounts and Others Payable .....	37,031
Compensated Absences.....	<u>5,986</u>
<b>Net Cash Provided by Operating Activities.....</b>	<b><u>\$ 679,951</u></b>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

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## 1. FINANCIAL REPORTING ENTITY

The accompanying financial statements present information on the financial activities of the **Autonomous Municipality of Aguadilla of the Commonwealth of Puerto Rico (Municipality)** over which the Mayor and the Municipal Legislature, have direct or indirect governing and fiscal control. These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

### A. Organization

The **Municipality** was founded in the year 1775, and operates as a governmental unit of the Commonwealth of Puerto Rico (Commonwealth), under the Act Number 81 of August 30, 1991, known as "Autonomy Municipalities Act of the Commonwealth of Puerto Rico". The governmental system of the **Municipality** is composed of the executive and legislative bodies. The **Municipality** is governed by a Mayor and is elected every four years in the general elections of the Commonwealth. The legislative body (Municipal Legislature) consists of 16 Legislators also elected in the general elections of Puerto Rico for a four-year period.

The **Municipality** provides services such as: health, public works, sanitation, aids and services to low-income and elderly citizens, public safety, housing and urban development, culture and recreation, planning, zoning and other general and administrative services. As a government entity, the **Municipality** is exempt from both federal and state taxes.

### B. Reporting Entity

A reporting entity is comprised of (1) the primary government, (2) component unit organizations for which the primary government is financial accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, and they are financially accountable to the primary government. 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 accompanying basic financial statements include all departments and organizations units whose funds are under the custody and control of the **Municipality**. In evaluating the **Municipality** as a reporting entity, management has addressed all the potential component units. GASB Accounting Standards Codification Section 2600, *Reporting Entity and Component Unit Presentation and Disclosure*, require the inclusion of organizations that raise and hold funds for the direct benefit of the primary government.

GASB Accounting Standards Codification Section 2100, *Defining the Financial Reporting Entity*, describes the criteria for determining which organizations, functions, and activities should be considered part of the **Municipality** for financial reporting purposes. The primary criteria include appointing a voting majority of an organization's governing body, and the **Municipality's** ability to impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the **Municipality**. A second criteria used in evaluating potential component units is if the nature and significance of the relationship between the organization and a primary government are such that to exclude the organization from the financial reporting entity would render the financial statements misleading or incomplete.

A legally separate, tax-exempt organization should be discretely presented as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, and; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

continue

## 1. FINANCIAL REPORTING ENTITY – continuation

GASB Statement 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*, provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude.

There are two methods of presentation of the component unit in the financial statements: blending – the financial data of the component unit's balances and transactions in a manner similar to the presentation of the **Municipality's** balances and transactions; and discrete – presentation of the component unit's financial data in column separate from the **Municipality's** balances and transactions. The relative importance of each criterion must be evaluated in light of specific circumstances in order to determine which components units are to be included as part of the reporting entity. Based on these criteria, there are no other organizations which should be included in these basic financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements present the respective financial position of the Governmental and Business-Type Activities, each major fund, and the aggregate remaining fund information of the **Municipality**, as of June 30, 2015, and the respective changes in financial position, and the cash flows, where applicable, thereof for the fiscal year then ended.

### A. Financial Statement Presentation

The basic financial statements of the **Municipality** have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to local governmental units. The basic financial statements include both government-wide (based on the **Municipality** as a whole) and fund financial statements, which provide a more detailed level of financial information. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either Governmental or Business-Type Activities.

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

#### ***Required Supplementary Information – Management's Discussion and Analysis***

Management's discussion and analysis is required supplementary information that introduces the basic financial statements and provides an analytical overview of the **Municipality's** financial activities.

#### ***Government-wide Financial Statements (GWFS)***

While separate government-wide and fund financial statements are presented, they are interrelated. The GWFS (the *Statement of Net Position* and the *Statement of Activities*) report information of all the activities of the **Municipality**. For the most part, the effect of interfund activity has been removed from these financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's Puerto Rico Electric Power Authority function of the government. Elimination of these charges would distort the direct cost and program revenue reported for the various functions concerned. Governmental Activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from Business-Type Activities, which rely, to a significant extent, on fees and charges to external customers for support.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

The focus of the *Statement of Net Position* is designed to be similar to bottom line results for the **Municipality's** Governmental Activities and Business-Type Activities. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations. The *Statement of Net Position* presents the reporting entities' assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net positions are classified as net investment in capital assets, restricted when constraints are placed on them that are imposed by external parties or by laws or regulations, and unrestricted. Designations solely imposed by the **Municipality's** management are not presented as restricted net position.

The *Statement of Activities* presents a comparison between direct expenses and program revenues for the different Business-Type Activities of the **Municipality** and for each function of the **Municipality's** Governmental Activities. *Direct expenses* are those that are clearly identifiable with a specific function or segment. In addition, to the extent that indirect costs are allocated to the various functions, the program expenses will include both direct and indirect costs. *Program Revenues* include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded from program revenues are reported instead as *general revenues*.

### **Governmental Funds and Proprietary Fund Financial Statements (GFFS)**

The GFFS [the *Balance Sheet*, and the *Statement of Revenues, Expenditures (Expenses) and Changes in Fund Balance/Net Position*] provide information about the **Municipality's** funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Non-major funds are summarized into a single column.

Each fund is a separate accounting entity with a self-balancing set of accounts used to record the financial transactions and balances of that entity. Individual funds have been established as stipulated by legal provisions or by administrative discretion. The **Municipality** uses fund accounting, which is designed to demonstrate legal compliance and to segregate transactions related to certain government functions or activities.

The **Municipality** reports the following major governmental funds:

General Fund – This is the general operating fund of the **Municipality**. It is used to account for all financial resources, except those required to be accounted for in another fund.

Head Start Fund – This is the fund used to account for all transactions of the Head Start Program. The objectives to this program are to provide comprehensive health, educational, nutritional, social and other developmental services primarily to economically-disadvantaged pre-school children and infants and toddlers so that the children will attain school readiness. It is used to account for all financial resources from the Federal Government (US Department of Health and Human Services) and the corresponding matching funds.

Municipal Cemetery Construction Fund – Account for the construction of cemetery. This project is financed by bond issued.

Real Marina Fund – This is the fund used to account for all financial resources and transactions related to the loan for the construction of the Paseo Real Marina Project, which is financed by a Section 108 Loan from the US Department of Housing and Urban Development (HUD), and bond issued.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

Las Cascadas Hotel Fund – Accounts for the construction of the new Las Cascadas Hotel, which will be located in the Aguadilla's Waterfall Aquatic Park area, which is financed by an interim financing.

Debt Service Fund – This is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interests.

The **Municipality** periodically undertakes a comprehensive evaluation of its fund structure to ensure that it complies with all aspects that are of importance to users of general purpose external financial reports. Consequently, all superfluous funds and some operational funds currently used by the **Municipality** in the day-to-day accounting procedures have not been reported as individual governmental funds in the accompanying fund financial statements. Accordingly, the accompanying fund financial statements include only the minimum number of funds consistent with legal and operating requirements and, consequently, certain types of similar operational funds have been combined into single funds in the accompanying fund financial statements.

The financial statements of the governmental funds are the following:

*Balance Sheet* – Reports information at June 30, 2015 about the current financial resources (assets, liabilities, deferred inflows of resources and fund balances) of each major governmental fund.

*Statement of Revenues, Expenditures and Changes in Fund Balance* – Reports information about the inflows, outflows and balances of current financial resources of each major governmental fund for the fiscal year ended June 30, 2015.

Since the GFFS are presented in different measurement focus and basis of accounting than the GWFS, reconciliation is presented and separate explanation for each differences.

The proprietary funds – enterprise – are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the cost of providing goods and services (including depreciation) be financed or recovered primarily through user charges, or where the **Municipality** has decided that periodic determination of revenues earned and expenses incurred is appropriate.

The **Municipality** includes as operating transactions in the enterprise funds any activity undertaken in the course of ordinary business, as well as ancillary activities or activities that are a natural extension of, or that result from, these activities. Transactions resulting from events or transactions clearly distinct from the ordinary activities and which are not expected to occur frequently or regularly are reported as non-operating transactions.

The proprietary fund financial statements provide separate information of Aguadilla City Enterprises, which are considered to be major proprietary funds of the **Municipality**. In prior years, the Aguadilla's Waterfalls Aquatic Park and Aguadilla's Ice Skating Arena were considered and reported as major enterprise funds. However, by GAAP criteria, those enterprises need not be considered major enterprises, because for 2014 the **Municipality** created the Aguadilla City Enterprises as new enterprise to group and combined the administration and operation of all enterprise funds. Accordingly, the **Municipality** reports the following major enterprise fund:

Aguadilla City Enterprises – This is the fund used to account for the operations of all of the enterprises facilities that combined the administration and operation of the Aguadilla's Waterfalls Aquatic Park, Aguadilla's Ice Skating Arena and others enterprises.

The non-major funds are combined in a single column in the GFFS. As a general rule the effect of interfund activity has been eliminated from the GWFS.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

The financial statements of the proprietary funds are the following:

*Statement of Net Position* – Assets and liabilities are presented in a classified format to distinguish between current and long term assets and liabilities. No deferred outflows/inflows of resources are presented.

*Statement of Revenues, Expenses and Changes in Fund Net Position* – Revenues and expenses are reported by distinguishing between operating and non-operating revenues and expenses.

*Statement of Cash Flows* – The primary purpose of the *Statement of Cash Flows* is to provide relevant information about the cash receipts and disbursements of the **Municipality** during the fiscal year. The information of the *Statement of Cash Flows* should help financial report users assess (1) the **Municipality's** ability to generate future net cash flows; (2) ability to meet its obligation as they come due; (3) its needs for external financing; (4) the reasons for differences between operating income and associated cash receipts and disbursements and the effects on the entity's financial position of operating, capital and related financing activities, non-capital related financing activities and investment activities during the period.

During the course of operations the **Municipality** has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the GWFS. Balances between the funds included in Governmental Activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the Governmental Activities column. Similarly, balances between the funds included in Business-Type Activities (i.e. the enterprise funds) are eliminated so that only the net amount is included as internal balances in the Business-Type Activities column.

Further, certain activity occurs during the fiscal year involving transfers of resources between funds. In GFFS these amounts are reported at gross amounts as transfers in/out. While reported in GFFS, certain eliminations are made in the preparation of the GWFS. Transfers between the funds included in Governmental Activities are eliminated so that only the net amount is included as transfers in the Governmental Activities column. Similarly, balances between the funds included in Business-Type Activities are eliminated so that only the net amount is included as internal balance in the Business-Type Activities column.

The **Municipality** reports its financial position (*Balance Sheet*) and results of operations [*Statement of Revenues, Expenditures (Expenses) and Changes in Fund Balance/Net Position*] in funds, which are considered separate accounting entities. The operations of each fund are accounted for within a set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with legal, financial, and contractual provisions.

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

The notes to the basic financial statements provide information that is essential to a user's full understanding of the data provided in the basis financial statements.

### **Required Supplementary Information**

The basic financial statements includes a *Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund* as part of the GFFS, instead of the *Budgetary Comparison Schedule – General Fund*, which includes as part of the Notes to the Basic Financial Statements, reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund as presented in the GFFS.

continue

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

### ***Required Supplementary Information – Employees Retirement System***

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, that is effective for the **Municipality's** fiscal year beginning July 1, 2014, revises existing standards for measuring and reporting pension liabilities for pension plans provided by the **Municipality** to its employees, and required supplementary information that include the Schedule of Proportionate Share of the Net Pension Liability and Schedule of **Municipality's** Contributions to the Employees' Retirement Systems.

### **B. Measurement Focus and Basis of Accounting**

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.

#### ***Government-wide and Proprietary Financial Statements***

The government-wide and proprietary financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenue (including interest on deposits and investments) is generally recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the **Municipality** gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met, other than time requirements. These resources relate to a future period (when the advance is first permitted to be used in accordance with the government-mandated nonexchange transaction or a voluntary nonexchange transaction) and, therefore, should be classified as a deferred inflow of resources until such time as the resources are first permitted to be used. Receipts on any type of revenue sources collected in advance for use in the following fiscal year are recorded as unearned revenues.

The enterprise funds follows the accrual basis of accounting. Under the accrual basis, revenue is recognized when earned and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash, respectively. The enterprise funds also distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally results from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. Revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

#### ***Governmental Funds Financial Statements***

The GFFS are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, 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 these purposes, the **Municipality** considers revenues to be available if they are collected within sixty (60) days after the end of the current fiscal period. Revenues that the **Municipality** earns by incurring obligations are recognized in the same period as when the obligations are recognized. At June 30, 2015, all revenues sources met this availability criterion.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

Property taxes, volume of business taxes, sales and usage taxes, construction excise taxes, 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 requirements have been met, and the amount is received during the period or within the availability period for this revenue source (60 days of year-end). However, those resources not available for spending in the current period and, therefore should be classified as a deferred inflow of resources. 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). Accordingly, such resources should be reported as unearned revenue in the liability section of the general fund's *Balance Sheet*. All other revenue items are considered to be measurable and available only when cash is received by the **Municipality**.

Expenditures are recorded when the related fund 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. Principal and interest on bonds payable are recorded when they matured (when payment is due), except for principal and interest of bonds due on July 1, 2015, which are recorded as governmental fund liabilities of June 30, 2015 which is the date when resources were available in the debt service fund. Proceeds of general long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

The accompanying *Balance Sheet – Governmental Funds* generally reflects only assets that will not be converted into cash to satisfy current liabilities. Long-term assets and those assets that will not be converted into cash to satisfy current liabilities are generally not accounted for in the accompanying *Balance Sheet – Governmental Funds*.

The measurement focus of the GFFS is on decreases of net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related governmental fund liability is incurred. Allocation of costs, such as depreciation and amortization, are recorded in the accompanying *Statement of Activities*, but are not recorded in the accompanying GFFS.

### C. Stewardship, Compliance, and Accountability

#### ***Budgetary Information***

The **Municipality's** annually adopts the Budget Resolution for all operating funds of the **Municipality** except for certain restricted accounts (Unassigned Fund Balance up to the maximum of cash available). Budgetary control is legally maintained at the fund level. The budget is prepared using the modified accrual basis of accounting with encumbrance included as budgetary basis expenditures. Unexpended appropriations at the end of the fiscal year generally lapse. However, they may be re-appropriated for expenditures in the following fiscal year.

The **Municipality's** Budget Resolution provides transfer authority (1) to the Mayor and the Management and Budget Director, within and between departments and funds, as long as the total budget of the **Municipality** (net of interfund transfers) is not increased; (2) to the Management and Budget Director to implement grant budgets as the grant applications are accepted by the **Municipality**; and (3) to the Management and Budget Director to amend (re-appropriate) each new year's budget, to the extent of outstanding encumbrances, and/or unexpended project/grant appropriations at year end. **Municipality's** Legislature action is required for (1) use of the budgeted Legislature contingency, and (2) the approval of a supplemental appropriation(s). During the year, several supplemental appropriations were necessary.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

For budgetary purposes, encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. The encumbrances (i.e., purchase orders, contracts) are considered expenditures when incurred. For GAAP reporting purposes, encumbrances outstanding at year-end are reported as assigned 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 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 **Municipality** follows these procedures, in accordance with law, in order to establish the budgetary data reflected in the *Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund*:

### **Original Budget**

1. Prior of May 15 of each fiscal year, the Mayor submits to the Municipal Legislature a proposed budget for the fiscal year commencing the following July 1 in addition of a budget message.
2. The budget document is available for public inspection prior to its approval by the Municipal Legislature.
3. The Office of the Commissioner of Municipal Affairs examines the budget to verify if it complied with the law's standards and sends it to the Mayor for any comments or recommendation before the limited date establishes by the Law.
4. Prior to June 13, the annual budget is legally enacted through passage of the annual appropriation ordinance to be effective on July 1.

Act No. 154 of December 19, 2013 amended Sections 7.002 and 7.003 of Act. 81 of 1991, as amended, known as the "Autonomous Municipalities Act of the Commonwealth of Puerto Rico of 1991" for the purpose of establishing the budget of each municipality shall not exceed income certified in the external audit report or "single audit" for the previous fiscal year in revenue from Volume of Business Taxes, Sales and Usage Taxes (SUT), and Licenses and Permits; and that in these cases, the estimated revenue mechanism cannot be used to support the operating budget of a municipality. Also, in cases where the municipality reflects a surplus in the current budget, the surplus should be used to pay off the accumulated deficit. As an exception, the municipality may establish an Emergency Fund that draws no more than thirty percent (30%) of the surplus that can only be used when there is an emergency declaration made by the Governor of the Commonwealth of Puerto Rico that apply to the municipality. In cases where the municipality has no accumulated deficit, the surplus may be used to increase the Emergency Fund of the municipality.

Since the budgetary basis differs from GAAP, actual amounts for the General Fund in the accompanying *Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund*, is presented on the budgetary basis to enhance comparability.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation*****Final Budget***

The final budgetary data presented in the *Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund* reflects the following changes to the original budget:

1. Certain annual appropriations are budgeted on a project basis. If such projects are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, and unexpended grant appropriations, are carried forward to the following year. In certain circumstances, other regular annual appropriations may be carried forward after appropriate approval. Annually appropriated funds, not authorized to be carried forward, lapse at the end of the fiscal year. Appropriations carried forward from the prior year are included in the final budgetary data.
2. Appropriations may be adjusted during the year with the approval of the Mayor and the Municipal Legislature, e.g. supplemental appropriations. Additionally, the Mayor is authorized to make certain transfer of surplus within the departments. Such adjustments are reflected in the final budgetary data.

The Annual Appropriation Ordinance adopts the budget at the character level of expenditure within departments. As described above, the Mayor is authorized to make certain transfers of appropriations within departments. Accordingly, the legal level of budgetary control by the Municipal Legislature is the department Level.

The principal differences between the budgetary and GAAP bases are the following:

1. Encumbrances are recorded as expenditures under the budgetary basis and as restricted, committed and assigned fund balances under GAAP.
2. Interfund transactions of the General Fund are not included in the budgetary basis.
3. Certain accrued liabilities and other debts are not included in the budgetary basis.
4. Certain revenues susceptible to accrual, i.e., both measurable and available, are not included in the budgetary data.

The Special Revenue Fund has not been included in the budgetary comparison because balances are not budgeted. Also the budget prepared for the Federal Financial Awards Programs included in the Capital Projects and Special Revenue Funds is based on a program period which is not necessarily the same fiscal year. Accordingly, it's not practical to present an annual comparison of budget for such programs.

**D. Assets, Liabilities, and Net Position****1) Cash, Cash Equivalents, Cash with Fiscal Agent, and Investment**

The **Municipality's** cash are composed of demand deposits in commercial banks, demand deposits in the Governmental Development Bank of Puerto Rico (GDB), and cash equivalents in commercial banks. The **Municipality** has adopted the *Statement of Uniform Investment Guidelines for the Municipalities of the Commonwealth of Puerto Rico*, issued by the GDB as promulgated by Act No. 113 of August 3, 1995. The Finance Director of the **Municipality**, follow the guidelines, is responsible for investing the available resources in certificates of deposit and other short-term investments. Investments are made from the available combined funds of the **Municipality** and, accordingly, it is not practical to disclose certificates of deposit and other short-term investments individually by fund in the combined financial statements.

continue

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

Interest earned on certificates of deposit and other short-term investments are recognized as revenue in the General Fund and in Real Marina Fund in accordance with amount invested. Cash in the Special Revenue and Capital Project Funds are restricted; accordingly, resources available were not used for pool investments. Cash Equivalents are investments with an original maturity of 90 days or less.

Cash with Fiscal Agent in the Debt Service Fund represents special additional property tax collections retained by the GDB, deposit in the GDB and restricted for the payment of the **Municipality's** debt service, as established by law. Cash with Fiscal Agent in other governmental funds consists of undisbursed proceeds of certain bonds issued for the acquisition and construction of major capital improvements, or grants which are maintained in a cash custodian account by the GDB. This sinking fund is maintained by the GDB, agency which acts as the insurer and payer of the **Municipality's** bonds issued in accordance with law.

### 2) *Receivables and Payables*

Activity 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." Any residual balances outstanding between the Governmental Activities and Business-Type Activities are reported in the government-wide financial statement as "interfund balances".

Advance between funds, as reported in the fund financial statements, if any, are offset by a fund balance restricted account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Receivables consist of all revenues earned but not collected at June 30, 2015. These account receivables are shown net of estimated allowances for uncollectible accounts, which are determined upon past collection experience, historical trends, and current economic conditions. Intergovernmental receivables in the general fund represent mostly sales and usage taxes, federal grant and contributions, property tax accounts that are levied by Municipal Revenue Collection Center (MRCC), a governmental entity created by the Commonwealth. Intergovernmental receivables in the other governmental funds represent amounts owed to the **Municipality** for reimbursement of expenditures incurred pursuant to federally funded grant and contributions and state appropriations, and the amount in the debt service fund represents the distribution of property tax collected which is restricted for the debt service.

Accounts payable represent amounts, including salaries and wages, owed for goods and services received prior to year-end.

### 3) *Inventories*

The **Municipality** used the purchase method to account for the purchases of office and printing supplies, gasoline, oil and other expendable supplies held for consumption. This method records items as expenditures, in the appropriate fund, when they are acquired and, accordingly, the inventory is not recorded in the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

4) Capital Assets

Capital assets, which include land, buildings and improvement, machinery and equipment, motor vehicles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable Governmental or Business-Type Activities columns in the GWFS. Capital assets, other than infrastructure assets, are defined by the **Municipality** as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of two years. For improvements other than buildings, the capital outlay must be greater than \$10,000, extend the estimated useful life for ten years, and be greater than 10% of the original cost of the asset. The **Municipality** reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the GWFS regardless of their amount.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by Governmental Activities) the **Municipality** chose to include all such items regardless of their acquisition date or amount.

The **Municipality** was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the **Municipality** constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the **Municipality** values these capital assets at the estimated fair value of the item at the date of its donation.

Capital outlay is recorded as expenditures of the General Fund and other governmental funds and as assets in the GFFS to the extent the **Municipality** capitalization threshold is met. Interest incurred during the construction phase of the capital assets of Business-Type Activities is reflected in the capitalized value of the asset acquired. Depreciation and amortization expense is recorded only in the GWFS. No depreciation is recorded for land and construction in progress. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

CAPITAL ASSETS	YEARS
Buildings	50
Improvement Other Than Buildings	50
Infrastructure	10-50
Motor Vehicles	5
Machinery and Equipments	5-10
Work of Art (Inexhaustible)	N/A

Depreciation and amortization expense of capital assets is recorded as a direct expense of the function/program specifically identified with the asset. Depreciation and amortization of infrastructure is not allocated to various function/programs but reported as direct expense of the public works and urban development functions.

The accounting policy for Works of Art is that they are capitalized at their historical cost or fair value at date of donation whether they are held as individual items or in a collection. Capitalized collections or individual items that is exhaustible, such as exhibits whose useful lives are diminished by display or educational or research applications, are depreciated over their estimated useful lives. Depreciation is not required for collections or individual items that are inexhaustible. At June 30, 2015, all Work of Art are considered inexhaustible.

Impaired capital assets that will no longer be used by the **Municipality**, if any, are reported at the lower of carrying value or fair value. Impairment losses on capital assets with physical damages that will continue to be used by the **Municipality** are measured using the restoration cost approach. Impairments of capital assets that are subject to a change in the manner or duration of use, or assets affected by enactment or approval of laws or regulations or other changes in environmental factors or assets that are subject to technological changes or obsolescence, if any, are measured using the service units approach.

continue

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

The **Municipality** is prevented legally from entering into obligations extending beyond one fiscal year, and most lease agreements entered by the **Municipality** contain fiscal funding clauses or cancellation clauses that make the continuation of the agreements subject to future appropriations. The **Municipality's** lease agreements do not include contingent rental payments no escalation clauses. Accordingly, lease payments are recorded in the GWFS as expense when incurred.

### 5) *Unearned Revenues*

In the GWFS, unearned revenues arise only when the **Municipality** receives resources before it has a legal claim to them. In the GFFS, arises when the following situations occur: potential revenue does not meet both the measurable and available criteria for revenue recognition in the current period.

### 6) *Deferred Outflows/Inflows of Resources*

Deferred outflows of resources and deferred inflows of resources are defined in GASB Concept Statement No. 4, *Elements of Financial Statements*, as the acquisitions and consumptions of net assets by the government that is applicable to future periods. Pursuant to GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*," and GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*," the **Municipality** recognizes deferred outflows and inflows of resources.

In addition to assets, the *Statement of Net Position* will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then.

In addition to liabilities, the *Statement of Net Position* will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Based on this concept, the **Municipality** reports the following as deferred outflows of resources and deferred inflows of resources.

- The deferred outflows of resources or deferred inflows of resources resulting from the implementation of GASB No. 68. Note 18 presents additional information about the composition of these items.
- Revenues earned but not available within 60 days of fiscal year end.

Note 7 provides details on deferred outflows of resources and deferred inflows of resources.

The **Municipality** has items, which arises under accrual basis and modified accrual basis of accounting that qualifies for reporting in deferred outflows/inflows of resources. Accordingly, the items, related to pension system is reported in the government-wide *Statement of Net Position*, and *unavailable revenue*, is reported only in the governmental funds *Balance Sheet*. The governmental funds report *unavailable revenues* from Federal Grants. This amount is deferred and recognized as an inflow of resources in the period that the amount become available.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

### 7) *Long-Term Obligations, Bonds Issuance Costs, and Premium or Discount*

The liabilities reported in the GWFS include the general and special obligation bonds, long-term notes, other noncurrent liabilities (e.g., vacation, sick leave, claims and judgments, noncurrent liabilities to other governmental entities and third parties, and landfill post closure care costs). Bond premiums and discounts, if any, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount, if any. As per GASB Statement No. 65, Bond Issuance Costs incurred are reported as expense in the fiscal year incurred.

In the GFFS, governmental fund types recognize bond premiums and discounts, if any, as other financing sources and uses, respectively, and bond issuance costs as debt service expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Expenditures for principal and interest payments for governmental fund general and special obligations bonds are recognized in the Debt Service Fund when due.

### 8) *Compensated Absences*

The **Municipality** accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The **Municipality's** employees are granted 30 days of vacations and 18 days of sick leave annually. Vacations may be accumulated up to a maximum of sixty (60) days and sick leave up to a maximum of ninety (90) days. In the event of employee resignation, the employee is paid for accumulated vacation days up to the maximum allowed at the current rate. Separation from employment prior to use of all or part of the sick leave terminates all rights for compensation, except for employees with ten years of service who are entitled to sick leave pay up to the maximum allowed. The **Municipality** accrued a liability for compensated absences, which meet the following criteria: (1) the **Municipality's** obligation relating to employee's rights to receive compensation for future absences is attributable to employee's services already rendered; (2) the obligation relates to rights that vest or accumulate; (3) payment of the compensation is probable; and (4) the amount can be reasonably estimated.

In accordance with the above criteria and requirements in conformance with GASB Accounting Standards Codification Section C60, *Compensated Absences*, the **Municipality** has accrued a liability for compensated absences, which has been earned but not taken by **Municipality's** employees, including its share of social security and Medicare payments made on behalf of the employees in the accrual for vacation and sick leave pay using salary rates effective at June 30, 2015. All vacation pay is accrued when incurred in the GWFS and PFFS. For the GWFS, the current portion is the amount estimated to be used in the following year. For the GFFS, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and government-wide presentations. Also, GFFS record expenditures when employees are paid for leave or the balance due in accrued upon the employee's separation from employment.

### 9) *Claims and Judgments*

The estimated amount of the liability for claims and judgments, if any, which is due on demand, such as from adjudicated or settled claims, is recorded in the General Fund when the liability is incurred. The Noncurrent Liabilities includes an amount estimated as a contingent liability or liabilities with a fixed or expected due date, which will require future available financial resources for its payment.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

### 10) Accounting for Pension Costs

In June 2012, the Governmental Accounting Standards Board (GASB) issued two new pronouncements related to the accounting and financial reporting requirements for pension related expenses and liabilities. GASB Statement No. 67, *Financial Reporting for Pension Plans an amendment of GASB Statement No. 25*, replaces the requirements of GASB Statement Nos. 25 and 50 for plans administered by pension systems through trusts or equivalent arrangements, and was implemented by the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (ERS) as of June 30, 2014.

In addition, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, effective for the **Municipality's** fiscal year beginning July 1, 2014. This Statement revises existing standards for measuring and reporting pension liabilities for pension plans provided by the **Municipality** to its employees. This Statement requires recognition of a liability equal to the Net Pension Liability, which is measured as the Total Pension Liability, less the amount of the pension plan's Fiduciary Net Position. The Total Pension Liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year-end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. This Statement requires that most changes in the Net Pension Liability be included in pension expense in the period of the change. To the extent practical, the financial statements presented for the periods affected should be restated. Also, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment to GASB No. 68, is required to be implemented simultaneously with the provisions of GASB No. 68.

The **Municipality** implemented both GASB Statements No. 68 and 71 for the fiscal year ending June 30, 2015 and the financial statements of the **Municipality** for the year ended June 30, 2014 were restated.

#### Measurement Frequency and Valuation Requirements

As mentioned, GASB Statement No. 68 is effective for financial statements for fiscal years beginning after June 15, 2014. Under GASB No. 68, there are two key dates – the measurement date and the actuarial valuation date. The Net Pension Liability should be measured as of a date no earlier than the end of the employer's prior fiscal year, consistently applied from period to period (measurement date). The Net Pension Liability can be measured from an actuarial valuation as of the measurement date or roll forward amounts from an actuarial valuation as of a date no more than 30 months plus 1 day prior to the employer's most recent fiscal year-end. The actuarial valuation should be performed at least biennially.

The **Municipality** used June 30, 2014 as both the measurement date and the actuarial valuation date for purposes of implementing GASB No. 68 for both the Defined Benefit Pension Plan and Defined Contribution Hybrid Program. In future years, the calculation of the Net Pension Liability and Pension Expense will always be one year behind the most current fiscal year. For example, actuarial valuations with measurement date as of June 30, 2014 was used to report the Net Pension Liability on the **Municipality's** Fiscal Year 2014-2015 CAFR.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

**Impact on the Financial Statements – Change in Accounting Principles**

Changes resulting from GASB No. 68 requirements apply only to the government-wide financial statements. GASB No. 68 does not apply to governmental funds financial statements; they will continue to report pension expenditures based on contributions made during the year. There is no change in cash flow, contribution rates or General Fund budgeted expenditures associated with implementation of GASB No. 68. In addition, the new measure used to recognize pension expense and pension liability eliminated the Annual Required Contribution (ARC) concept for recognizing pension expense, resulting in the separation of accounting from funding.

For illustrative purposes, the Finance Department calculated certain line items in the financial statements affected by the New Pension Standards using the actuarial valuation reports as of June 30, 2014 and the highlights of the impact to the government-wide financial statements would have been on the June 30, 2014 CAFR.

- The **Net Position** (total assets and deferred outflows of resources minus total liabilities and deferred inflows of resources) at June 30, 2014 for the **Municipality** would have been \$93,269,174, a \$73,050,274 decrease (43.9%) from the previously reported net position of \$166,319,448 (pre-GASB No. 68 implementation).
- **Total Liabilities** would have been \$189,582,631 as of June 30, 2014, an increase of \$74,281,883 or 64.4% compared to the previously reported \$115,300,748 total liabilities (pre-GASB No. 68 implementation).
- Under GASB No. 68, **Pension Expense** would have been \$3,104,853, an increase of \$1,873,244 or 152.1% compared to the annual pension cost of \$1,231,609 under GASB No. 27 reported at June 30, 2014. Under GASB No. 68, the pension expense is measured as the difference between the net pension liabilities between two reporting periods.
- The beginning **Deferred Inflows of Resources** was not available for the implementation of GASB Nos. 68 and 71. The budgeted pension contribution for fiscal 2014-2015 of \$4,854,974 will be recognized as **Deferred Outflow of Resources** and \$637,824 will be recognized as **Deferred Inflow of Resources**.

	Current Accounting Standards (GASB 27)	New Accounting Standards (GASB 68 & 71)	Impact of New Standards
Assets	\$ 281,608,567	\$ 281,608,567	No change
Deferred Outflow of Resources	-	1,231,609	An increase in estimated pension contribution in Fiscal Year 2014-2015
Liabilities	115,300,748	189,582,631	An increase of \$74,281,883 (Net Pension Liability)
Deferred Inflow of Resources	-	-	No change
Net Position	166,319,448	93,269,174	A net decrease of (\$73,050,274) to Net Position
Expenses	1,231,609	3,104,853	An increase of \$1,873,244 (\$4,336,462 - \$1,231,609, contribution minus the pension expense)
Adjustments to Restated Beginning Net Position	(73,050,274)	-	A decrease of \$73,050,274 to beginning Net Position

continue

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

### Restatement of Beginning Position and Allocation of Pension Expense Among Municipality Funds

Methodology Implementation of the New Pension Standards is a change in accounting principle and will require recognition of a one-time prior period adjustment to restate the beginning net position. The total prior period adjustment on a government-wide basis is estimated to be \$73,050,274 for governmental activities; business-type activities funds was not affected because employees do not participate in the retirement systems.

The **Municipality** accounts for pension costs from the standpoint of a participant in a multiple-employer cost-sharing multi-employers plan. During the current fiscal year, the **Municipality** implemented the second pronouncement issued, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This statement establishes accounting and financial reporting for pensions provided to the employees of state and local government employers through pension plans that are administered through trusts that have the following characteristics:

- contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable;
- pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms;
- pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

For the purpose of applying the requirements of GASB No. 68, as amended, the state government of the Commonwealth is considered to be the sponsor of the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (ERS), a cost-sharing multi-employer Defined Benefit Pension Plan, and Defined Contribution Hybrid Program, in which the employees of the **Municipality** participate. The **Municipality** is considered a participant of these retirement systems since the majority of the participants in the aforementioned pension trust funds are employees of the Commonwealth and the basic financial statements of such retirement systems are part of the financial reporting entity of the Commonwealth. Act No. 3 was enacted on April 4, 2013, amended the Act No. 447 for the purpose of establishing a major reform of the ERS effective on July 1, 2013 (see Note 18).

For purposes of measuring the Net Pension Liability and Deferred Outflows/Inflows of Resources related to pensions, and pension expense, information about the fiduciary net position of the ERS and additions to/deductions from the ERS's fiduciary net position have been determined on the same basis as they are reported by Commonwealth of Puerto Rico. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Also, the Head Start Program of the **Municipality** participates in a contributory defined contribution plan named Pension Plan of Defined Contributions of the Head Start Project of the Municipality of Aguadilla.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation****11) Landfill**

As per requirements of State and Federal laws and regulations the **Municipality** should be obligated to place a final cover on its closed landfill and perform certain maintenance and monitoring functions at the landfill site for the next thirty years. The landfill has been closed and approved by the U.S. Environmental Protection Agency (EPA) (See Note 11). The estimated liability for municipal solid waste landfill post-closure care costs (including monitoring and maintenance) include an estimate of all post-closure care costs to be incurred in the **Municipality's** closed solid waste landfill, and is recorded as a liability in the accompanying GWFS, *Statement of Net Position*, under the provisions of GASB Accounting Standards Codification Section L 10, *Landfill Closure and Post-Closure Care Costs*.

The estimates post-closing costs are made using current costs. The liability should be adjusted annually to reflect the effects of inflation, advances in technology, changes in regulations or similar changes.

At the governmental funds' level, landfill post-closure care costs do not constitute an outflow of current financial resources and should not result in the recognition of a governmental fund liability or expenditures. Post-closure care costs are recorded in the *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* as expenditures in the accounting period in which the payments are made.

**12) Proprietary Funds Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the **Municipality's** enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**13) Net Position/Fund Balance****A) Net Position**

Net position represent the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in the GWFS.

The GWFS and Proprietary Funds Financial Statements utilize a net position presentation, which are categorized as follow:

- *Net Invested in Capital Assets* – These consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of bonds payable, notes payable and other debts that are attributed to the acquisition, construction or improvements of those assets. For the purposes of determining the outstanding debt attributed to capital assets, the total long-term debt related to the acquisition, construction or improvements of capital assets has been reduced by any related unspent debt proceeds. In addition, the outstanding debt attributed to capital assets does not include accrued interest payable, non-capital accrued liabilities, inter-fund loans and other financial assets.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation**

For Governmental Activities, Net Investment in Capital Assets is comprised of the following:

Capital Assets, Net of Accumulated Depreciation.....	\$225,277,489
Outstanding Balance on Related Debt.....	(109,177,708)
Unspent Capital Debt Proceeds.....	<u>21,058,143</u>
 Total Net Investment in Capital Assets .....	 <u>\$137,157,924</u>

For Business-Type Activities, net investment in capital assets is comprised only on Capital Assets, Net of Accumulated Depreciation (\$10,550,362). No Outstanding Balance on Related Debt or Unspent Capital Debt Proceeds exists.

- *Restricted Net Position* – These result when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – These consist of net position which do not meet the definition of the two preceding categories. Unrestricted net position often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted Net Position often have constraints on resources that are imposed by management, but can be removed or modified.

***Net Position Flow Assumption***

Sometimes the **Municipality** will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the **Municipality’s** policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**B) Fund Balance**

***Fund Balance Classification***

Fund balances for the governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the **Municipality** honors constraints on the specific purposes for which amounts in those funds can be spent.

- *Nonspendable* – amounts that cannot be spend because they are either (1) not spendable in form; or (2) legally or contractually required to be maintained intact.
- *Restricted* – amounts with constraints placed on their use that are either (1) externally imposed by creditors, grantors, contributors, or laws or regulation of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – amounts that can only be used for specific purposes determined by formal action of the **Municipality’s** highest level of decision-making authority (Municipal Legislature) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

continue

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

- Assigned – amounts that are constrained by the **Municipality's** intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority, or by a body or an official designated for that purpose.
- Unassigned – the residual classification for the **Municipality's** General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

### ***Fund Balance Flow Assumption***

Sometimes the **Municipality** will fund outlays for a particular purpose from both restricted and unrestricted resources (the total committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the GFFS a flow assumption must be made about the order in which the resources are considered to be applied. It is the **Municipality's** policy to consider restricted fund balance to have been depleted before using any of the components or unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

### ***Fund Balance Policy***

The **Municipality** believes that sound financial management principles require that sufficient funds be retained by the **Municipality** to provide a stable financial base at all times. To retain this stable financial base, the **Municipality** needs to maintain a General Fund balance sufficient to fund all cash flows of the **Municipality**, to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature, to provide funds for the disparity in timing between the collection of property taxes and other main income. The purpose of this policy is to specify the size and composition of the **Municipality's** financial reserves and to identify certain requirements for replenishing any fund balance reserves utilized.

### ***Restrictions of Fund Balance***

Restrictions of fund balance represent portions of fund balances that are legally segregated for a specific future use or are not appropriable for expenditure. The **Municipality** has implemented the provisions of the GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of July 1, 2010, in which it is required to classify and report amounts in the appropriate fund balance classification by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent.

### ***Policy on Committing Funds***

It is the policy of the **Municipality** that fund balance amounts will be reported as "Committed Fund Balance" only after formal action and approval by Municipal Legislature. The Municipal Legislature has the authority to separate funds for specific purposes. Any separate fund as Committed Fund Balance requires the adoption of a resolution by a simple majority of votes. The adoption of the resolution should be carried out before June 30 of the fiscal year to implement. If the actual amount of the commitment is not available through June 30, the resolution should establish the process or formula required to calculate the exact amount as soon as information is available in the following fiscal year.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

For example, the Municipal Legislature may approve a resolution prior to year-end financial statements, if available, up to a specified dollar amount as Committed Fund Balance for capital projects. The exact dollar amount to be reported as Committed Fund Balance for capital projects may not be known at the time of approval due to the annual financial audit not yet being completed. This amount can be determined at a later date when known and appropriately reported within the year-end financial statements due to the Municipal Legislature approving this resolution before year-end.

It is the policy of the **Municipality** that the Municipal Legislature may commit fund balance for any reason that is consistent with the definition of Committed Fund Balance. Examples of reasons to commit fund balance would be to display intentions to use portions of fund balance for future capital projects, stabilization funds, or to earmark special General Fund streams unspent at year-end that are intended to be used for specific purposes.

After approval by the Municipal Legislature, the amount reported as Committed Fund Balance cannot be reversed without utilizing the same process required to commit the funds. Therefore, it is the policy of the **Municipality** that funds can only be removed from the Committed Fund Balance category after resolution and approval by the Municipal Legislature.

### ***Policy on Assigning Funds***

Funds that are *intended* to be used for a specific purpose but have not received the formal approval action at the Municipal Legislature level may be recorded as Assigned Fund Balance. Likewise, redeploying assigned resources to an alternative use does not require formal action by the Municipal Legislature. Having reviewed the requirements for assigning fund balance, therefore, is the policy of the **Municipality** that Mayor shall have the authority to assign fund balance of the **Municipality** based on the intentions of the use of funds by the Municipal Legislature. In addition, the Mayor can delegate to the Finance Director or other employee of the **Municipality**, the authority to assign the funds.

### ***Policy on Unassigned General Fund Balance***

It is the goal of the **Municipality** to achieve and maintain an Unassigned General Fund Balance equal to 15% of budgeted expenditures. The **Municipality** considers a balance of less than 10% to be a cause for concern, barring unusual or deliberate circumstances, and a balance of more than 20% as excessive. An amount in excess of 20% is to be considered for reservation to accumulate funding for the purchase of machinery and equipment, for capital projects, and/or reduces tax levy requirements, and shall be determined in conjunction with the annual budget process. In the event that the Unassigned General Fund Balance is less than the policy anticipates, the **Municipality** shall plan to adjust budget resources in the subsequent fiscal years to restore the balance. Appropriation from Unassigned General Fund Balance shall require the approval of the Municipal Legislature and shall be only for specific disbursements, such as one-time expenditures and capital asset purchases, and not for ongoing expenditures unless a viable plan designated to sustain the expenditures is simultaneously adopted. The **Municipality** has met its GASB 54 fund balance targets at June 30, 2015.

### ***Prioritization of Fund Balance Use***

In circumstances where expenditure is for a purpose that quantities are available in multiple fund balance classifications, the order in which the resources will be used shall be as follows: Restricted Fund Balance, followed by Committed Fund Balance, Assigned Fund Balance, and last but not least, Unassigned Fund Balance.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

C) Components of Fund Balance

	GENERAL FUND	HEAD START FUND	MUNICIPAL CEMETERY CONSTRUCTION FUND	REAL MARINA FUND	LAS CASCADAS HOTEL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Nonspendable:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted For:								
Improvement of Streets and Other Infrastructure	-	-	-	-	-	-	259,670	259,670
Improvement and Construction of Facilities	-	-	-	-	-	-	230,538	230,538
Historical Archive	-	-	-	-	-	-	2,698,890	2,698,890
Improvement of Water Park Facilities	-	-	-	-	-	-	1,144,244	1,144,244
Welfare	-	-	-	-	-	-	773,382	773,382
Construction of Municipal Cemetery	-	-	8,314,759	-	-	-	-	8,314,759
Construction of Real Marina	-	-	-	6,554,199	-	-	-	6,554,199
Debt Repayment	-	-	-	-	-	7,276,716	-	7,276,716
Educational Activities	-	-	-	-	-	-	9,062	9,062
Administration of Veterans' Cemetery	-	-	-	-	-	-	54,477	54,477
<b>Total Restricted</b>	<b>-</b>	<b>-</b>	<b>8,314,759</b>	<b>6,554,199</b>	<b>-</b>	<b>7,276,716</b>	<b>5,170,263</b>	<b>27,315,937</b>
Committed To:								
Construction of Emergency Center	-	-	-	-	-	-	536,732	536,732
Improvement of Streets and Other Infrastructure	-	-	-	-	-	-	65,607	65,607
Improvement and Construction of Facilities	-	-	-	-	-	-	121,507	121,507
Construction of Real Marina	1,356,627	-	-	1,826,041	-	-	364,042	3,546,710
Solid Waste and Landfill	-	-	-	-	-	-	63,047	63,047
Sanitation	-	-	-	-	-	-	1,286,230	1,286,230
Administration of Municipal Cemetery	-	-	-	-	-	-	276,892	276,892
Recreation	-	-	-	-	-	-	186,974	186,974
Debt Repayment	-	-	-	-	-	-	18,812	18,812
<b>Total Committed</b>	<b>1,356,627</b>	<b>-</b>	<b>-</b>	<b>1,826,041</b>	<b>-</b>	<b>-</b>	<b>2,919,843</b>	<b>6,102,511</b>
Assigned To:								
Utilities and Supplies	284,430	-	-	-	-	-	-	284,430
Professional Services	197,766	-	-	-	-	-	-	197,766
Computer Software	58,381	-	-	-	-	-	-	58,381
Improvement and Construction of Facilities	306,856	-	-	-	-	-	-	306,856
Rent of Equipment	35,442	-	-	-	-	-	-	35,442
<b>Total Assigned</b>	<b>882,875</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>882,875</b>
Unassigned:	9,337,913	-	-	-	(1,579,203)	-	(322,596)	7,436,114
<b>Total Fund Balances</b>	<b>\$ 11,577,415</b>	<b>\$ -</b>	<b>\$ 8,314,759</b>	<b>\$ 8,380,240</b>	<b>\$ (1,579,203)</b>	<b>\$ 7,276,716</b>	<b>\$ 7,767,510</b>	<b>\$ 41,737,437</b>

E. Interfund Transactions

Interfund transactions are reflected as loans, reimbursements or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation. The **Municipality** has the following types of transactions among funds:

*Interfund Transfers* – Legally required transfers that are reported when incurred as transfers-in by the recipient fund and as transfers-out by the disbursing fund, with receivables and payables presented as amounts due to and due from other funds. Advances between funds are also presented as amounts due to and due from other funds. However, these advances, transfers, and related amounts receivable and payable are considered internal balances and activities that have been eliminated in the government-wide financial statements.

continue

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

*Intra-Entity Transactions* – There are two types of intra-entity transactions: First, the flow of resources between the primary government and its component units, and among the component units. This flow of resources and the related outstanding balances are reported as if they were external transactions. However, flow of resources between the primary government and blended component units are classified as interfund activity, as described above. Second, the intra-entity balances between the primary government and discretely presented component units that are tantamount to long-term debt financing. The primary government's liability is reported in the *Statement of Net Position*, the proceeds in the primary government's funds, and the asset in the discretely presented component units' *Statement of Net Position*. For the fiscal year there are not intra-entity transactions.

### F. Risk Financing

Under Act No. 63 of June 21, 2010, the Legislative Assembly of the Commonwealth of Puerto Rico, authorized the municipalities to procure and manage at their own discretion all insurance policies, including those related to health plans been provided to the municipal employees. The **Municipality** also obtains medical insurance coverage from one health insurance company for its employees. Different health coverage and premium options are negotiated each year by the **Municipality**. Premiums are paid on a monthly basis directly to the insurance company.

The **Municipality** carries commercial insurance to cover property and casualty, theft, tort claims and other losses with private insurance company. Also, principal officials of the **Municipality** are covered under various surety bonds. Cost of insurance to the **Municipality** for the year ended June 30, 2015 amounted to \$980,758, paid in full at the beginning of the fiscal year. The current insurance policies have not been cancelled or terminated.

The **Municipality** carries insurance coverage for death and bodily injuries caused by the motor vehicles accidents. The insurance is obtained through the Automobile Accidents Compensation Administration (AACA), a component unit of the Commonwealth of Puerto Rico. This insurance is compulsory for all licensed vehicles used on public roads and highways in Puerto Rico. The annual premium is \$35 per licensed motor vehicle, which is paid directly to AACA.

The **Municipality** obtains workers compensation insurance through the State Insurance Fund Corporation (SIFC), a component unit of the Commonwealth of Puerto Rico. This insurance covers workers against injuries, disability or death because of work or employment-related accidents, or because of illness suffered as a consequence of their employment. Cost of insurance allocated to the **Municipality** and deducted from the gross property tax collections by the MRCC for the year ended June 30, 2015 amounted to \$716,346.

The **Municipality** obtains unemployment compensation, non-occupational disability, and drivers' insurance coverage for its employees through various insurance programs administered by the Department of Labor and Human Resources of the Commonwealth of Puerto Rico (DOLHR). These insurance programs cover workers against unemployment and provide supplementary insurance coverage for temporary disability, or death because work or employment-related accidents or non-occupational disability and drivers' insurance premiums are paid to DOLHR on a cost reimbursement basis.

### G. Cash Flows

*Statement of Cash Flows* is presented for proprietary fund type. Cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less. As of June 30, 2015, there are not investments or cash equivalents reported, only cash in commercial banks.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

### H. Use of Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the basic financial statements and the reported revenue and expenses during the reporting period. Actual result could differ from those estimates.

### I. Reclassifications

Various reclassifications have been made in the accompanying basic financial statements which affect the comparability with the basic financial statements issued for previous fiscal years.

### J. Future Adoption of Accounting Pronouncements

The Governmental Accounting Standards Board issued the following pronouncements that have effective dates after June 30, 2015:

GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement address accounting and financial reporting issues related to *fair value* measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

#### **Fair Value Measurement**

Fair value is described as an exit price. Fair value measurements assume a transaction takes place in a government's principal market, or a government's most advantageous market in the absence of a principal market. The fair value also should be measured assuming that general market participants would act in their economic best interest. Fair value should not be adjusted for transaction costs.

This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount. Valuation techniques should be applied consistently, though a change may be appropriate in certain circumstances. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs—other than quoted prices—included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

### Fair Value Application

This Statement generally requires investments to be measured at fair value. An investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Investments not measured at fair value continue to include, for example, money market investments, 2a7-like external investment pools, investments in life insurance contracts, common stock meeting the criteria for applying the equity method, unallocated insurance contracts, and synthetic guaranteed investment contracts. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share (or its equivalent) or the investment.

This Statement requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement. These assets were previously required to be measured at fair value.

### Fair Value Disclosures

This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent).

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015 (FY 2015-2016). Earlier application is encouraged.

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation**

This Statement also clarifies the application of certain provisions of Statements No. 67 and 68 with regard to the following issues:

1. Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported
2. Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions
3. Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement No. 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015 (FY 2015-2016). Earlier application is encouraged.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

This Statement is effective for fiscal years beginning after June 15, 2016 (FY 2016-2017). Earlier application is encouraged.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation**

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity. In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- a. Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- b. OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- c. OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

This Statement is effective for fiscal years beginning after June 15, 2017 (FY 2017-2018). Earlier application is encouraged.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015 (FY 2015-2016), and should be applied retroactively. Earlier application is permitted.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

GASB Statement No. 77, Tax Abatement Disclosures. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time.

Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

Although many governments offer tax abatements and provide information to the public about them, they do not always provide the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

- The names of the governments that entered into the agreements
- The specific taxes being abated
- The gross dollar amount of taxes abated during the period.

continue

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation**

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015 (FY 2016-2017). Earlier application is encouraged.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015 (FY 2016-2017). Earlier application is encouraged.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

continue

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation**

The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015 (FY 2016-2017). Earlier application is encouraged.

GASB Statement No. 80, *Blending Requirements for Certain Component Units*. This Statement establishes an additional presentation of component units. This Statement applies to all state and local governments. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. This Statement does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Statement amends Statement No. 14, *The Financial Reporting Entity*, paragraph 53, and *Implementation Guide No. 2015-1*, Question 4.30.1.

A component unit should be included in the reporting entity financial statements using the blending method if the component unit is organized as a not-for-profit corporation in which the primary government is the sole corporate member, as identified in the component unit’s articles of incorporation or bylaws, and the component unit is included in the financial reporting entity pursuant to the provision is paragraphs 21-37 of Statement 14, as amended.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2015 (FY 2015-2016). Earlier application is encouraged.

The **Municipality** has not yet determined the effect these statements will have on the **Municipality’s** basic financial statements.

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

***Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position***

Total fund balances of the **Municipality’s** governmental funds, reported in the *Balance Sheet*, **\$41,737,437**, differ from net position of Governmental Activities, **\$82,980,155**, reported in the *Statement of Net Position*. The difference primarily results from the long-term economic focus in the *Statement of Net Position* versus the current financial resources focus in the government fund *Balance Sheet*.

(A) When capital assets (land, construction in progress, buildings, infrastructures, motor vehicles, and machinery and equipment) that are to be used in Governmental Activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the *Statement of Net Position* includes those capital assets, net of accumulated depreciation, among the assets of the **Municipality** as a whole.

Cost of Capital Assets .....	\$286,966,955
Accumulated Depreciation.....	<u>(61,689,466)</u>
Net adjustment to increase <i>Fund Balance – Governmental Funds</i> to arrive at <i>Net Position – Governmental Activities</i> .....	<u>\$225,277,489</u>

continue



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

Deferred outflows of resources and deferred inflows of resources are reported when a given item that otherwise meets the definition of a revenue or expenditure/expense relates to a future period. These deferred amounts apply to governmental activities related with the implementation of GASB Nos. 68 and 71, except that deferred inflows apply to governmental funds for revenues that are not considered to be available to liquidate liabilities of the current period.

Deferred Outflows of Resources – Contributions to Employees	
Retirement System .....	<u>\$ 4,854,974</u>
Deferred Inflows of Resources – Unamortized Investment in	
Employees' Retirement System .....	<u>\$ 637,824</u>
Deferred Inflows of Resources – Unavailable Revenues – Federal Grants.....	<u>(\$ 6,353,441)</u>

Noncurrent liabilities applicable to the **Municipality's** Governmental Activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and noncurrent, are reported in the *Statement of Net Position*.

Law Number 146 – MRCC .....	\$ 161,519
Claims and Judgments .....	600,000
Landfill Post-Closure Care Costs .....	2,947,359
Compensated Absences .....	4,350,521
Line of Credit .....	14,967,273
General Obligations Bonds.....	70,355,250
Special Obligations Bonds.....	<u>23,854,585</u>
	117,236,507
Escrow Funds for General Obligations Bonds (Short-Term) .....	<u>(2,335,000)</u>
Sub-Total .....	114,901,507
Net Pension Liability .....	<u>79,703,855</u>
Net adjustment to increase <i>Fund Balance – Governmental Funds</i>	
to arrive at <i>Net Position – Governmental Activities</i> .....	<u>\$194,605,362</u>

Also, an elimination of the Due from/to Other Funds of \$5,884,822 was excluded in the *Statement of Net Position*, maintaining an internal balance receivable with the Proprietary Funds of \$99,234.

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3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – continuation

Balance Sheet/Statement of Net Position				
	Total Governmental Funds	Noncurrent Assets, Liabilities (A)	Reclasi- fications and Eliminations	Statement of Net Position Totals
<b>Assets:</b>				
Cash	\$ 26,341,502	\$ -	\$ -	\$ 26,341,502
Cash with Fiscal Agent	33,567,060	-	-	33,567,060
Receivables, net:				
Federal Grants	330,900	-	-	330,900
Sales and Usage Taxes	6,779,218	-	-	6,779,218
Due from Other Funds	5,884,822	-	(5,884,822)	-
Others Receivables	107,554	-	-	107,554
Internal Balances	99,234	-	-	99,234
Capital Assets, Net	-	225,277,489	-	225,277,489
<b>Total Assets</b>	<b>73,110,290</b>	<b>225,277,489</b>	<b>(5,884,822)</b>	<b>292,502,957</b>
<b>Deferred Outflows of Resources:</b>				
Contributions to Employees Retirement System	-	4,854,974	-	4,854,974
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>4,854,974</b>	<b>-</b>	<b>4,854,974</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 73,110,290</b>	<b>\$ 230,132,463</b>	<b>\$ (5,884,822)</b>	<b>\$ 297,357,931</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 5,498,551	\$ -	\$ -	\$ 5,498,551
Bonds Payable	2,335,000	(2,335,000)	-	-
Accrued Interests	1,218,067	-	-	1,218,067
Due to Governmental Units	428,923	-	-	428,923
Deposits and Bonds	530,196	-	-	530,196
Due to Other Funds	5,884,822	-	(5,884,822)	-
Unearned Revenues	9,123,853	-	-	9,123,853
Noncurrent Liabilities	-	117,236,507	-	117,236,507
Net Pension Liabilities	-	79,703,855	-	79,703,855
<b>Total Liabilities</b>	<b>25,019,412</b>	<b>194,605,362</b>	<b>(5,884,822)</b>	<b>213,739,952</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable Revenues - Federal Grants	6,353,441	-	(6,353,441)	-
Unamortized Investment in Employees Retirement System	-	637,824	-	637,824
<b>Total Deferred Inflows of Resources</b>	<b>6,353,441</b>	<b>637,824</b>	<b>(6,353,441)</b>	<b>637,824</b>
<b>Fund Balances/Net Position:</b>				
Total Fund Balances/Net Position	<b>41,737,437</b>	34,889,277	6,353,441	<b>82,980,155</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances / Net Position</b>	<b>\$ 73,110,290</b>	<b>\$ 230,132,463</b>	<b>\$ (5,884,822)</b>	<b>\$ 297,357,931</b>

\* The internal balance (\$99,234) is reported negative asset in the *Statement of Net Position* for elimination.



3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – continuation

***Explanation of certain differences between the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities***

The net change in fund balances for governmental funds, **[\$6,744,385]**, differs from the change in net position for Governmental Activities **[\$3,408,414]**. The differences arise primarily from the long-term economic focus in the *Statement of Activities* versus the current financial resources focus in the governmental funds. The differences are presented and explained as follows.

(B) Some other revenues that provide current financial resources received in advance in prior fiscal year and recognized in the *Statement of Activities* are reported as revenue in the governmental funds in the current period.

Property Taxes Liquidation.....	(\$ 487,903)
Federal Grants.....	2,567,155
Intergovernmental Contributions .....	<u>(277,078)</u>
Net adjustment to increase <i>Net Changes in Fund Balance – Total Governmental Funds</i> to arrive at <i>Changes in Net Position – Governmental Activities</i> .....	<u>\$ 1,802,174</u>

(C) When capital assets that are to be used in Governmental Activities are purchased or constructed; the resources expended for those assets are reported as expenditures in governmental funds. However, in the *Statement of Activities*, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result fund balance decreases by the amount of financial resources expended, whereas net position decrease by the amount of depreciation expense and loss on disposition of assets charged for the year. In addition, donated capital assets are recognized in GWFS full accrual.

Capital Outlays of Governmental Activities.....	\$ 19,039,099
Loss on Disposition of Capital Asset .....	(35,000)
Pension Expense/Expenditure (Implementation of GASB NO. 68) .....	(2,436,431)
Depreciation Expenses.....	<u>(3,647,426)</u>
Net adjustment to increase <i>Net Changes in Fund Balance – Total Governmental Funds</i> to arrive at <i>Changes in Net Position – Governmental Activities</i> .....	<u>\$ 12,920,242</u>

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3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – continuation

Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities					
	Total Governmental Funds	Noncurrent Revenues/ Expenses (B)	Capital- Related Items (C)	Noncurrent Debt Transactions (D)	Statement of Activities Totals
<b>Revenues:</b>					
Property Taxes	\$ 13,924,622	\$ (487,903)	\$ -	\$ -	\$ 13,436,719
Volume of Business Taxes	11,305,314	-	-	-	11,305,314
Sales and Usage Taxes	4,319,846	-	-	-	4,319,846
Construction Excise Taxes	2,414,963	-	-	-	2,414,963
Intergovernmental	6,787,366	(277,078)	-	-	6,510,288
Federal Grants	9,877,259	2,567,155	-	-	12,444,414
Interests	1,087,738	-	-	-	1,087,738
Charges for Services	1,622,096	-	-	-	1,622,096
Rent	162,563	-	-	-	162,563
Miscellaneous	617,533	-	-	-	617,533
Total Revenues	<u>52,119,300</u>	<u>1,802,174</u>	<u>-</u>	<u>-</u>	<u>53,921,474</u>
<b>Expenditures/Expenses:</b>					
Current					
Mayor and Municipal Legislature	1,994,915	-	397,290	-	2,392,205
General Government	14,874,587	-	2,331,210	(25,378)	17,180,419
Public Safety	1,937,652	-	582,541	-	2,520,193
Public Works	2,427,015	-	792,507	-	3,219,522
Culture and Recreation	986,662	-	211,160	-	1,197,822
Health and Sanitation	4,367,153	-	1,037,055	-	5,404,208
Landfill Post-Closure Care Costs	262,687	-	-	(262,687)	-
Public Instruction	5,799,951	-	67,038	-	5,866,989
Human Services and Welfare	6,607,312	-	474,037	-	7,081,349
Urban Development	1,571,877	-	226,019	-	1,797,896
Reimbursement to Grantor Agency	58,670	-	-	-	58,670
Capital Outlay	19,039,099	-	(19,039,099)	-	-
Debt Service:					
Principal	3,892,494	-	-	(3,892,494)	-
Interest and Other Charges	3,772,727	-	-	207,770	3,980,497
Total Expenditures/Expenses	<u>67,592,801</u>	<u>-</u>	<u>(12,920,242)</u>	<u>(3,972,789)</u>	<u>50,699,770</u>
<b>Other Financing Sources (Uses)</b>					
Issuance of Interim Note	5,741,176	-	-	(5,741,176)	-
Proceed of Bonds	16,290,000	-	-	(16,290,000)	-
Net Transfers (to) from Other Funds	186,710	-	-	-	186,710
Total Other Financing Sources (Uses)	<u>22,217,886</u>	<u>-</u>	<u>-</u>	<u>(22,031,176)</u>	<u>186,710</u>
<b>Net Change in Fund Balances /</b>					
<b>Change in Net Position</b>	<b><u>\$ 6,744,385</u></b>	<b><u>\$ 1,802,174</u></b>	<b><u>\$ 12,920,242</u></b>	<b><u>\$ (18,058,387)</u></b>	<b><u>\$ 3,408,414</u></b>



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

(D) Repayment of bond principal is reported as expenditures in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the **Municipality** as a whole, however, the principal payments reduce the liabilities in the *Statement of Net Position* and do not result in expenses in the *Statement of Activities*. The **Municipality's** bonded debt was reduced because principal payments were made to bond holders.

Principal Payment Made..... (\$ 3,892,494)

Certain noncurrent liabilities reported in the prior year *Statement of Net Position* were paid during the current period resulting in expenditures in the governmental funds. This is the amount by which the decrease in noncurrent liabilities exceeded expenses reported in the *Statement of Activities* that do not require the use of current financial resources:

Landfill Post-Closure Care Costs (including interest expense of \$207,770).....	(54,917)
Claims and Judgments .....	576,015
Compensated Absences .....	<u>(601,393)</u>
	<u>(45,299)</u>

Net adjustment to decrease *Net Changes in Fund Balance – Total Governmental Funds* to arrive at *Changes in Net Position – Governmental Activities* ..... (\$ 3,972,789)

Interim Note and Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt increase long-term liabilities in the *Statement of Net Position* and do not affect the *Statement of Activities*. Proceeds were received from:

Interim Note.....	(\$ 5,741,176)
Proceed of Bonds.....	<u>(16,290,000)</u>

Net adjustment to decrease *Net Changes in Fund Balance – Total Governmental Funds* to arrive at *Changes in Net Position – Governmental Activities* ..... (\$ 22,031,176)

**4. CASH AND INVESTMENTS**

***Cash in Banks***

**Municipality's** cash and investments at June 30, 2015 are composed of: (1) demand deposits in commercial banks, (2) demand deposits in the Government Development Bank of Puerto Rico (GDB, fiscal agent), and (3) cash equivalents in commercial banks. Cash equivalents of \$14.5 million are certificates of deposits and interest bearing account, and are recorded at cost, which approximates fair value.

#### 4. CASH AND INVESTMENTS – continuation

Puerto Rico laws authorize governmental entities to invest in direct obligations or obligations guaranteed by the federal government or the Commonwealth. The **Municipality** is also allowed to invest in bank acceptances, other bank obligations and certificates of deposit in financial institutions authorized to do business under the federal and Commonwealth laws. Under the laws and regulations of the Commonwealth, public funds deposited by the **Municipality** in commercial banks must be fully collateralized for the amounts deposited in excess of the Federal Deposit Insurance Corporation (FDIC) coverage. All securities pledged as collateral are held by agents designated by the Commonwealth's Secretary of the Treasury, but not in the **Municipality's** name.

**Municipality** follows the practice of pooling cash. At June 30, 2015, the pool cash account in commercial banks had a balance of \$26.3 million of which \$16.9 million in the General Fund, \$1.3 million in Head Start Fund, \$2.8 million in Real Marina Fund, and \$5.3 million in Other Governmental Funds. For the Proprietary Funds, the Aguadilla's City Enterprises has cash in commercial bank in the amount of \$3.6 million. The balance in the pooled cash account is available to meet current operating requirements and any unrestricted excess, if any, is generally invested in certificates of deposit with commercial banks. Any deficiency in the pooled cash account is assumed by the general fund and covered through future budgetary appropriation.

Under the laws and regulations of the Government, public funds deposited by the Municipality in commercial banks must be fully collateralized for the amounts deposited in excess of the Federal Deposit Insurance Corporation (FDIC) coverage. All securities pledged as collateral are held by agents designated by the Government's Secretary of the Treasury, but not in the **Municipality's** name.

Cash with Fiscal Agent in the debt service fund consists principally of property tax collections amounting to \$10.8 million that are restricted for the payment of the **Municipality's** debt service, as required by law. Cash with Fiscal Agent of \$952,466 in the Las Cascadas Hotel Fund are restricted for future expenditures, \$10.5 million in the Municipal Cemetery Construction Fund restricted the construction of a new cemetery, \$5.7 million for the third phase of Real Marina project, and \$5.6 million in Other Governmental Funds consist principally of unspent proceeds of bonds that are restricted for the acquisition, construction or improvement of major capital assets. The amounts deposit in GDB is maintained in interest bearing accounts and is not collateralized.

**Municipality** follows the provisions of GASB Accounting Standards Codification Section C20, *Cash Deposit with Financial Institutions*, related with cash deposit and interest-earning investment contract with financial institutions. Accordingly, the following is essential information about credit risk, interest rate risk, custodial credit risk, and foreign exchange exposure of deposits and investments of the **Municipality** at June 30, 2015:

##### **Credit Risk**

This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2015, the **Municipality** has invested only in cash equivalents of \$14.5 million consisting of certificate of deposit and interest bearing account in commercial banks, which are insured by the FDIC, generally up to a maximum of \$250,000. As previously mentioned, public funds deposited by the **Municipality** in commercial banks must be fully collateralized for the amounts deposited in excess of the FDIC coverage. No investments in debt of equity securities were made during the Fiscal Year ended June 30, 2015. Therefore, the **Municipality's** management has concluded that the credit risk related to any possible loss related to defaults by commercial banks on the **Municipality's** deposits is considered low at June 30, 2015.

**4. CASH AND INVESTMENTS – continuation**

***Custodial Credit Risk***

This is the risk that, in the event of the failure of a depository financial institution, the **Municipality** will not be able to recover its cash and investments or will not be able to recover collateral securities that are in the possession of an outside party. Pursuant to the Investment Guidelines for the Commonwealth adopted by GDB, the **Municipality** may invest in obligations of the Commonwealth, obligations of the United States, certificates of deposit, commercial paper, banker's acceptance, or in pools of obligations of the municipalities of Puerto Rico, which are managed by GDB. At June 30, 2015, the **Municipality** has balances deposited in commercial banks amounting to \$27.8 million which are insured by the FDIC up to the established limit and the excess are fully collateralized as explained above. Deposits in GDB, amounting to \$33.6 million are uninsured and uncollateralized. However, no losses related to defaults by GDB on deposit transactions have been incurred by the **Municipality** through June 30, 2015. It is management's policy to only maintain deposits in banks affiliated to FDIC to minimize the custodial credit risk, except for GDB. During the past years, the GDB's liquidity and financial condition was adversely affected by, among other factors, a significant increase in credit spread for obligations of the Commonwealth and its public entities, the Commonwealth's limited capital market access, and significant reduction of liquidity in the local Puerto Rico capital market. Accordingly, the GDB's credit rating was downgraded and maintained in "Credit Watch" with negative implications. These factors have resulted in significant fiscal and financial challenges in their ability to generate sufficient funds from taxes, charges, and/or bond issuances. Therefore, the **Municipality's** management has concluded that at June 30, 2015, the custodial credit risk associated with the **Municipality's** cash and cash equivalents is considered low in commercial banks, but for GDB it's considered high.

***Interest Rate Risk***

This is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The **Municipality** manages its exposure to declines in fair values by: (1) not including debt or equity investments in its investments portfolio at June 30, 2015, (2) limiting the weighted average maturity of its investments in certificates of deposit to periods of four months or less, and (3) keeping most of its banks deposits and certificates of deposit in interest bearing accounts generating interest at prevailing market rates. Therefore, at June 30, 2015, the interest risk associated with the **Municipality's** cash and cash equivalent is considered low.

***Foreign Exchange Risk***

This is the risk that changes in exchange rates will adversely affect the value of an investment or a deposit. According to the aforementioned investment guidelines, adopted by the **Municipality**, the **Municipality** is prevented from investing in foreign securities or any other types of investments for which foreign exchange risk exposure may be significant. Accordingly, management has concluded that the foreign exchange risk related to the **Municipality's** deposits is considered low at June 30, 2015.

**5. RECEIVABLES**

GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, requires disclosure of significant receivable balances not expected to be collected within one year of the date of the financial statements. As of June 30, 2015, amount are aggregated into account receivables line for certain funds and aggregated columns. Below is the detail of receivables for the Nonmajor Governmental Funds in the aggregate is as follows:

Federal Grants	AMOUNT
Office of the Governor-Elderly Office	\$ 417,080
U.S. Department of Housing and Urban Development	613,819
Total	<u>\$ 1,030,899</u>

**6. UNEARNED REVENUES**

Government-wide *Statement of Net Position* does not report *deferred inflows of resources*, but report *unearned revenues* for resources receive before it has a legal claim to them. Governmental funds *Balance Sheet* report *unearned revenues* in connection with cash collected for revenues that are not considered to be available to liquidate liabilities of the current period as follows:

<b>Governmental Funds:</b>	
Volume of Business Taxes	\$ 8,716,092
Federal Grants	<u>407,761</u>
Total Unearned Revenues	<u>\$ 9,123,853</u>

**7. DEFERRED OUTFLOWS / INFLOWS OF RESOURCES**

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the **Municipality** recognized deferred outflows of resources in the government-wide and fund statements. These items are a consumption of net position by the **Municipality** that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The **Municipality** has items that are reportable on the Government-wide *Statement of Net Position* that are relates to outflows/inflows from changes in the Net Pension Liability (Note 18).

Under the modified accrual basis of accounting, it is not enough that revenue is earned; it must also be available to finance expenditures of the current period. Governmental funds *Balance Sheet* report *Deferred Inflows of Resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period (unavailable). Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, the various components of *Deferred Outflows/Inflows of Resources* reported in the basic financial statements were as follows:

<b>Governmental Activities:</b>	
Deferred Outflows of Resources	
Contributions to ERS	\$ <u>4,854,974</u>
Deferred Inflows of Resources	
Unamortized Investment in ERS	\$ <u>637,824</u>

<b>Governmental Funds:</b>	
Federal Grants:	
Head Start Program	\$ 5,851,584
Other Governmental Funds	<u>501,857</u>
Total Deferred Inflows of Resources	<u>\$ 6,353,441</u>

**8. INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS**

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

During the course of operations, numerous transactions occur between the **Municipality's** funds for goods provided and services rendered and for the reimbursement of expenditures. Related interfund receivables and payables are classified as "Due from Other Funds" and "Due to Other Funds" on the *Balance Sheet* and *Statement of Net Position* and will be settled within one year. Due to/from Other Funds at June 30, 2015 are summarized as follows:

**8. INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS – continuation**

Due to	Due From							Total
	General Fund	Head Start Fund	Municipal Cemetery Construction Fund	Real Marina Fund	Las Cascadas Hotel Funds	Other Governmental Funds	Aguadilla City Enterprises	
General Fund	\$ -	\$ 1,170,526	\$ -	\$ 214,975	\$ 53,100	\$ 3,208,156	\$ 99,234	\$ 4,745,991
Head Start Fund	-	-	-	-	-	-	-	-
Municipal Cemetery Construction Fund	-	-	-	-	-	-	-	-
Real Marina Fund	-	-	-	-	495,580	-	-	495,580
Las Cascadas Hotel Funds	-	-	-	-	-	-	-	-
Other Governmental Funds	-	-	-	-	364,575	377,910	-	742,485
Aguadilla City Enterprises *	99,234	-	-	-	-	-	-	99,234
<b>Liability Total</b>	<b>\$ 99,234</b>	<b>\$ 1,170,526</b>	<b>\$ -</b>	<b>\$ 214,975</b>	<b>\$ 913,255</b>	<b>\$ 3,586,066</b>	<b>\$ 99,234</b>	<b>\$ 6,083,290</b>

[\* Net Due from Local Government - \$99,234]

**B. Interfund Transfers**

During the course of the fiscal year, transactions occur between the **Municipality's** funds for operating subsidies. Related interfund receipts and disbursements are classified as "Transfers In" and "Transfers Out" on the *Statement of Revenues, Expenditures/Expenses, and Changes in Fund Balances/Net Position*. The transfers are routine and consistent with the activities of the funds. Principality, transfers are indicative of funding for capital projects or debt service, and subsidies of various operations.

Transfers In	Transfers Out					Total
	General Fund	Real Marina Fund	Debt Service Fund	Other Governmental Funds	Aguadilla City Enterprises	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Head Start Fund	-	-	-	-	-	-
Municipal Cemetery Construction Fund	-	-	-	-	-	-
Real Marina Fund	1,826,041	-	-	1,701,496	-	3,527,537
Debt Service Fund	785,549	1,125,147	-	673,250	-	2,583,946
Other Governmental Funds	-	-	856,288	1,172,577	186,710	2,215,575
Aguadilla City Enterprises	-	-	-	-	-	-
<b>Total</b>	<b>\$ 2,611,590</b>	<b>\$ 1,125,147</b>	<b>\$ 856,288</b>	<b>\$ 3,547,323</b>	<b>\$ 186,710</b>	<b>\$ 8,327,058</b>

**9. DUE TO GOVERNMENTAL UNITS**

As of June 30, 2015, balance due to other governmental units of the General Fund for services rendered to the **Municipality**, consists of the following:

	AMOUNT
Retirement System Administration	\$ 238,085
AEELA	1,229
Puerto Rico Water and Sewer Authority	189,609
<b>Total Due to Governmental Units</b>	<b>\$ 428,923</b>

**10. CAPITAL ASSETS**

Capital Assets activities for the fiscal year ended June 30, 2015 was as follows:

DESCRIPTION	BALANCE JULY 1, 2014	ADJUSTMENT	INCREASE	DECREASE	BALANCE JUNE 30, 2015
<b>Governmental Activities:</b>					
Non-Depreciable Capital Assets:					
Land	\$ 61,864,581	\$ -	\$ -	\$ -	\$ 61,864,581
Construction in Progress	<u>23,013,568</u>	<u>(341,158)</u>	<u>17,993,779</u>	<u>-</u>	<u>40,666,189</u>
Total Non-Depreciable Capital Assets	<u>84,878,149</u>	<u>(341,158)</u>	<u>17,993,779</u>	<u>-</u>	<u>102,530,770</u>
Depreciable Capital Assets:					
Buildings	91,780,879	-	-	(350,000)	91,430,879
Infrastructure	76,872,106	-	-	-	76,872,106
Motor Vehicles	9,944,743	-	813,021	(92,484)	10,665,280
Machinery and Equipment	<u>5,649,834</u>	<u>-</u>	<u>232,299</u>	<u>(414,213)</u>	<u>5,467,920</u>
Total Depreciable Capital Assets	<u>184,247,562</u>	<u>-</u>	<u>1,045,320</u>	<u>(856,697)</u>	<u>184,436,185</u>
Less Accumulated Depreciation:					
Buildings	(29,354,822)	-	(1,524,036)	315,000	(30,563,858)
Infrastructure	(17,320,740)	-	(1,153,267)	-	(18,474,007)
Motor Vehicles	(8,227,662)	-	(747,817)	92,484	(8,882,995)
Machinery and Equipment	<u>(3,960,513)</u>	<u>-</u>	<u>(222,306)</u>	<u>414,213</u>	<u>(3,768,606)</u>
Total Accumulated Depreciation	<u>(58,863,737)</u>	<u>-</u>	<u>(3,647,426)</u>	<u>821,697</u>	<u>(61,689,466)</u>
Total Depreciable Capital Assets (Net)	<u>125,383,825</u>	<u>-</u>	<u>(2,602,106)</u>	<u>(35,000)</u>	<u>122,746,719</u>
<b>CAPITAL ASSETS, NET</b>	<u><b>\$210,261,974</b></u>	<u><b>\$ (341,158)</b></u>	<u><b>\$ 15,391,673</b></u>	<u><b>\$ (35,000)</b></u>	<u><b>\$ 225,277,489</b></u>

*This space is intentionally left in blank.*

10. CAPITAL ASSETS – continuation

DESCRIPTION	BALANCE JULY 1, 2014	ADJUSTMENT	INCREASE	DECREASE	BALANCE JUNE 30, 2015
<b>Business-Type Activities:</b>					
Non-Depreciable Capital Assets:					
Construction in Progress	\$ -	\$ -	\$ -	\$ -	\$ -
Total Non-Depreciable Capital Assets	-	-	-	-	-
Depreciable Capital Assets:					
Buildings	15,115,590	-	-	-	15,115,590
Motor Vehicles	73,385	-	-	-	73,385
Equipment	1,053,629	-	7,885	(23,129)	1,038,385
Total Depreciable Capital Assets	16,242,604	-	7,885	(23,129)	16,227,360
Less Accumulated Depreciation:					
Buildings	(4,480,512)	-	(271,681)	-	(4,752,193)
Motor Vehicles	(69,186)	-	(3,149)	-	(72,335)
Equipment	(801,636)	-	(73,963)	23,129	(852,470)
Total Accumulated Depreciation	(5,351,334)	-	(348,793)	23,129	(5,676,998)
Total Depreciable Capital Assets (Net)	10,891,270	-	(340,908)	-	10,550,362
CAPITAL ASSETS, NET	\$ 10,891,270	\$ -	\$ (340,908)	\$ -	\$ 10,550,362

Depreciation expenses were charged to governmental functions/programs for the fiscal year ended June 30, 2015 as follows:

	AMOUNT
<b>Governmental Activities:</b>	
Major and Municipal Legislature	\$ 145,898
General Government	2,355,026
Public Safety	167,781
Public Works	328,268
Culture and Recreation	401,217
Health and Sanitation	72,948
Human Services and Welfare	90,851
Urban Development	85,437
Total Depreciation Expenses	\$ 3,647,426
<b>Business-Type Activities:</b>	
Aguadilla City Enterprises	\$ 348,793

continue

**11. NONCURRENT LIABILITIES**

**A. General Obligations Bonds and Special Obligations Bonds**

The principal long-term obligations of the **Municipality** are general obligation bonds and special obligation bonds issued to finance the construction and improvements of public facilities and purchase of machinery and equipment. The **Municipality's** obligations long-term debt retirements are appropriated and paid from resources accumulated in the Debt Service Fund (See Note 12).

On September 2014, the **Municipality** issued general obligation bond (Property Taxes Income) of 2014 in the amount of \$5,745,000 for the construction of the Second Phase of Real Marina Project. Interest ranging from 6.00% to 7.50% are payable semi-annually, and principal are payable annually ranging from \$90,000 to \$485,000 on the 1<sup>st</sup> days of July and January of each year through July 2038.

The following is a summary of general and special obligation bonds of the **Municipality** as of June 30, 2015:

Type of Obligation and Purpose	Issue Date	Original Borrowing	Maturity Date	Interest Rate	Balance Amount
<b>General Obligation Bonds:</b>					
<b>Property Taxes Income:</b>					
General Construction	1999	\$ 5,065,000	2023	4.86 to 6.56%	\$ 2,900,000
General Construction	1999	3,210,000	2023	2.70 to 5.60%	1,835,000
General Construction	1999	805,000	2023	2.70 to 5.60%	460,000
General Construction	2000	1,340,000	2024	2.70 to 5.60%	850,000
General Construction	2000	3,015,000	2020	2.70 to 5.29%	1,425,000
General Construction	2001	2,165,000	2025	2.70 to 5.60%	1,455,000
General Construction	2003	1,255,000	2029	4.37 to 6.00%	915,000
General Construction	2005	1,795,000	2029	4.37 to 5.00%	1,320,000
General Construction	2005	1,795,000	2029	3.27 to 5.00%	1,320,000
General Construction	2005	1,935,000	2029	4.27 to 6.50%	1,435,000
General Construction	2005	1,010,000	2019	4.27 to 5.00%	425,000
General Construction	2006	3,130,000	2030	6.00 to 6.50%	2,500,000
General Construction	2006	3,286,000	2036	3.75%	2,956,000
General Construction	2006	690,000	2036	3.75%	621,000
General Construction	2007	2,330,000	2032	3.93 to 7.50%	2,025,000
General Construction	2008	4,385,000	2032	3.93 to 7.50%	3,820,000
General Construction	2008	1,160,000	2033	7.00%	1,030,000
General Construction	2008	1,000,000	2036	3.75%	902,000
General Construction	2009	260,000	2033	5.40 to 7.50%	230,000
General Construction	2009	185,000	2033	5.40 to 7.50%	155,000
General Construction	2009	1,475,000	2033	4.75 to 7.50%	1,320,000
General Construction	2009	220,000	2033	4.75 to 7.50%	190,000
General Construction	2009	1,100,000	2036	3.75%	997,000
General Construction	2010	3,040,000	2034	6.00 to 7.50%	2,780,000
General Construction	2010	725,000	2034	6.00 to 7.30%	660,000
General Construction	2011	1,705,000	2035	6.00 to 7.50%	1,595,000
Interest Expenditure	2012	1,570,000	2026	6.00 to 7.50%	1,380,000
General Construction	2013	8,530,000	2037	6.00 to 7.50%	8,275,000
General Construction (Refinancing)	2013	1,859,250	2024	3.9527 to 5.00%	1,649,250
General Construction	2014	5,745,000	2038	6.00 to 7.50%	5,745,000
<b>Subtotal</b>					<b>53,170,250</b>
<b>Rental Income:</b>					
General Construction	2004	9,340,000	2028	5.00%	6,640,000
General Construction	2014	10,545,000	2039	7.00%	10,545,000
<b>Total General Obligations Bonds</b>					<b>70,355,250</b>
c continue					

continue

11. NONCURRENT LIABILITIES – continuation

On November 2014, the **Municipality** issued general obligation bond (Rental Income) of 2014 in the amount of \$10,545,000 for the construction of the Municipal Cemetery Project. Interest are payable at 7.00% semi-annually, and principal are payable annually ranging from \$100,000 to \$930,000 on the 1<sup>st</sup> days of July and January of each year through July 2039.

Type of Obligation and Purpose	Issue Date	Original Borrowing	Maturity Date	Interest Rate	Amount
<b>Special Obligations Bonds:</b>					
<b>General Revenues:</b>					
General Construction	2003	\$ 4,795,000	2027	5.00 to 6.00%	\$ 3,210,004
Purchase of Equipment	2005	250,000	2029	5.00%	180,004
General Construction	2006	1,940,000	2036	3.75%	1,755,002
General Construction	2006	2,105,000	2036	3.75%	1,892,998
General Construction	2006	3,180,000	2036	3.75%	2,860,998
General Construction	2006	1,080,628	Undetermined <sup>1</sup>	4.25%	980,929
<b>Subtotal</b>					<b>10,879,935</b>
<b>Community Development Block Grant:</b>					
General Construction	2002	12,995,000	2022	5.00%	5,195,000
<b>Sales &amp; Usage Taxes:</b>					
General Construction	2008	555,000	2032	7.50%	495,000
General Construction	2008	6,410,000	2032	7.50%	5,730,000
General Construction (Refinancing)	2013	1,939,650	2020	3.9527 to 5.00%	1,554,650
<b>Subtotal</b>					<b>7,779,650</b>
<b>Total Special Obligations Bonds</b>					<b>23,854,585</b>
<b>Total General and Special Obligations Bonds</b>					<b>\$ 94,209,835</b>

<sup>1</sup> These terms will be determined by the loan grantor upon completion of the construction activities.

During September 2012, the **Municipality** received the approval of a Non-Revolving Construction Credit Facility (Non-Revolving Facility) and a Permanent Financing Facility Revenue Bond (Permanent Facility) under the Municipal Financing Act of 1996 in the amount of \$21,750,000 for the construction of Las Cascadas Hotel (Project), to be located on an approximately 1.7 acres land parcel adjacent to Las Cascadas Water Park. The construction begins on June 2013. During fiscal year 2014-2015 a total amount of \$5,741,176 was used from this line of credit for a total accumulated amount of \$14,967,273. The Project consists of 79 rooms, meeting and activity space to accommodate 350 persons, restaurants, a pool, gymnasium, spa, stores and other amenities. The Facility shall bear interest at a variable annual rate equal to: (i) until the Construction Maturity Date [earlier of the completion of construction of the Project and the second anniversary, or twenty four (24) months, after the closing of the Facility], the Prime Rate plus 1.00%, and (ii) after the Construction Maturity Date, the Prime Rate plus 1.00%, but in no event less than 6.25% per annum. The Permanent Facility principal and variable interest, are payable in a maximum term of one hundred twenty (120) months, or ten (10) years, after the Construction Maturity Date.

Variable interest rates on bonds are reviewed periodically by GDB and are based on the fluctuation of GDB's weighted average rate for its commercial paper program. Under this program, GDB issues commercial paper: (1) in the taxable and tax-exempt markets of the USA, (2) in the Eurodollar market, and (3) to corporations having tax exemptions under the Puerto Rico Industrial Incentives Acts and, which qualify for benefits provided by the former Section 936 of the US Internal Revenue Code.

11. NONCURRENT LIABILITIES – continuation

**Arbitrage Rebate Requirement**

According to Sections 103 and 148 through 150 of the US Internal Revenue Code and Sections 1.148 through 1.150 of the US Treasury Regulation, the **Municipality's** tax-exempt bonds are subject to the arbitrage rebate requirements. At June 30, 2015, the **Municipality** had no federal arbitrage liability on bonds since interest income earned from the investment of unspent bond proceeds were made in bank deposits that generate yields lower than the rates applicable to the debt service payments.

**B. Legal Debt Limit and Legal Debt Margin**

On March 9, 2009, the Commonwealth of Puerto Rico approves Act Number 7 that provides for revision of the valuation of property subject to taxation and imposes special property taxes for the Commonwealth. The legal debt margin of the **Municipality** is equal to 10% of the total property assessment located within the **Municipality's** jurisdiction.

Accordingly, as of June 30, 2015, the **Municipality** debt limits (10% of valuation of property subject to taxation) increase to \$353,326,003, plus the balance of the special ad valorem taxes in the Debt Service Fund. In addition, before any new bonds are issued, the revenues of the Debt Service Fund should be sufficient to cover the projected debt service requirement. The total amount of debt applicable to the debt limit was \$54,600,250, net of certain assets in the Debt Service Fund. After considered the payments of July 1, 2015, the resulting legal debt margin was \$304,784,402. Additional legal debt margin was determine for the issuance of the special obligations bonds that are paid through retention made by the MRCC from monthly advance of annual property tax and subsidy send to the **Municipality**.

**C. Net Pension Liability**

The **Municipality** implemented of the GASB No. 68 that represent a change in accounting principle and will require recognition of a one-time prior period adjustment to restate the beginning net position with a the recognition of a net pension liability. The total prior period adjustment on the government-wide basis is estimated to be \$74,281,883 for governmental activities; business-type activities funds was not affected because employees do not participates in the retirement systems. As of June 30, 2015 the amount of net pension liability amounted to \$79,703,855 for the proportional share in the cost-sharing multi-employers pension plan (see Note 18).

**D. Other Noncurrent Liabilities**

Following are the other noncurrent liabilities as of June 30, 2015 and corresponding change during the fiscal year:

DESCRIPTION	BALANCE JULY 1, 2014	NEW ISSUES	RETIREMENTS AND ADJUSTMENTS	BALANCE JUNE 30, 2015	AMOUNTS DUE WITHIN ONE YEAR	AMOUNTS DUE AFTER ONE YEAR
<b>Governmental Funds:</b>						
Law Number 146-MRCC	\$ 171,019	\$ -	\$ (9,500)	\$ 161,519	\$ 9,500	\$ 152,019
Landfill Obligation	3,002,276	-	(54,917)	2,947,359	57,663	2,889,696
Claims and Judgments	23,985	600,000	(23,985)	600,000	600,000	-
Compensated Absences	4,951,914	-	(601,393)	4,350,521	1,315,203	3,035,318
<b>TOTAL</b>	<b>\$ 8,149,194</b>	<b>\$ 600,000</b>	<b>\$ (689,795)</b>	<b>\$ 8,059,399</b>	<b>\$ 1,982,366</b>	<b>\$ 6,077,033</b>
<b>Proprietary Funds:</b>						
Compensated Absences	\$ 3,217	\$ 6,016	\$ -	\$ 9,233	\$ 9,233	\$ -

continue

**11. NONCURRENT LIABILITIES – continuation*****Borrowing from MRCC***

On July 1, 2010, the **Municipality** entered into a repayment agreement with the GDB and MRCC to repay the uncollectible property tax sale authorized by the enacted Law Number 146. The original debt is \$237,524 to be paid during 25 years plus annual interest of 6.22%.

***Landfill Obligation***

The **Municipality** is the current owner of a closed municipal solid waste landfill consisting of approximately 10 acres, and accounts for certain costs associated with its landfill in accordance with GASB Accounting Standards Codification, Section L10, *Landfill Closure and Post-Closure Care Costs*. Accordingly, the **Municipality** is required to recognize a liability equal to the estimated total current cost of post-closure care for its landfill. Post-closure care of the **Municipality's** landfill after its closure is mandated by state and federal laws and consists of various maintenance and monitoring functions at the landfill site. The landfill has been closed and approved by the U.S. Environmental Protection Agency (EPA) on July 2010.

The estimated liability for municipal solid waste landfill post-closure care costs (including monitoring and maintenance) include an estimate of all post-closure care costs to be incurred in the **Municipality's** closed solid waste landfill, and is recorded as a liability in the accompanying GWFS, *Statement of Net Position*.

The **Municipality** commenced the post-closure care procedures required by the administrative order for a time period of no less than 30 years, as required by the administrative order and federal regulations. After two year of final closure, the **Municipality** has actualized the estimated maximum future post-closure care costs for the next 27 years at \$2,947,359 as of June 30, 2015 using actual contract cost with a private company. However, due to the nature of post-closure care of municipal landfills, the estimated future costs are subject to annual revision due to changes in applicable regulations, market prices and conditions, and other unforeseeable events.

The **Municipality** is required to provide financial assurance for the post-closure care activities in accordance with federal regulations, and has identified current and future resources to cover costs relating to the closure of the landfill as of June 30, 2015. The **Municipality** has demonstrated financial assurance to comply with such requirements from EPA.

***Claims and Judgments***

This amount represents the amount accrued for possible claims arising from litigations as recommended by the **Municipality's** attorneys and classified as due after one year. Only claims is presented as due within one year when the Municipal Legislature approved it in the next fiscal year budget.

***Compensated Absences***

The GWFS, *Statement of Net Position*, includes approximately \$4.4 million in the governmental funds and \$9,233 in proprietary funds for the estimated accrued vacation benefits, accrued sick leave benefits and payroll related benefits, representing the **Municipality's** commitment to fund such costs from future operations. The General Fund and the corresponding Proprietary Fund have been used to liquidate the liability for this concept.

11. NONCURRENT LIABILITIES – continuation

E. Changes in Noncurrent Liabilities

The following is a summary of changes in noncurrent liabilities for the year ended June 30, 2015:

DESCRIPTION	BALANCE JULY 1, 2014	NEW ISSUES	RETIREMENTS AND ADJUSTMENTS	BALANCE JUNE 30, 2015	AMOUNTS DUE WITHIN ONE YEAR	AMOUNTS DUE AFTER ONE YEAR
<b>Governmental Funds:</b>						
General Obligations Bonds	\$ 56,700,250	\$ 16,290,000	\$ (2,635,000)	\$ 70,355,250	\$ 2,486,000	\$ 67,869,250
Special Obligations Bonds	25,227,579	-	(1,372,994)	23,854,585	1,433,000	22,421,585
Line of Credit	9,226,097	5,741,176	-	14,967,273	-	14,967,273
Net Pension Liability	74,281,883	6,059,796	(637,824)	79,703,855	-	79,703,855
Other Obligations	8,149,194	600,000	(689,795)	8,059,399	1,982,366	6,077,033
<b>TOTAL</b>	<b>\$173,585,003</b>	<b>\$ 28,690,972</b>	<b>\$ (5,335,613)</b>	<b>\$196,940,362</b>	<b>\$ 5,901,366</b>	<b>\$191,038,996</b>
<b>Proprietary Funds:</b>						
Other Obligations	\$ 3,217	\$ 6,016	\$ -	\$ 9,233	\$ 9,233	\$ -

F. Debt Compliance

There are a number of limitations and restrictions contained in the various bond indentures. The **Municipality** believes it is in compliance with all significant limitations and restrictions.

The annual requirements to amortize the noncurrent liabilities outstanding as of June 30, 2015 are as follows:

YEAR ENDING JUNE 30,	General Obligation Bonds		Special Obligation Bonds		Other Noncurrent Obligations		TOTAL	
	PRINCIPAL PAYMENT	INTEREST PAYMENT	PRINCIPAL PAYMENT	INTEREST PAYMENT	PRINCIPAL PAYMENT	INTEREST PAYMENT	PRINCIPAL	INTEREST
<b>Governmental Funds:</b>								
2016	\$ 2,486,000	\$ 3,862,930	\$ 1,433,000	\$ 1,125,958	\$ 1,982,366	\$ 4,044	\$ 5,901,366	\$ 4,992,932
2017	2,814,000	4,419,416	1,477,000	1,105,414	9,500	3,806	4,300,500	5,528,636
2018	3,017,000	3,989,164	1,531,000	1,040,346	9,500	3,568	4,557,500	5,033,078
2019	3,204,000	3,821,806	1,585,000	954,970	9,500	3,330	4,798,500	4,780,106
2020	3,427,000	3,640,665	1,655,000	880,637	9,500	3,092	5,091,500	4,524,394
2021-2025	18,175,250	15,284,422	6,554,650	3,134,948	47,500	11,892	24,777,400	18,431,262
2026-2030	15,730,000	9,942,968	4,499,008	1,627,021	47,500	5,948	20,276,508	11,575,937
2031-2035	13,238,000	5,149,349	3,686,000	475,671	19,019	714	16,943,019	5,625,734
2036-2040	8,264,000	1,268,528	452,998	16,349	-	-	8,716,998	1,284,877
Unmatured	-	-	980,929	-	20,892,287	-	21,873,216	-
<b>TOTAL</b>	<b>\$ 70,355,250</b>	<b>\$ 51,379,248</b>	<b>\$ 23,854,585</b>	<b>\$ 10,361,314</b>	<b>\$ 23,026,672</b>	<b>\$ 36,394</b>	<b>\$117,236,507</b>	<b>\$ 61,776,956</b>
<b>Proprietary Funds:</b>								
2016	\$ -	\$ -	\$ -	\$ -	\$ 9,233	\$ -	\$ 9,233	\$ -
2017	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,233</b>	<b>\$ -</b>	<b>\$ 9,233</b>	<b>\$ -</b>

continue

## 12. DEBT RETIREMENT

Revenues of the Debt Service Fund consist of the ad-valorem property taxes which are recognized as revenue when collected from taxpayers and reported by the MRCC of the Commonwealth of Puerto Rico to the **Municipality** (See Note 13).

These property taxes are accumulated by the MRCC in costs of the general obligations bonds issued by the **Municipality** (See Note 11). Payments are made to the GDB from such accumulated funds by the MRCC.

As per Act Number 18 of 2014 was created the "Law of Municipal Administration Fund (MAF)" to establish a special fund called the Municipal Administration, authorize municipalities to pledge the funds deposited in the Local Government Fund to which they are to secure the repayment of any loan, bond, note or other evidence of indebtedness, which are the source of repayment funds deposited in the Special Fund and to meet any expenditure budget of the municipality and the municipality any activity or project, authorize the Government Development Bank for Puerto Rico to make disbursements for purposes set out in this Act.

This measure is intended, first, to strengthen the financial capacity of the Corporation Tax Fund of Puerto Rico (COFINA, by Spanish acronyms), established under Law No. 91-2006, as amended, known as the "Law Fund of Sales and Usage Taxes", adjusting the sales and usage taxes (SUT) by increasing the state portion to 6.0% while the municipal SUT is reduced to 1.0%, effective February 1, 2014.

Through this legislation a mechanism under which the SUT collections entitled to receive the Commonwealth of Puerto Rico each fiscal year, after complying with the deposits in the Tax Fund requires by Act No. 91-2006, shall be deposited in a special fund created for the benefit of, and assigned to the municipalities. This special fund is called the "Local Government Fund" ("LGF"), which will be guarded by the Government Development Bank of Puerto Rico.

Also, on February 1, 2014 was enacted the Act No. 19 that creates the Municipal Financing Corporation (COFIM, by Spanish acronyms). The COFIM, attached to the Government Development Bank (GDB), with the power to issue bonds or use other mechanisms to pay or refinance debt incurred by municipalities, the payment of principal and interest is backed by the municipal SUT.

In addition, create the Redemption Fund of COFIM, to which the resources of the existing Municipal Fund Redemption will be transferred effective February 1, 2014, and facilitated the distribution of funds from the Municipal Redemption Fund, the Municipal Development Fund and the Municipal Improvement Fund. Provides that the first proceeds of the municipal SUT of 1% shall be collected by the Treasury Department and deposited directly into the Redemption Fund of COFIM. Provides that bonds and notes issued by the COFIM be payable and secured by the pledge of a fixed amount, or municipal SUT corresponding to a fixed rate of 0.3% has been collected during the previous fiscal year, whichever is greater.

## 13. PROPERTY TAXES

The **Municipality** is authorized by Act No. 81 to impose and collect property taxes from any natural or legal person that, at January 1<sup>st</sup> of each calendar year: (1) is engaged in trade or business and is the owner of personal or real property used in trade or business, or (2) owns residential real property with a value in excess of \$15,000 (at 1957 market price). The MRCC is responsible for the assessment of all real and personal property located within the **Municipality** and for the levy, administration and collection of the corresponding tax contribution.

The personal property tax is self-assessed by the taxpayer on a return, which is to be filed and paid in full by May 15 of each year with the MRCC and based on current values as of December 31 of previous year. Real property tax is assessed by the MRCC on each piece of real estate and on each building or residence. The property tax contribution is levied each year over the appraised value of the real property at the beginning of the calendar year. Real property taxes are assessed by the MRCC as January 1<sup>st</sup> of each year.

continue

### 13. PROPERTY TAXES – continuation

The MRCC is responsible for the billing of real property taxes and collections of both, personal and real property taxes on behalf of all the municipalities of Puerto Rico. Prior to the beginning of each fiscal year, the MRCC informs the **Municipality** of the estimated amount of property taxes expected to be collected for the ensuing fiscal year. Throughout the year, the MRCC advances funds to the **Municipality** based on the initial estimated collections. The MRCC 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 year-end. If the MRCC remits to the **Municipality** property taxes advances, which are less than the tax actually collected, a receivable from the MRCC is recorded at June 30. However, if advances exceed the amount actually collected, a borrowing from MRCC is recorded at June 30. At the time of the preparation of the financial statement, the difference between the advances and the final settlement to the General Fund is pending of final determination.

The tax rate for fiscal year 2015 is 10.53% for real property and 8.53% for personal property of which 1.03% of both are for the redemption of public debt issued by the Commonwealth of Puerto Rico and 9.50% and 7.50%, respectively, belongs to the Municipality. The Commonwealth of Puerto Rico also contributes an annual tax rate of 0.20% of the property tax collected. Taxpayers pay 10.33% for real property and 8.33% for personal property and the remaining 0.20% is paid by the Commonwealth's Secretary of the Treasury as a subsidy. As part of Act No. 83 of August 30, 1991, as amended, the exempt amount to be paid by the Puerto Rico Secretary of the Treasury to the **Municipality** was frozen as of January 1, 1992.

The remaining percentages are distributed as follows: (1) 6.00% and 4.00%, respectively, represents the **Municipality's** basic tax rate that is appropriated for general purposes and therefore accounted for through the general fund. A portion of such amount is deposited in an equalization fund together with a percentage of the net revenues of the Puerto Rico electronic lottery and a subsidy from the Commonwealth. The remaining portion belonging to the **Municipality** of 3.50% represents the ad-valorem property taxes withheld by the MRCC and restricted for debt service, which is accounted for through the debt service fund (See Note 12). The **Municipality** has reached the maximum statutory tax rate limit for the basic tax while there is no limitation for the ad-valorem tax rate.

As previously mentioned, on March 9, 2009, the Commonwealth of Puerto Rico approves Law Number 7 that provides for revision of the valuation of property subject to taxation and imposes special property taxes for the Commonwealth. The effect of this Law was an increase in the valuation of the real properties and in the exemption granted for the residential units occupied by their owners by multiply both amount by ten. Accordingly, the residential units occupied by their owners are exempt from real property taxes on the first \$150,000 assessed value. For such exempted amounts, the Puerto Rico Secretary of the Treasury assumes payment of the basic tax to the **Municipality** (6.00%), except for residential units assessed at less than \$35,000 on which a complete exemption is granted. As part of Law No. 83 of August 30, 1991, as amended, the exempt amount to be paid by the Puerto Rico Secretary of the Treasury to the **Municipality** was frozen as of January 1, 1992. The Municipal Revenue Collection Center, instead of the property taxpayer, becomes the source of payment in these cases.

In addition, the Act grants a complete exemption from personal property taxes up to an assessment value of \$50,000 to retailers with an annual net sales volume of less than \$150,000. The MRCC advances to the **Municipality**, on monthly payments, 100% of the contribution assessed over property for each fiscal year. In accordance to Law, these advances will be contributions by the MRCC from taxpayers. The MRCC periodically informs to the **Municipality** the amounts collected from taxpayers and applied to outstanding advances.

The **Municipality** records as revenue in the general fund the property tax contribution when received from monthly advances from MRCC. Due to the fact that collections of property tax are applied to the advances of property tax paid by the MRCC, the amortization of the advance at end of year was not available due to that is in process of verification by external auditors. The fiscal impact for the future years has not been determined by the **Municipality's** management.

continue

#### 14. VOLUME OF BUSINESS TAXES

The volume of business taxes is levied each year based on the prior year's gross revenues for all commercial and industrial organizations doing business in the **Municipality** and which are not totally or partially exempt from this tax under the Industrial Incentives Acts of the Commonwealth of Puerto Rico. This is a self-assessed tax based on the business volume in gross sales as shown in the tax return that is due five working days after April 15 of each year. Entities with sales volume of \$3.0 million or more must include audited financial statements together with the tax return. During the fiscal year ended June 30, 2015, the tax rates were as follows:

- a. 1.50% for financial institutions and savings and loan associations.
- b. 0.40% for all other organizations.

Taxes are payable in two equal semi-annual installments on July 1 and January 1 following the date of levy. If they are paid with declaration on or before the due date, the taxpayer is granted a 5% of discount. The volume of business tax receivable represents filed tax returns that were uncollected as of June 30, 2015. Collections of taxes during current fiscal year corresponding of the tax return based on the prior year gross sales are applicable to the next fiscal year and recorded as deferred revenues in the General Fund.

As per Ordinance No. 66, Series 2008-2009, the **Municipality** imposed to the entities with sales volume in excess of \$5,000, to pay \$25 to cover the cost associated with the supplies and administrative procedures for the expedition of the Patent Certificate.

#### 15. SALES AND USAGE TAXES

**Municipality** imposes a Sales and Usage Taxes of 1.0% collected and belong to the **Municipality** on the sales price of a taxable item or on the purchase price of all usage, storage or consumption of a taxable item (changes as per Act Number 18 of 2014). All merchants required to collect the Sales and Usage Taxes, are required to file a monthly Sales and Usage Taxes Return Form, no later than the 20<sup>th</sup> of the following month from the month being reported. The Act also provides for restrictions on the use of the resources to be invested in solid waste and recycling programs, capital improvements and health and public safety costs.

The amount collected by the Puerto Rico Secretary of Treasury (6.0%) will be deposited in accounts or special funds in GDB. Of this amount, 0.5% collected are subject to restrictions imposed and distributed as follows:

- a. 0.2% will be deposited in a "Municipal Development Fund" to finance costs as restricted by the Act;
- b. 0.2% will be deposited in a "Municipal Redemption Fund" to finance loans to municipalities subject to restrictions imposed by the Act; and
- c. 0.1% 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.

Sales and Usage Taxes Receivable represents filed sales tax returns that were collected subsequent to June 30, 2015, but pertaining to the current year period.

As per Act Number 18 of 2014 was created the "Law of Municipal Administration Fund (MAF)" to establish a special fund called the Municipal Administration, authorize municipalities to pledge the funds deposited in the Local Government Fund to which they are to secure the repayment of any loan, bond, note or other evidence of indebtedness, which are the source of repayment funds deposited in the Special Fund and to meet any expenditure budget of the municipality and the municipality any activity or project, authorize the Government Development Bank for Puerto Rico to make disbursements for purposes set out in this Act.

continue

**15. SALES AND USAGE TAXES – continuation**

This measure is intended, first, to strengthen the financial capacity of the Corporation Tax Fund of Puerto Rico (COFINA, by Spanish acronyms), established under Law No. 91-2006, as amended, known as the "Law Fund of Sales and Usage Taxes", adjusting the sales and usage taxes (SUT) by increasing the state portion to 6.0% while the municipal SUT is reduced to 1.0%, effective February 1, 2014.

Through this legislation a mechanism under which the SUT collections entitled to receive the Commonwealth of Puerto Rico each fiscal year, after complying with the deposits in the Tax Fund requires by Act No. 91-2006, shall be deposited in a special fund created for the benefit of, and assigned to the municipalities. This special fund is called the "Local Government Fund" ("LGF"), which will be guarded by the Government Development Bank of Puerto Rico.

Also, on February 1, 2014 was enacted the Act No. 19 that creates the Municipal Financing Corporation (COFIM, by Spanish acronyms). The COFIM, attached to the Government Development Bank (GDB), with the power to issue bonds or use other mechanisms to pay or refinance debt incurred by municipalities, the payment of principal and interest is backed by the municipal SUT.

In addition, create the Redemption Fund of COFIM, to which the resources of the existing Municipal Fund Redemption will be transferred effective February 1, 2014, and facilitated the distribution of funds from the Municipal Redemption Fund, the Municipal Development Fund and the Municipal Improvement Fund. Provides that the first proceeds of the municipal SUT of 1% shall be collected by the Puerto Rico Treasury Department and deposited directly into the Redemption Fund of COFIM. Provides that bonds and notes issued by the COFIM be payable and secured by the pledge of a fixed amount, or municipal SUT corresponding to a fixed rate of 0.3% has been collected during the previous fiscal year, whichever is greater.

**16. CONSTRUCTION EXCISE TAXES**

**Municipality** imposes and collects municipal construction excise taxes to most natural and legal persons and any governmental instrumentality that carry out activities related to construction, expansion, major repairs, relocations, alterations and other types of permanent improvements to residential, commercial and industrial buildings, and any structures within the territorial area of the **Municipality**. The tax is also applicable to infrastructure projects, the installation of machinery, equipment and fixtures, and other types of construction-related activities.

The construction excise taxes generally is a self-assessed tax imposed over the cost of the project, net of certain exemptions such as the costs associated with the acquisition of land, existing buildings and improvements, project design and other engineering fees, licenses and permits, consulting and legal fees. The tax is paid by the taxpayer before the beginning of the construction project. The activities covers by this tax and the exemption granted are as follows:

- a. All construction, repair, addition, demolition or improvement to a single-family residential construction projects not related to housing development projects, condominiums, or any similar projects, with a total cost up to \$80,000, will pay 2.5% of construction excise taxes. This project is exempt of the construction excise taxes for the first \$5,000 of the project construction costs.
- b. All construction projects in excess of \$80,000, but equal or less than \$300,000, will pay 3.5%. In excess of \$300,000 the construction excise tax will be 4.00%. Both types of construction projects do not qualify for the exemption of \$5,000 granted to the single-family residential projects.
- c. All construction projects carried out by civic Non-for-Profit Organization, affiliated to councils and associations of their representative institutions, registered with the Commonwealth's State Department, have full exemption to the construction excise taxes.

**16. CONSTRUCTION EXCISE TAXES – continuation**

**Municipality** issued Resolution Number 103, Series 2009-2010, granted a 50% exemption of construction excise taxes for a single-family residential project for low-income families in Ceiba Baja, Aguadilla.

**17. INTERGOVERNMENTAL REVENUES, FEDERAL AND STATE GRANTS AND SUBSIDIES**

Intergovernmental revenues consist primarily of funds received from the Commonwealth, “in lieu of tax” payments from the Quasi-public Corporation, Puerto Rico Electric Power Authority (PREPA), and financial assistance received from state governments. Intergovernmental revenues are accounted for through the General Fund because they are not restricted for specific purpose.

Grants and subsidies received from the Commonwealth and federal agencies include, among others, a general subsidy for urban development and capital improvements. Intergovernmental revenues are accounted for through the General Fund except for those directly related to urban development and capital improvements, which are accounted for through the Special Revenues and the Capital Project Funds. Federal Financial Awards are recorded in the General Fund, Special Revenue Fund, Capital Projects Funds, and Health and Human Services Fund.

**18. PENSION PLANS**

As further described in Note 2 D 10), the Municipality implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pension*, during fiscal year 2015, and a new Required Supplementary Information schedules are included herein. Also, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment to GASB No. 68, is implemented simultaneously with the provisions of GASB No. 68.

**A. Employee’s Retirement System of the Government of the Commonwealth of Puerto Rico*****Description of the Plan***

Employees of the **Municipality** participate in the Employee’s Retirement System of the Government of the Commonwealth of Puerto Rico (ERS) administered by the Puerto Rico Government Employees and Judiciary Retirement Systems Administration. The ERS is cost-sharing multiple-employer defined benefit pension plan sponsored by the Commonwealth under the Act No. 447, approved on May 15, 1951, as amended (Act No. 447) and began operation on January 1, 1952, at which date, contributions by employers and participating employees commenced. Act No. 1 of February 16, 1990 (Act No. 1) and Act No. 305 of September 24, 1999 (Act No. 305 or Hybrid Program) establish, among other things, a defined contribution program. The ERS is a pension trust of the Commonwealth. All qualified permanent and probationary employees of the Commonwealth and its instrumentalities and of certain municipalities and components units not covered by their own retirement systems are eligible to participate in the ERS. As of June 30, 2015, there were 215 participating employers (73 Commonwealth agencies, 78 municipalities, and 64 public corporations, including the ERS). The ERS, as a governmental retirement plan, is excluded from the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

ERS is a mature retirement system with a significant retiree population. Based on the statutory funding requirements prior to Act No. 3, enacted on April 4, 2013, the annual benefit payments and administrative expenses paid by the system were significantly larger than the member and employer contributions made to the system. Thus investment income must have been used to cover this negative cash flow and assets were projected to become exhausted by the end of this decade. Act No. 3 and Act No. 32 of 2014 (as amended by Act No. 244 of 2014) provided for significant pension reforms and additional contributions to the ERS to counter the imminent expected asset exhaustion.

continue

**18. PENSION PLANS – continuation**

Certain provisions are different for the three groups of members who entered the ERS prior to July 1, 2013 as described below:

- Members of Act No. 447 are generally those members hired before April 1, 1990 (Defined Benefit Program)
- Members of Act No. 1 are generally those members hired on or after April 1, 1990 and on or before December 31, 1999 (Defined Contribution Program)
- Members of Act No. 305 are generally those members hired on or after January 1, 2000 and on or before June 30, 2013 (Define Contribution Hybrid Program). Each member has a no forfeitable right to the value of his/her account. Members have three options to invest their contributions. Investment income is credited to the member's account semiannually. The Commonwealth does not guarantee benefits at retirement age.

All regular employees hired for the first time on or after July 1, 2013, and former employees who participated in the Defined Benefit Program and the Define Contribution Hybrid Program, and were rehired on or after July 1, 2013, become members of the Define Contribution Hybrid Program as a condition to their employment. In addition, employees who at June 30, 2013, were participants of previous programs will become part of the Define Contribution Hybrid Program. Each member has a no forfeitable right to the value of his/her contributions to the Define Contribution Hybrid Program. The assets of the Define Benefit Program, the Define Contribution Program and the Define Contribution Hybrid Program are pooled and invested by the ERS. Future benefit payments will be paid from the same pool of assets. In addition, employers' contributions for members hired on or after January 1, 2000 will be used by the ERS to reduce the unfunded status of the Define Benefit Program.

As of June 30, 2014, the ERS has an unfunded actuarial accrued liability (UAAL) of approximately \$30,220 million, representing a 3.10% funding ratio. In the opinion of management and based on information prepared by consulting actuaries, it is estimated that starting in fiscal year 2015, the ERS's assets will be less than its obligations (including bonds payable but excluding its UAAL) resulting in a deficit net position. In addition, annual cash flow estimates for the foreseeable future are presently estimated to continue to reduce the net position unless other measures are taken.

The estimate of when the ERS's net position will become a deficit and when its assets would be exhausted is based on significant assumptions, including the rate of return on investments, the amount and timing of collections from the Commonwealth for the member, employer contributions and the employer additional contribution (Act No. 32), which as discussed below, was estimated in \$120.0 million for fiscal year 2014 and \$352.0 million annually through fiscal year 2032, as well as the estimated participant benefits and the ERS's administrative expenses to be paid each year.

To improve the liquidity and solvency of the ERS, the Commonwealth enacted Act No. 32 of June 25, 2013, which provides for incremental annual contributions (Additional Uniform Contribution) of \$120.0 million from the Commonwealth General Fund, public corporations and municipalities beginning in fiscal year 2014 and from all employers \$352.0 million annually through fiscal year 2032. This additional contribution will be determined annually based on actuarial studies to be performed by the ERS's actuaries. The 2014 budgetary appropriation for such additional contribution of approximately \$120.0 million was included in the Commonwealth, public corporations and municipalities for the fiscal year 2014. However, as a result of budgetary constraints at the present time only \$14.9 million was paid by the Commonwealth and 20.5 million paid by public corporations and municipalities during fiscal year 2014. The additional contribution for the fiscal year 2015 was \$27.0 million paid by the Commonwealth and \$27.0 million paid by public corporations and municipalities.

continue

**18. PENSION PLANS – continuation**

The projected Additional Uniform Contribution for fiscal year 2016 and subsequent years has increased to approximately \$352.0 million (of which approximately \$216.0 million corresponds to the Commonwealth's central government, to be funded from the General Fund and the remaining portion corresponds to the participating public corporations and municipalities). The ERS's actuaries are currently updating the projected Additional Uniform Contribution for fiscal year 2017 and beyond.

If the Commonwealth's financial condition does not improve as a result of fiscal and budgetary measures it is taking, its ability to repay its obligations, including its regular employer contributions to the ERS and its additional contribution as provided by Act No. 32, for the upcoming years, may continue to be adversely affected, and could also affect the payment of benefits and the repayment of the ERS's bond payable.

Act No. 70 established a program that provides benefits for early retirement or economic incentives for voluntary employment termination to eligible employees, as defined. Act No. 70 also establishes that early retirement benefits will be provided to eligible employees that have completed between 15 to 29 years of creditable services and will consist of monthly benefits ranging from 37.5% to 50% of each employees' monthly salary. Benefits under this program will be paid by the General Fund of the Commonwealth and by the public corporations, covering their respective employees until the plan member reaches the later of age 55 for members under Act No. 447 or age 65 for members under Act No. 1, or the date the plan member would have completed 30 years of service had the member continued its employment. The ERS will be responsible for benefit payments afterwards. In addition, the General Fund and the public corporations will also be required to make the required contributions to the ERS. As of June 30, 2013, the ERS has recorded a liability of approximately \$16 million for its responsibility as an employer under Act No. 70.

Furthermore, Act No. 3 was enacted on April 4, 2013, amended the Act No. 447 for the purpose of establishing a major reform of the ERS effective on July 1, 2013. Employees participating in the current system (ERS) should be retired as of June 30 2013 in order to obtain the current benefits. Also, Act No. 3 amended the Act No. 305 of September 24, 1999 that's created a Defined Contribution Hybrid Program known as System 2000, incorporating the provisions of the System 2000 to Chapter 5 of the ERS.

Act No. 3 is a dynamic 50-year plan that is designed to provide enough cash for ERS to be able to make full Basic System Benefit payments as they come due, to pay the new lower System Administered Benefits, and to pay debt service on the pension obligation. The reforms enacted through Act No. 3, by design, is a very long term plan, and constant monitoring will be needed to make sure the ERS stays on track. Actual experience may turn out better or worse than expected, thus future adjustments may be needed. Receipt of the Additional Uniform Contribution under Act No. 32 (as amended by Act No. 244) is critical to the ERS's ability to make payments as they come due.

Follow are the principal amendment of Act No. 447 by Act No. 3:

Chapter 3 of the Act No. 447, established the following date of retirement:

- (a) General Rule – The first day of the month that coincides with or is subsequent to the date that the participant of the program reaches the age of sixty (60), except as provided in clause (b) of this subsection.
- (b) Public Officers in High-Risk Positions- In the case of Public Officers in High-Risk Positions, it shall mean the first day of the month that coincides with or is subsequent to the date that the Participant reaches the age of fifty-five (55) years. (Public Officers in High-Risk Positions shall mean the Commonwealth of Puerto Rico Police, the Municipal Police, the Commonwealth Firefighter Corps, the Municipal Firefighter Corps, and the Custody Officers Corps.)
- (c) Effectiveness of these provisions: the normal date of retirement established in subsections (a) and (b) of this definition shall be in force until June 30, 2013.

continue

**18. PENSION PLANS – continuation**

Retirement age for participants who joined public service after June 30, 2013 – The retirement age shall be 67 years, except in the case of Public Officers in High-Risk Positions, for whom it shall be fifty eight (58) years.

***Participant of the Program***

Shall mean, until June 30, 2013, every person for whom the Administrator maintains an account under the Retirement Savings Account Program pursuant to the provisions of Chapter 3 of Act No. 447. Beginning on July 1, 2013, it shall mean every person for whom the Administrator maintains an account under the Defined Contribution Hybrid Program pursuant to the provisions of Chapter 5 of this Act.

The membership of the System shall be constituted by every person who holds a regular position as a career, trust, temporary employee or with probationary personnel status in any executive department, agency, administration, board, commission, office, or instrumentality of the Executive Branch, by the Justices of the Peace, the regular employees and officials of the Judiciary Branch, and by all regular officials and employees of the municipalities, including the mayors. Temporary municipal employees shall not participate in the Retirement System.

Membership in the Retirement System shall be optional for the Governor of Puerto Rico, for all the Secretaries of Government, heads of public agencies and instrumentalities, the Governor's aides, the members of commissions and boards appointed by the Governor, the members of the Legislative Assembly of Puerto Rico, for the employees and officials of the Legislative Assembly of Puerto Rico, the Office of Legislative Services and the office of the Superintendent of the Capitol, and the Comptroller of Puerto Rico. These officials may, at any time, request to be discharged from, or readmitted into the System. The period of services rendered to the Government while separated from the System, shall be credited as creditable service, provided said officials pay the individual and employer contributions, plus interest, that correspond to the period of separation, to the system.

As of July 1, 2013, every employee who is a participant of the System, including mayors, regardless of the date when he/she was first appointed to the Government of the Commonwealth of Puerto Rico, its instrumentalities, municipalities or participating employers of the System, shall become part of the Defined Contribution Hybrid Program.

Notwithstanding the fact that a superannuation retirement annuity is payable for life, if annuitants return to the service, the payment of their annuity shall be suspended. After an annuitant separates from service, payment of the suspended annuity shall resume and he/she shall also have the option to withdraw the contributions made since the date he/she returned to service up until he/she separates from service if, after returning to service, he/she worked less than five (5) years or accrued contributions for less than ten thousand dollars (\$10,000). In the event the annuitant worked five (5) years or more and contributed ten thousand dollars (\$10,000) or more, after returning to service, he/she shall be entitled, after his/her separation from service and after reaching the age established in Section 5-110 of Act No. 447, to receive an additional annuity computed pursuant to Section 5-110 of this Act, on the basis of the contributions made since the date said annuitant returned to service until his/her separation from it.

***Annuity for Years of Service***

As per Act No. 3, retirement shall be optional for new participants joining the System for the first time after April 1, 1990, as of the date in which they reach the age of sixty-five (65), have completed a minimum of ten (10) years of accredited services and have not requested or received the reimbursement from the accrued contributions. The amount of the annuity shall be one point five percent (1.5%) of the average compensation multiplied by the years of accredited services. However, a minimum pension of five hundred dollars (\$500) per month, effective July 1, 2013, is hereby fixed for those participants who retired in accordance with the provisions of this Chapter 2. Every pensioner who receives a pension of less than five hundred dollars (\$500) per month shall receive, effective July 1, 2013, the increase required for his/her pension to be five hundred dollars (\$500).

continue

**18. PENSION PLANS – continuation**

Public Officers in High-Risk Positions may voluntarily opt to retire after reaching the age of fifty-five (55) and thirty (30) years of service. Retirement shall be mandatory on the date the participant reaches both thirty (30) years of service and the age of fifty-eight (58). Provided, that the Superintendent of the Puerto Rico Police, the Chief of the Firefighter Corps or the corresponding appointing authority may grant dispensations authorizing members of this group to work for an additional maximum period of two (2) years performing the functions assigned to them; provided that their health and safety are not compromised. Such a request for dispensation shall be made by the member, not later than ninety (90) days before his/her retirement date. It is hereby provided that the Superintendent of the Puerto Rico Police, the Chief of the Firefighter Corps or the corresponding appointing authority shall make the necessary regulatory provisions to comply with this Act.

Retirement shall be optional for the members of the System in active service, on and after the date they have attained the age of fifty-five (55) years and have completed at least twenty-five (25) years of creditable service; and for members of the System who having reached the age of fifty-eight (58) years, and have completed at least ten (10) years of creditable service. The members of the Police Corps or the Firefighting Corps shall also have the option to avail themselves of a retirement annuity on and after the date on which they have attained the age of fifty (50) years and have completed at least twenty-five (25) years of creditable service.

Any participant whose separation from the service occurs prior to having attained the age of fifty-eight (58) years, who shall have completed at least ten (10) years of creditable service, and who shall have not applied for, nor received reimbursement of accumulated contributions shall be entitled to receive a deferred retirement annuity. Said participants shall receive a deferred retirement annuity which shall commence upon attaining the age of fifty eight (58) years or after attaining the age of fifty (50) years in the case of policemen or firemen, and fifty-five (55) years in the case of the other participants, if they have completed at least twenty-five (25) years of service in one case or the other.

***Benefits Provided***

The amount of the annuity shall be one and one-half percent (1.50%) of the average compensation multiplied by the number of years of creditable service up to twenty (20) years, plus two percent (2%) of the average compensation multiplied by the number of years of creditable service in excess of twenty (20) years. Said annuity shall be payable in full to the members who retire at the age of fifty-eight (58) years or more, and to the members of the Police Corps [or] the Firefighting Corps who retire at the age of fifty (50) years or more and who have completed at least twenty-five (25) years of creditable service. The maximum retirement annuity (as of June 30, 2013) for the participants shall be seventy-five percent (75%) of the average compensation.

*Merit Annuity* – Plan members are eligible for merit annuity with a minimum of 30 years or more of credited service. The annuity for which the plan member is eligible is limited to a minimum of 65% and a maximum of 75% of the average compensation. As a result of the enactment of Act No. 3 of April 4, 2013, effective July 1, 2013, merit annuities will no longer be available to participants who joined the ERS after April 1, 1990.

*Deferred Retirement Annuity* – A participating employee who ceases to be an employee of the Commonwealth after having accumulated a minimum of 10 years of credited service qualifies for retirement benefits provided his/her contributions to the ERS are left within the ERS until attainment of 58 years of age.

The amount of the superannuation retirement annuity of mayors who are participants of the System shall be computed on the basis of the highest salary he/she may have received while discharging his/her government duties in the following manner:

- (1) For services performed as mayor, five percent (5%) of said salary for each year of creditable service up to a maximum of ten (10) years or fifty percent (50%), plus

continue

**18. PENSION PLANS – continuation**

- (2) For other services performed not included in the above computation, one and one half percent (1.50%) of said salary multiplied by the number of years of such other creditable services up to twenty (20) years, or two percent (2%) of said salary multiplied by the number of years of such other creditable services in excess of twenty (20) years.

The maximum superannuation retirement annuity to be granted under this subsection shall be ninety percent (90%) of the highest salary that the mayor may have received. The payments of the retirement annuity shall begin on and after the date of separation from service, but never before the mayor has attained fifty (50) years of age.

Retirement shall be optional for any participant of the System in active service who shall have completed at least thirty (30) years of creditable service. Said participant shall be entitled to receive the Merit Annuity for thirty (30) years or more of service in accordance with subsections (b) and (c) of this section thereof. Participants of the System under the Coordinating Plan and receiving Social Security benefits, who have not attained sixty-five (65) years of age, shall receive a merit annuity to be computed as provided for hereinafter:

- (1) For those participants who have completed thirty (30) years or more of creditable services and have not attained fifty-five (55) years of age or more, sixty-five percent (65%) of the average compensation.
- (2) For those who have completed thirty (30) years or more of creditable services and have attained fifty-five (55) years of age or more, seventy-five (75%) of the average compensation.
- (3) Years in excess of thirty (30) may only serve as basis to calculate the average compensation

As per Act No. 3 the following provisions shall apply to employees who participate in the System that (i) began to work before January 1, 2000, (ii) as of June 30, 2013, are not participants of the Retirement Savings Account Program established in Chapter 3 of this Act and (iii) as of June 30, 2013, do not meet the requirements of years of service and age to retire that are required in Chapter 2 of this Act:

- (1) New Retirement Age for participants who joined the System for the first time before April 1, 1990. For those participants who, as of June 30, 2013, have not reached the age of 58 and completed at least 10 years of service, or have not reached the age of 55 and completed at least 25 years of service, retirement shall be optional when they meet the following age and service requirements:
  - (i) If, as of June 30, 2013, the participant is 57 years of age, the retirement will be optional when he/she reaches 59 years of age and has completed at least 10 years of service.
  - (ii) If, as of June 30, 2013, the participant is 56 years of age, the retirement will be optional when he/she reaches 60 years of age and has completed at least 10 years of service.
  - (iii) If, as of June 30, 2013, the participant is 55 years of age or less, the retirement will be optional when he/she reaches 61 years of age and has completed at least 10 years of service.
- (2) Retirement Age for participants who joined the System for the first time between April 1, 1990, and December 31, 1999 – For participants who, as of June 30, 2013, have not reached the age of 65 and completed at least 10 years of service, retirement shall be optional when the participant reaches 65 years of age and has completed 10 years of service.

**18. PENSION PLANS – continuation**

- (3) For Public Officers in High-Risk Positions who began to work before April 1, 1990 and who, as of June 30, 2013, have not reached the age of 50 and completed at least 25 years of service, or who have not completed 30 years of service, regardless of their age, retirement shall be optional when they reach 55 years of age and have completed 30 years of service.
- (4) For Public Officers in High-Risk Positions who began to work between April 1, 1990, and December 31, 1999, and who, as of June 30, 2013, are not 55 years old and have completed 25 years of service, or who have not completed 30 years of service, regardless of their age, retirement shall be optional when they reach 55 years of age and have completed 30 years of service.
- (5) Public Officers in High-Risk Positions who separate from active service before meeting the requirements of age and service provided in subsection (a)(3) or (a)(4) of this Section may only receive their accrued pension when they meet the following age and service requirements:
  - (i) If the participant joined the System for the first time before April 1, 1990, after he/she meets the age and service requirements established in subsection (a) 1 of this Section.
  - (ii) If the participant joined the System for the first time between April 1, 1990, and December 31, 1999, after he/she meets the age and service requirements established in subsection (a) 2 of this Section.

***Pension Computation***

When the participant meets the age and service requirements established above, he/she shall be entitled to receive an annuity computed on the basis of years of service accrued as of June 30, 2013, in accordance with the following rules:

- (i) The average salary of employees who began to work before April 1, 1990, shall be the one established in definition number 15 of Section 1-104 of Act No 447.
- (ii) The average salary of employees who began to work between April 1, 1990, and December 31, 1999, shall be the one established in Section 1-108 of this Act.
- (iii) The pension computation of employees who began to work before April 1, 1990, shall be made on the basis of one and one half percent (1.5%) of the average salary, multiplied by the number of years of creditable service up to twenty (20) years, plus two percent (2.0%) of the average salary, multiplied by the number of years of creditable service in excess of twenty years, in each case up to June 30, 2013.
- (iv) The pension computation of employees who began to work between April 1, 1990 and December 31, 1999, shall be made on the basis of one and one half percent (1.5%) of the average salary, multiplied by the number of years of creditable service up to June 30, 2013.
- (v) Participants of the System who, as of June 30, 2013, have availed themselves to the Coordinating Plan and are receiving Social Security benefits will have their annuities adjusted in accordance with the provisions of subsection (e) of Section 2-101 of this Act. Provided that until the participant is entitled to receive the Social Security benefits, he/she may receive an annuity in accordance with Section 5-103 of this Act.
- (vi) This pension shall be received together with the annuity accrued by a participant under Section 5-110 of this Act.

continue

**18. PENSION PLANS – continuation**

Beginning on July 1, 2013, participants shall not accrue any more years of service for the determination of the average salary and computation of a pension under Section 5-103(a)(4). In addition, participants may not have services not credited recognized, contributions transferred or returned for periods worked before June 30, 2013, except for those exceptions specifically established in Act No 447.

Those participants who began to work on or after January 1, 2000, or those who as of June 30, 2013, were participants in the Retirement Savings Program and who as of June 30, 2013, could retire from service because they are sixty (60) years old, may retire on any later date and they shall be entitled to receive the annuity that could be acquired with the balance of the contributions under the Retirement Savings Account Program and those accrued under the Defined Contribution Hybrid Program.

The savings accounts under the Retirement Savings Account Program of employees who joined the System for the first time on or after January 1, 2000, shall be rolled over to the Defined Contribution Hybrid Program. Be it provided that if, as of June 30, 2013, the employees have not reached the age of sixty (60), they shall be entitled to the annuity established in Section 5-110 of Act No. 447 when they meet the following age requirements:

- (i) If, as of June 30, 2013, the participant is 59 years old, the retirement will be optional when he/she has reached 61 years of age.
- (ii) If, as of June 30, 2013, the participant is 58 years old, the retirement will be optional when he/she has reached 62 years of age.
- (iii) If, as of June 30, 2013, the participant is 57 years old, the retirement will be optional when he/she has reached 63 years of age.
- (iv) If, as of June 30, 2013, the participant is 56 years old, the retirement will be optional when he/she has reached 64 years of age.
- (v) If, as of June 30, 2013, the participant is 55 years old or less, the retirement will be optional when he/she has reached 65 years of age.

For Public Officers in High-Risk Positions who began to work after December 31, 1999, and who, as of June 30, 2013, are not 55 years old, retirement shall be optional when they reach 55 years of age.

***Funding Policy***

The authority under which the funding policy and the obligations to contribute to the ERS and System 2000 by the plans' members, employers and other contributing entities (state of municipal contributions), are established or may be amended by law.

**Contributions of Participants of Defined Benefit Program**

Contribution requirements are established by law and are as follows:

*Coordinated Plan* – Prior to July 1, 2013 on the coordinated plan, the participating employee contributes 5.775% for the first \$6,600 of salary plus 8.275% for the excess over \$6,600. For fiscal 2013-2014 the contribution was 7.00% for the first \$6,600 of salary plus 10.00% for the excess over \$6,600. For fiscal 2014-2015 the contribution was 8.50% for the first \$6,600 of salary plus 10.00% for the excess over \$6,600. After July 1, 2015 the contribution was 10.00% of salary. By the time the employee reaches 65 years old and begins to receive social security benefits, the pension benefits are reduced by the following:

continue

**18. PENSION PLANS – continuation**

- \$165 per month if retired with 55 years of age and 30 years of credited service.
- \$110 per month if retired with less than 55 years of age and 30 years of credited service.
- All other between \$82 and \$100 per month.
- Disability annuities under the coordinated plan are also adjusted at age 65 and in some cases can be reduced over \$165 per month.

*Non-Coordinated Plan (Supplementation Plan)* – Prior to July 1, 2013 on the non-coordinated plan, the participating employee contributes 8.275% of the monthly salary and does not have any change on the pension benefits upon receiving social security benefits. After July 1, 2015 the contribution was 10.00% of salary.

**Contributions of Participants of Hybrid Program**

Contribution requirements are established by law and are as follows:

- (a) Every participant of the Hybrid Program shall compulsorily have to contribute ten percent (10%) of his/her salary while he/she is an employee.
- (b) Contributions under the Plan of Coordination with Social Security benefits – The participants of the System who, as of June 30, 2013, have availed themselves to the Plan of Coordination with Social Security benefits shall contribute to the Hybrid Program:
  - (1) Effective July 1, 2013, shall contribute 7.00% of their salaries up to \$6,600 plus 10.00% of the excess over \$6,600.
  - (2) Effective July 1, 2014, shall contribute 8.50% of their salaries up to \$6,600 plus 10.00% of the excess over \$6,600.
  - (3) Effective July 1, 2015, shall contribute 10.00% of their full salaries.

The participants of the Hybrid Program under subsections (a) and (b) of this Section may voluntarily contribute to their account an amount in addition to the one established here. These contributions shall be credited to the contribution account of each participant of the Hybrid Program. The Administrator shall establish the way in which the participants may make additional contributions.

- (c) **Mandatory Contribution for the Purchase of Disability Insurance** – Every participant of the Hybrid Program shall mandatorily contribute to the disability insurance established in Section 5-112 of Chapter 5 of Act No. 447, for which he/she shall have to contribute such sums, fixed in dollars or a percent of the salary, that the Administrator, with the approval of the Board, determines that are needed to provide the disability benefit, provided the contribution required by the Administrator is equal to or less than point twenty five percent (0.25%) of the participant's salary. The contributions made pursuant to this subsection may be credited against and will reduce the contributions that the participant of the Program is bound to pay to the Commonwealth of Puerto Rico Employees Association as provided in Section 8 of Act No. 133 of June 28, 1966, as amended. The contributions made under this subsection shall not be credited to the participant's account.

**18. PENSION PLANS – continuation****Employer Contributions to the System (ERS and Hybrid Program)**

On July 6, 2011, the Commonwealth enacted Act No. 116, increasing the employers' contributions rate from 9.275% to 10.275% of employee compensation for fiscal year 2011-2012, an additional 1% annually for each of the next four years, and 1.25% annually for each of the five years thereafter, reaching an aggregate contribution rate of 20.525% effective July 1, 2020.

Every employer, beginning on July 1, 2013, shall mandatorily contribute to the ERS the following:

July 1, 2013	Twelve point two hundred seventy-five percent (12.275%) of the salary of each participant
July 1, 2014	Thirteen point two hundred seventy-five percent (13.275%) of the salary of each participant
July 1, 2015	Fourteen point two hundred seventy-five percent (14.275%) of the salary of each participant
July 1, 2016	Fifteen point five hundred twenty-five percent (15.525%) of the salary of each participant
July 1, 2017	Sixteen point seventy hundred seventy-five percent (16.775%) of the salary of each participant
July 1, 2018	Eighteen point twenty-five percent (18.025%) of the salary of each participant
July 1, 2019	Nineteen point two hundred seventy-five percent (19.275%) of the salary of each participant
July 1, 2020	Twenty point five hundred twenty-five percent (20.525%) of the salary of each participant

As mentioned above, the **Municipality** is required to an Additional Uniform Contribution as per Act No. 32.

***Death, Disability or Terminal Illness Benefits*****Death of a Participant in Active Service**

Upon death of any person who is rendering services and who had contributions accrued in the Hybrid Program, these contributions shall be reimbursed to the person or persons the participant had designated through written order duly acknowledged and submitted to the Administrator, or to his/her heirs, in the event such designation had not been made. The reimbursement shall be equal to the sum of the contributions and the investment yields up to the date of the demise of the participant. The Administrator shall collect from the contributions any debt the participant may have with the System.

**Death of a Pensioner**

If a pensioner dies without having consumed all of his/her pension payment contributions, his/her designated beneficiaries or, absent such designation, his/her heirs, shall continue receiving the monthly pension payments until the contributions of the participant are completely consumed.

**18. PENSION PLANS – continuation****Separation from Service for Disability or Terminal Illness**

The balance in the contribution account of every participant of the Hybrid Program who is permanently separated from service due to total and permanent disability, due to disability pursuant to Act No. 127 of June 27, 1958, as amended, or due to terminal illness, as determined by the Administrator, shall be distributed to the participant by the Administrator in a lump sum, or through the grant of an annuity, or any other optional form of payment pursuant to Section 5-110 of Act No. 447, at the option of the participant.

Beginning on June 30, 2013, no disability pensions shall be awarded pursuant to Sections 2-107 thru 2-111 of Act No. 447.

***Disability Insurance***

The Administrator, with the approval of the Board, shall establish a disability benefits program, which shall provide a temporary annuity in the event of total and permanent disability. Disability benefits may be provided through one or more disability insurance contracts with one or more insurance companies authorized by the Insurance Commissioner of Puerto Rico to conduct business in Puerto Rico. The determination as to whether a person is partially or totally and permanently disabled, shall be made by the insurance company that issues the insurance policy covering the person. All the participants of the Program who are employees shall avail themselves to the disability benefits program in the manner and form established by the Administrator. During fiscal year 2014-2015 the disability insurance amounted to \$27,469.

***Additional Benefits Program***

The Additional Benefits Program is established for pensioners of the ERS; said benefits are separate and shall not form part of the pension or annuity.

Except for those persons who retire under Chapter 5 of Act No. 447 of May 15, 1951, as amended, every person who was receiving a pension or benefit under Act No. 447, or the pension plans superseded by it, or any other law administered by the Administrator of the ERS, excluding any person who is receiving a pension or benefit under Act No. 12 of October 19, 1954, as amended, shall be entitled to receive the following benefits:

- (a) A Medication Bonus equal to one hundred (\$100), which shall be paid no later than July 15 of each year;
- (b) A Christmas Bonus equal to two hundred dollars (\$200), which shall be paid no later than December 20 of each year; and
- (c) A Commonwealth contribution for health benefits for employees covered by health benefit plans under Act No. 95 of June 29, 1963, as amended, of one hundred dollars (\$100) monthly for pensioners of the Employees Retirement System of the Government of the Commonwealth of Puerto Rico, but it shall not exceed the total amount of the corresponding fee to be paid to any employee.

In order to fund the Additional Benefits Program and the ERS, beginning on fiscal year 2013-2014 and every subsequent fiscal year, the ERS shall receive a contribution equal to two thousand dollars (\$2,000) as of July 1 of every year for every pensioner of the ERS who began to work in the Public Service on or before of December 31, 1999.

The Administration of the ERS shall determine the total amount of the special additional contribution provided in the above paragraph and shall send a certification to the Director of the Office of Management and Budget and to each public corporation and municipality whose employees are retired under the ERS, informing them the amount corresponding to the special additional contribution.

continue

**18. PENSION PLANS – continuation**

The funds to cover the contribution described above, with respect to pensioners of the Central Government, shall be allocated in the Budget of Expenses of the Government of the Commonwealth of Puerto Rico. Public corporations and municipalities whose employees are covered under this Act shall provide the funds to cover the contribution described in Section 2 with respect to their pensioners.

The persons who retire under the provisions of Act 305-1999, known as “Retirement Savings Accounts Program”, and under Chapter 5 of Act No. 447 of May 15, 1951, as amended, shall be excluded from receiving the benefits granted under Act.

***Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions***

The **Municipality** Net Pension Liability for each plan program is measured as the proportionate share of the Net Pension Liability. The Net Pension Liability of each of the plan program is measured as of June 30, 2014, and the Total Pension Liability for each plan program used to calculate the Net Pension Liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The **Municipality’s** proportion of the Net Pension Liability was based on a projection of the PRP’s long-term share of contributions to the pension plans program relative to the projected contributions of all participating employers, actuarially determined.

As June 30, 2015, the **Municipality** reported \$79,703,855 as Net Pension Liability for its proportionate shares of the Net Pension Liability of ERS.

The **Municipality** Net Pension Liability for each plan program is measured as the proportionate share of the Net Pension Liability but the information for each program are not available. The Net Pension Liability is measured as of June 30, 2014, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The **Municipality’s** proportion of the Net Pension Liability was based on a projection of the **Municipality’s** long-term share of contributions to the pension plans program relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the **Municipality’s** proportionate share was 0.26487%. The **Municipality’s** proportionate share of the Net Pension Liability as of June 30, 2015 was as follows:

	<b>Proportionate Share of Net Pension Liability</b>
Act Number 447	\$ 62,864,344
Act Number 1	11,446,759
Act Number 305	5,392,752
Total Net Pension Liability	<u>\$ 79,703,855</u>

**18. PENSION PLANS – continuation**

For the fiscal year ended June 30, 2015, the **Municipality** recognized pension expense of \$4,570,900. As of June 30, 2015, the **Municipality** reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension contributions subsequent to measurement date	\$ 1,231,609	\$ -
Differences between actual and expected experience	-	-
Changes in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-
Net differences between projected and actual earnings on plan investments	<u>3,623,365</u>	<u>637,824</u>
<b>Total</b>	<u><b>\$ 4,854,974</b></u>	<u><b>\$ 637,824</b></u>

\$4,854,974

reported as Deferred Outflows of Resources related to contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as Deferred Inflows of Resources related to pensions will be recognized as pension expense as follows:

<b>Year Ended</b>	
<b>June. 30</b>	<b>Amount</b>
2016	\$ 127,565
2017	127,565
2018	127,565
2019	127,565
2020	127,564

**Actuarial Assumptions**

Actuarial valuations of ERS involves estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The last experience study was conducted in 2011 and the next experience study is scheduled for 2016.

The long-term expected rate of return on pension plan investments (6.75%) was determined using the non-loan portion of the portfolio that was adopted by the Board during December 31, 2013 as shown below and Milliman's capital market assumptions as of June 30, 2014. In addition, the assumption reflects that loans to members comprise approximately 20% of the portfolio and, as provided by the ERS, have an approximate return of 10.0% with no volatility.

continue

18. PENSION PLANS – continuation

Asset Class	Target Allocation
Domestic Equity	25%
International Equity	10%
Fixed Income	64%
Cash	1%

Note that this new interest rate assumption of 6.75% per year is just slightly higher than the debt service on some of the Pension Obligation Bonds. The debt service on the Pension Obligation Bonds ranges from 5.85% to 6.55%.

Under GABS No. 67, the investment return assumption is an input that is used in the calculation of the single equivalent interest rate that is used to discount these benefits to determine the Total Pension Liability. As a result of the increase in the investment return assumption, the assumed investment return on the Defined Contribution Hybrid Contribution Accounts program (80% of the net investment return assumption) was increased from 5.12% to 5.40%. The Total Pension Liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2014
Amortization Method	18 years closed (beginning July 1, 2014), level dollar
Actuarial Cost Method	Entry-Age Normal Cost Method
Remaining Amortization Period	18 years
Actuarial Assumptions:	
Discount Rate	4.29%
Inflation	N/A
Payroll Growth	N/A
Projected Salary Increase	N/A
Investment Rate of Return	3.10%
Mortality	For general employees not covered under Act No. 127, RP-2000 Employee Mortality Rates for males and females projected on a generational basis using Scale AA. For members covered under Act No. 127, RP-2000 Employee Mortality Rates from the blue collar adjustments for males and females, projected on a generational basis using Scale AA. as generational tables, they reflect mortality improvements both before and after the measurement date. 100% of deaths while in active service are assumed to be occupational for members covered under Act No. 127.

This valuation also reflects a salary freeze until July 1, 2017 due to Act No. 66 of 2014. While the Act No. 66 salary freeze only applies to Central Government employees, public corporations are mandated to achieve savings under Act No. 66, and actuaries have assumed that they will meet this mandate by freezing salaries. Also, while municipalities are not impacted by Act No. 66, the actuaries have also assumed the salary freeze for these employees due to the current economic conditions in Puerto Rico.

The Act No. 32 (as amended by Act 244) Additional Uniform Contribution that will be received each fiscal year from 2013-2033 is defined in Act No. 244 as follows:

“Additional Uniform Contribution (AUC). – shall mean, (a) for purposes of fiscal year 2013-2014, one hundred and twenty million dollars (\$120 million) and (b) for purposes of each fiscal year between 2014-2015 and 2032-2033, the uniform contribution certified by the external actuary of the ERS at least one hundred and twenty (120) days prior to the start of such fiscal year as necessary to avoid having the projected gross assets of the ERS, during any subsequent fiscal year, to fall below one billion dollars (\$1.0 billion).”

continue

**18. PENSION PLANS – continuation**

As previously mentioned, because of the budgetary constraints at the present time approximately \$90.0 million of this amount were not collected as expected during fiscal year 2014. Further, this additional contribution was reduced to \$28.2 million for the Commonwealth’s proposed budget for the fiscal year 2014. Similar situation occurred during present fiscal year 2015.

ERS net assets have been exhausted in the 2014-2015 fiscal year. If the increasing Act No. 116 employer contributions, the Supplemental Contribution under Act No. 3, and the Additional Uniform Contribution under Act No. 32 are not paid in full on an annual basis, ERS will continue being rapidly defunded and gross assets will be exhausted.

The approximate actual rate of return since the prior valuation was 88.15% for 2013-2014. This rate of return is determined on a net asset basis. Because of the significant amount of Pension Obligation Bond proceeds that are currently invested (approximately \$3.0 billion), the net asset return of 88.15% is significant larger than the 8.35% return on the gross asset basis.

The actuarial cost method was revised from projected unit credit to the entry age normal method to comply with the requirements of GASB No. 67. Due to the switchover from end-of-year to beginning-of-year census data for fiscal year 2013-2014, demographic gain/loss during the year is limited to the difference between actual and expected benefit payments, which arise from difference between actual and expected benefit payments, which arise from differences in termination and retirement activity and mortality versus expectations. During 2013-2014 this difference resulted in a gain of \$62 million.

***Illiquid Assets***

The Act No. 32 AUC calculation is based on the objective of maintaining a \$1.0 billion gross asset buffer at all times. It is important to note that a material portion of ERS assets are illiquid in nature. Thus if the Act No. 32 AUC is not paid in full and the \$1.0 billion buffer is not maintained, the ERS will run into liquidity issues and may be forced to sell illiquid assets, potentially at significant loss to the further detriment of the ERS. As of December 31, 2014, ERS had approximately \$764 million in illiquid assets, comprised primarily of loans to ERS members and the COFINA investment. This projection assumes that these illiquid assets will be converted to liquid assets when needed. The AUC has increased markedly from the initial \$140 million estimate prepared in 2013.

As of July 1, 2013, the first year of GASB No. 67 accounting, a projection to determine the GASB No. 67 date of depletion, if any, should be performed as of June 30, 2013 to determine the single equivalent discount rate as of June 30, 2013 used for the Total Pension Liability as of the beginning of the fiscal year. However, as directed by the ERS, the asset basis are exhausted in the 2014-2015 fiscal year and no projection needed to be performed. The tax free municipal bond index of 4.63% as of June 30, 2013 was used as the discount rate in the determination of the Total Pension Liability as of June 30, 2014.

Net Pension Liability	June 30, 2014	
	Total	Proportional Share (0.26487%)
Total Pension Liability	\$30,219,517,000	\$80,041,532
Fiduciary Net Position	127,488,000	337,677
Net Pension Liability	30,092,029,000	79,703,855
Fiduciary Net Position as a % of Total Pension Liability	0.42%	0.42%
Covered Payroll	\$ 3,489,096,000	\$12,248,829
Net Pension Liability as a % of Covered Payroll	862.46%	650.70%

continue

**18. PENSION PLANS – continuation**

The Total Pension Liability was determined by an actuarial valuation as of July 1, 2013, calculated based on the discount rate and actuarial assumptions, and was then projected forward to June 30, 2014. There have been no significant changes between the valuation date of July 1, 2013 and the fiscal year end. Any significant changes during this period must be reflected as prescribed by GASB No. 67. Covered Payroll is as of July 1, 2013.

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 4.29% for each plan as of June 30, 2014. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the **Municipality** will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension fund’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. In theory, the discount rate may differ from the long-term expected rate of return discussed previously. However, based on the projected availability of the pension fund’s fiduciary net position, the discount rate is equal to the long-term expected rate of return on pension plan investments, and was applied to all periods of projected benefit payments to determine the total pension liability. The plan’s Fiduciary Net Position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total Pension Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan’s Fiduciary Net Position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payments, to the extent that the plan’s Fiduciary Net Position is not projected to be sufficient.

	<b>June 30, 2013</b>	<b>June 30, 2014</b>
Discount Rate	4.63%	4.29%
Long-term expected rate of return net of investment expense	6.40%	6.75%
Municipal bond rate *	4.63%	4.29%
* Bond Buyer General Obligation 20-Bond Municipal Bond Index		

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability.

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18. PENSION PLANS – continuation

Changes in Net Pension Liability	Increase (Decrease)			
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Proportional Share
Balance as of June 30, 2013	\$28,941,368,000	\$ 701,361,000	\$28,240,007,000	\$74,281,883
Changes for the year:				
Service Cost	419,183,000	-	419,183,000	1,110,290
Interest on Total Pension Liability	1,321,478,000	-	1,321,478,000	3,500,199
Effect of Plan Changes	-	-	-	-
Effect of Economic/Demographic (Gains) of Losses	(61,855,000)	-	(61,855,000)	(163,835)
Effect of Assumptions Changes or Inputs	1,198,308,000	-	1,198,308,000	3,173,958
Benefit Payments	(1,598,965,000)	(1,598,965,000)	-	-
Administrative Expenses	-	(29,530,000)	29,530,000	78,216
Other Expenses	-	(25,875,000)	25,875,000	68,535
Costs of Bonds	-	(192,947,000)	192,947,000	511,059
Member Contributions	-	359,862,000	(359,862,000)	(953,242)
Net Investment Income	-	253,558,000	(253,558,000)	(671,599)
Employer Contributions	-	660,024,000	(660,024,000)	(1,231,609)
<b>Balance as of June 30, 2014</b>	<b>\$30,219,517,000</b>	<b>\$ 127,488,000</b>	<b>\$30,092,029,000</b>	<b>\$79,703,855</b>

ERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in September 2016. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, ERS expects to continue using a discount rate net of administrative expenses for GASBS's No. 67 and 68 calculations through at least the 2016-2017 fiscal year. ERS will continue to check the materiality of the difference in calculation until such time as actuarial have changed his methodology.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the **Municipality's** proportionate share of the Net Pension Liability, calculated using the discount rate, as well as what the **Municipality's** proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is 1 – percentage point lower or 1 – percentage point higher than the current rate:

	1% Decrease 3.29%	Current Discount Rate 4.29%	1% Increase 5.29%
Total Pension Liability	\$90,775,828	\$80,041,532	\$71,151,456
Fiduciary Net Position	337,677	337,677	337,677
Net Pension Liability	<u>\$90,438,151</u>	<u>\$79,703,855</u>	<u>\$70,813,779</u>

**Payable to the Pension Plan**

At June 30, 2015, the **Municipality** reported a payable of \$238,154 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

**18. PENSION PLANS – continuation**

***Pension Plan Fiduciary Net Position***

The Employee’s Retirement System of the Government of the Commonwealth of Puerto Rico provides additional information of the Defined Benefit Program and Hybrid Program. They issue a publicly available financial report that includes financial statements and required supplementary information for ERS, as a component unit of the Commonwealth. That report may be obtained by writing to the Administration at PO Box 42003, Minillas Station, San Juan, PR 00940-2003.

**B. Pension Plan of Defined Contributions of the Head Start Project of the Municipality of Aguadilla**

The Pension Plan of Defined Contributions of the Head Start Project of the Municipality of Aguadilla (the Plan) is a non-contributory defined contribution plan in which all employees of the Head Start Project (the Sponsor) are eligible to participate on or after the date in which the employee completes one year of continued service. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and Sections 1081.01 (a) of the Puerto Rico Internal Revenue Code of 2011, as amended. Participants can make contributions up to 10 percent of their gross annual compensation, as defined in the Plan, not to exceed the limit established by law (25%). The deposit administration contract is maintained with “Cooperativa de Seguros de Vida de Puerto Rico”. The Sponsor contributes 3 percent of the gross compensation per participant. Total contributions to the Plan for fiscal year ended December 31, 2013 (the last available financial information) were \$196,786 (Sponsor and participants) and benefits paid were \$269,296. Interest revenues were \$73,112, for a net increase in Plan Assets of \$602. As December 31, 2013 the Net Fund Assets of the Plan is \$2,507,602. A participant will be fully vested and may retire after reaching the age of 55 with 10 years of service. Participants are vested in accordance with the following vesting schedule:

Years of Services	Vested Percentage
Less than 1	0
At least 1	0
At least 2	20
At least 3	40
At least 4	60
At least 5	80
At least 6	100

The Plan provides additional information in their financial report that may be obtained by writing to the Administrator at PO Box 363428, San Juan, PR 00936-3428.

**19. HEALTHCARE COSTS**

During the year ended June 30, 2000 the Governor of the Commonwealth of Puerto Rico required to the municipalities of Puerto Rico an annual contribution to subsidy the cost of the implementation and administration of the Healthcare Reform. Such contributions are required to be disbursed from general fund operating budget. Total contributions made by the **Municipality** amounted to approximately \$1,026,818 for the fiscal year ended June 30, 2015.

***Medical Insurance Plan for Retired Employees***

There are no member or employer contributions on behalf of the Medical Insurance Plan Contribution. This benefit is financed on a pay-as-you-go basis from the General Fund of the Commonwealth of Puerto Rico. Since this benefit is not funded in advance, the Annual Required Contribution (ARC) for this benefits has been calculated based on an assumed investment return rate of 3.10% based on the asset allocation on the Commonwealth’s general assets that are used to pay this benefit.

As a cost-sharing multiple employer plan, ERS is not required to report a Net OPEB Liability. In accordance with paragraph 23 of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the employers that participate in the plan should recognize annual OPEB expense equal to their contractually required contributions to the plan. The employers do not have an ARC or a Net OPEB Liability.

continue

## 20. CONTINGENCIES

### A. Claims and Judgments

The **Municipality** is, at present, a defendant in a number of legal matters that arise from alleged improper application of policies and negligence in the ordinary course of the **Municipality's** activities. The legal counsel of the **Municipality** has advised that at this stage in the proceedings of lawsuits that an opinion cannot be formed as to the probable outcome, with the exception of various uninsured lawsuits for which our legal counsel estimate in \$600,000 the probable unfavorable outcome.

In addition, the **Municipality** is a defendant or co-defendant in several legal proceedings, which are in discovery stage. Certain of these claims are covered by insurance. Legal counsel with the information currently available cannot determine the final outcome of these claims. Accordingly, the financial statements do not include adjustment, if any, that could result from the resolution of this legal proceeding. However, it has been the **Municipality's** experience that such actions are settled for amounts substantially less than the claimed amounts.

### B. Federal Grants

In the normal course of operations, the **Municipality** receives grants from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. The expenditures financed by grants are subject to program compliance audits by the grantor and passed-through agencies in order to assure compliance with grant requirements. If expenditures are disallowed due to noncompliance with grant program requirements, the **Municipality** may be required to reimburse the grantor or pass-through agencies. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

## 21. COMMITMENTS

### A. Operating Leases

The **Municipality** leases equipment under various operating lease agreements, which generally have terms of one year or less and are automatically renewed for the same term. Rental expenditures/expenses recorded in the general fund for the year ended June 30, 2015, amounted to approximately \$91,460. Management believes that the summary of the future minimum rental commitments under noncancelable real property and equipment lease with terms exceeding one year is not material to the basic financial statements taken as a whole.

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21. COMMITMENTS – continuation

**B. Construction and Improvement Commitments**

The **Municipality** had encumbrances at June 30, 2015 for the construction, improvements, or renovation of several municipal facilities in the following funds:

	<u>Encumbered For</u>	<u>Amount</u>	<u>Reported within Fund Balance Classification</u>
General Fund	Consulting Services	\$ 122,015	Assigned to Professional Services
	Construction of Bed & Breakfast	105,156	Assigned to Improvement and Construction of Facilities
	Construction of Boulevard	107,050	Assigned to Improvement and Construction of Facilities
	Construction of Real Marina	1,356,627	Committed to Construction of Real Marina
Municipal Cemetery			
Construction Fund	Construction of Municipal Cemetery	7,604,618	Restricted to Construction of Municipal Cemetery
Real Marina Fund	Construction of Real Marina	6,050,272	Restricted to Construction of Real Marina
	Construction of Real Marina	1,826,041	Committed to Construction of Real Marina
Non Major Funds	Historic Archive	2,565,095	Restricted to Historic Archive
	Purchase of Heavy Equipment	51,303	Restricted for Administration of Veterans' Cemetery
	Improvement of Plácido Acevedo Plaza	17,000	Committed to Improvement and Construction of Facilities
	Resurfacing of Streets	59,300	Committed to Improvement of Streets and other Infrastructure
	Construction of Real Marina	364,042	Committed to Construction of Real Marina
	Solid Waste Disposal	63,047	Committed to Solid Waste and Landfill

**C. Solid Waste Disposal Contract**

The **Municipality** has a solid waste disposition contract with Moca ECO-PARK Corp. until June 30, 2015, to provide the service for the disposal of solid waste. In the contract it was established that the **Municipality** is committed to pay Moca ECO-PARK Corp. \$6.50 per cubic yard, or \$30.00 per ton of material deposited when a heavy balance system are installed, during fiscal year 2014-2015. Expenditure for the year ended June 30, 2015 for this service amounts to \$529,656.

Future commitments are scheduled as follows:

<u>Year</u>	<u>Amount</u>
2016	<u>\$ 720,000</u>

**D. Other Commitments**

At June 30, 2015, the non-major Special Revenue Funds had a deficit of \$280,033 as follows: Municipal Police Fund \$106,033, State Department of Labor Fund \$133,167, and Child Care Fund \$40,833; and non-major Capital Projects Funds had a deficit of \$42,563 belonging to Vehicles and Property Acquisition. The deficits result from the accrual of expenditures without accruing intergovernmental revenues for reimbursement of expenditures and other to be covered with a construction loan. As required by current standards, the **Municipality** recorded intergovernmental revenues for reimbursement-based (expenditure-driven) grants on GFFS when all applicable eligibility requirements have been met and the resources are available. Any amount not covered by the corresponding award will be covered with future budgetary appropriations of the general fund, if necessary.

**22. NET POSITION / FUND BALANCES RESTATEMENTS**

**A. Net Position**

During the year, the Municipality adjusted the governmental net position for capital assets not previously recognized. A prior period adjustment of \$79,571,741 was made to decrease the governmental activities' beginning net position. The adjustment was made to reflect the prior period costs related to the implementation of the GASB No. 68.

The following schedule reconciles the June 30, 2014 Net Position, as previously reported to Beginning Net Position, as Restated, July 1, 2014, for Governmental Activities.

	<b>GOVERNMENTAL ACTIVITIES</b>
Net Position, as Previously Reported, At June 30, 2014	\$ 152,610,386
Implementation of GASB No. 68	(73,050,274)
Adjustment to Accounts Payables	352,787
Adjustments to Capital Assets	<u>(341,158)</u>
<b>Beginning Net Position, as Restated, At July 1, 2014</b>	<b><u>\$ 79,571,741</u></b>

**B. Fund Balances**

The following reconciles the June 30, 2014 Fund Balance, as previously reported to Beginning Fund Balance, as restated, July 1, 2014 for the following funds:

	<b>CONSTRUCTION &amp; IMPROVEMENT OF RECREATIONAL FACILITIES FUND</b>	<b>LAS CASCADAS HOTEL FUND</b>	<b>OTHER GOVERNMENTAL FUNDS</b>
Fund Balance, as Previously Reported, At June 30, 2014	\$ 5,626,867	\$ (1,118,848)	\$ 6,632,634
Reclassification of major funds	(5,626,867)	-	5,626,867
Adjustment to Accounts Payables	<u>-</u>	<u>146,426</u>	<u>206,361</u>
<b>Beginning Fund Balance, as Restated, At July 1, 2014</b>	<b><u>\$ -</u></b>	<b><u>\$ (972,422)</u></b>	<b><u>\$ 12,465,862</u></b>

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## 23. NEW ACCOUNTING STANDARDS

The provisions of the following Governmental Accounting Standards Board (GASB) Statement have been implemented for the year ended June 30, 2015:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27* as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

The primary government of the Commonwealth, as well as its component units and the municipalities, are considered “cost-sharing” employers of the Retirement Systems; therefore, they would report its allocated share of the Commonwealth’s resulting Net Pension Liability from Statement 67 as follows:

- Based on their respective individual proportion to the collective net pension liability of all the governments participating.
- The proportion should be consistent with the method used to assess contributions (percentage of payroll). The use of their respective long term expected contribution effort to Retirement Systems divided by those of all governments in the plan, is encouraged.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014 (FY2014-2015). Earlier application is encouraged. The Commonwealth and the Retirement Systems are in the process of evaluating the impact of this Statement on its agencies and component units and also on the municipalities of the Commonwealth. The information to adopt this Statement will be based on the new actuarial reports to be prepared under the new Statement No. 67.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

The distinction between a government merger and a government acquisition is based upon whether an exchange of significant consideration is present within the combination transaction. Government mergers include combinations of legally separate entities without the exchange of significant consideration. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term *operations* for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations.

A disposal of a government’s operations results in the removal of specific activities of a government. This Statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold.

**23. NEW ACCOUNTING STANDARDS – continuation**

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. This Statement eliminates a potential source of understatement of restated beginning net position and expense in a government's first year of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. To correct this potential understatement, Statement 71 requires a state or local government, when transitioning to the new pension standards, to recognize a beginning deferred outflow of resources for its pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation. This amount will be recognized regardless of whether it is practical to determine the beginning amounts of all other deferred outflows of resources and deferred inflows of resources related to pensions.

GASB 69 does not have any impact on the **Municipality's** financial statements.

**24. SUBSEQUENT EVENTS**

**Municipality** has evaluated subsequent events through March 18, 2016, the date which the financial statements were available to be issued. Except for the subsequent events mentioned above, no additional events were identified that should be disclosed or adjusted in the Financial Statements or its Notes.

**END OF NOTES**



	<u>2015</u>
Proportion of the Net Pension Liability	0.26487%
Proportionate Share of the Net Pension Liability	\$ 79,703,855
Covered - Employee Payroll	\$ 12,248,829
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	650.71%
Plan's Fiduciary Net Position	\$ 336,883
Plan Fiduciary Net Position as a Percentage of the Net Pension Liability	0.42%

**Notes to Schedule:**

**Benefit Changes:** In 2015, benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

**Changes Assumptions:** In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

\* Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

The amounts presented have a measurement date of June 30, 2014.

Data Reference: Employees' Retirement System of the Government of the Commonwealth of Puerto Rico; Actuarial Valuation Report.



	2015
Contractually Required Contribution (Actuarially Determined)	\$ 4,827,719
Contributions in Relation to the Actuarially Required Contributions	1,712,260
Contribution Deficiency (Excess)	\$ 3,115,459
Covered - Employee Payroll	\$ 12,248,829
Contributions as a Percentage of Covered-Employee Payroll	13.98%

**Methods and Assumptions Used in Calculation of the ERS's Annual Required Contributions**

Unless otherwise noted above, the following actuarial methods and assumptions were used to determine contribution rates reported in the Pension Benefits Schedule of the Employers' Contributions:

Assets Valuation Method	Market Value of Assets
Inflation	2.5%
Investment Rate of Return	6.75%, Net of Pension Plan Investment, Including Inflation
Municipal Bond Index	4.29%, as per Bond Buyer General Obligation 20 — Bond Municipal Bond Index
Discount Rate	4.29%
Projected Salary Increases	3.00% per year. No compensation increases are assumed until July 1, 2017 as a result of Act No. 66 and the current general economy.
Mortality	<p>Pre-retirement Mortality:</p> <p>For general employees not covered under Act No. 127, RP-2000 Employee Mortality Rates for males and females projected on a generational basis using Scale AA. For members covered under Act No. 127, RP-2000 Employee Mortality Rates with blue collar adjustments for males and females, projected on a generational basis using Scale AA. As generational tables, they reflect mortality improvements both before and after the measurement date.</p> <p>100.0% of deaths while in active service are assumed to be occupational for members covered under Act No. 127.</p> <p>Post-retirement Healthy Mortality:</p> <p>Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of plan's experience from 2007 to 2012 equal to 92% of the rates from the UP-1994 Mortality Table for Males and 95% of the rates from the UP-1994 Mortality Table for Females. The rates are projected on a generational table, it reflects mortality improvements both before and after the measurement date.</p> <p>Post-retirement Disabled Mortality:</p> <p>Rates which vary by gender are assumed for disabled retirees based on a study of plan's experience from 2007 to 2012 equal to 105% of the rates from the UP-1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. No provision was made for future mortality improvement for disabled retirees.</p>

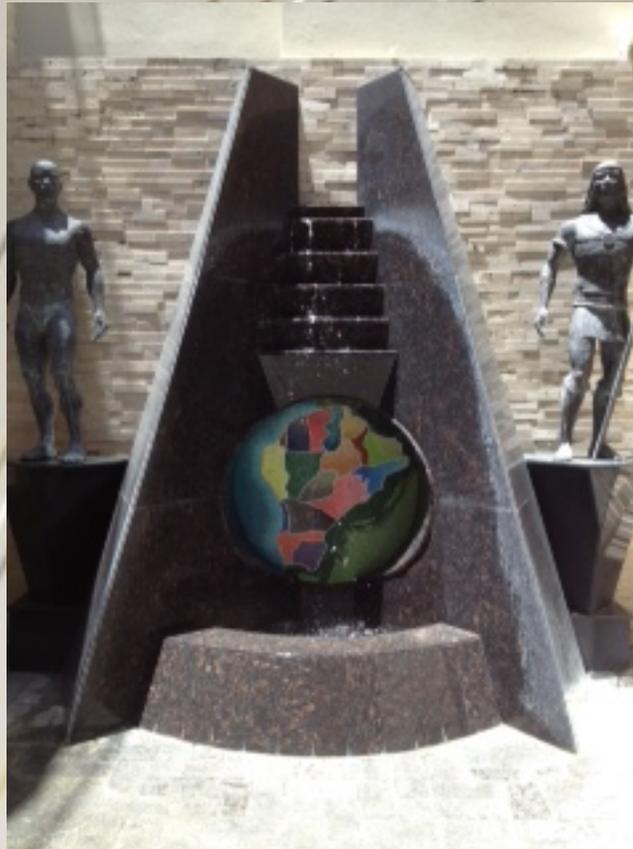


1. The **Municipality** implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, during fiscal year 2015, and these schedules are now required.
2. This information is intended to help users assess the **Municipality's** pension plan's status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employers.
3. The information presented relates solely to the **Municipality** and not Employee's Retirement System of the Government of the Commonwealth of Puerto Rico as a whole.

END OF NOTES

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# COMBINING FINANCIAL STATEMENTS AND SCHEDULES



**Fountain at the Museum of History of Aguadilla**



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## SPECIAL REVENUES FUNDS

**Special Revenues Funds** are used to account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to expenditures for specified purposes.

**State Assignments Fund** – Accounts for all the transactions of the State Assignments by Legislature Resolutions. The primary objectives of these assignments is the development of projects on communities, not-for profit organizations, purchase of equipment and indirect assignment to persons of low and moderate income.

**Veterans Cemetery Fund** – Accounts for the revenue and related expenditures of the Veterans Cemetery that are related to the operation of this facility and fund assigned by the **Municipality**, Government and Federal Awards.

**Building Rent Fund** – Accounts for the income received from the rent of building, facilities and parking property of the **Municipality**. The income is used to finance the operational expenditures of each facility, such as the salary of the employees, maintenance and other related expenditures.

**Municipal Police Fund** – Accounts for the revenue and related expenditures of the Municipal Police Department that are assigned by the Government and Federal Awards.

**State Department of Labor Fund** – Accounts for the administration of funds awarded by the Department of Labor of Puerto Rico. These funds are used mainly for salaries. An award was granted to improve the physical health of the citizens.

**Scrap Removal & Recycling Fund** – Accounts for the collection of scrap and recycling material of the residents of Aguadilla. The fees charged to the citizens are used to finance the related operational expenditures.

**Literacy Activities Fund** – Accounts for recreational activities provided to the citizens.

**Urban Development Action Grant Fund** – Accounts for the funds of this federal award. This program provides for the improvement of urban areas within the **Municipality**.

**HOME Program Fund** – Accounts for the funds of this federal award. These funds are granted for the rehabilitation of houses of those eligible participants.

**Centers for the Elderly Fund** – Accounts for the revenue and expenditures of the Elderly Centers of the **Municipality**. State and Local funds are obtained in order to operate these centers.

**Child Care Fund** – Accounts for the revenue and expenditures related to the Child and Adult Care Food Program.

**Sales Tax Revenue Fund** – Accounts for the sales tax revenue imposed of 1%. The revenues obtained are used to finance the solid waste disposal, purchase of equipment and other operational expenditures related to waste disposal.

**Section 8 Fund** – Accounts for the funds of the Section 8 Rental Housing Choice Vouchers Program and other State appropriations related to housing and welfare.

**CDBG Fund** – This is the fund used to account for all the transactions of the Community Development Block Grant Program. The primary objectives of this program is to development of viable communities by providing decent housing, a suitable living environment and expanded economic opportunities, principally for persons of low and moderate income.

**Emergency Shelter Grant Fund** – Accounts for the funds of this federal award. These funds are used to improve the quality of homeless shelters.

## CAPITAL PROJECTS FUNDS

**Capital Projects Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for capital projects.

**Emergency Center Construction Fund** – Account for the construction of an Emergency Center, which will be used in case of a natural disaster to coordinate the required protocol.

**Ramey Skate Park Project Fund** – Accounts for the construction of the facilities of the Skate Park in the Ramey Military Base Area. This fund will generate its own income to finance the maintenance of the area.

**Municipal Libraries Fund** – Accounts for the construction of some public libraries, one of them is the Electronic Library.

**Fountain of Youth Project Fund** – Accounts for the construction of the Fountain of the Youth Plaza located in the Parterre Area.

**Vehicles and Property Acquisition Fund** – Accounts for the purchase of vehicles and equipment from a bond issued.

**Streets and Sidewalks Improvement Fund** – Accounts for the construction and improvement of infrastructure property of the **Municipality** and some which are property of the Commonwealth.

**Municipal Courthouse Construction Fund** – Accounts for the construction of the new Municipal Courthouse. This project is new and is financed through the issuance of the special obligation bond of \$6,410,000.

**Clock Tower Construction Fund** – Accounts for the remodeling of the third floor of the old City Hall. This project is new and is financed through the issuance of the special obligation bond of \$6,410,000.

**Activity Center Construction Fund** – Accounts for the construction of an Activity Center in the Aguadilla Ice Skate Arena. This project is new and is financed through the issuance of the special obligation bond of \$6,410,000.

**Commercial Property Acquisition Fund** – Accounts for the acquisition of a commercial property in order to construct a new Arts Center.

**Roads Construction and Improvement Fund** – This is the fund used to account for major improvements in some roads that are property of the **Municipality** of as well as property that belong to the Commonwealth of Puerto Rico.

**City Hall Annex Construction Fund** – Accounts for the construction of the new City Hall. This project is new and is financed through the issuance of the special obligation bond of \$555,000.

**Convention Center Construction Fund** – Accounts for the construction of the new Convention Center. This project is new and is financed through the issuance of the special obligation bond of \$1,160,000.

**Arts Center Construction Fund** – Accounts for the construction of the new Arts Center. This project is new and is financed through the issuance of two special obligation bonds, one of \$260,000, and other of \$1,475,000.

**Construction & Improvement of Recreational Activities Fund** – Account for the construction and improvement of parks, centers and other recreational facilities. These projects are financed by bond issued and other state appropriations.



COMMONWEALTH OF PUERTO RICO  
AUTONOMOUS MUNICIPALITY OF AGUADILLA

COMBINING BALANCE SHEET –  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2015

	<u>SPECIAL REVENUES FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL NON-MAJOR FUNDS</u>
<b>ASSETS:</b>			
Cash and Investments .....	\$ 3,875,934	\$ 1,429,086	\$ 5,305,020
Cash with Fiscal Agent.....	-	5,563,199	5,563,199
Receivables:			
Sales and Usage Taxes .....	260,900	-	260,900
Federal Grants .....	1,030,899	-	1,030,899
Due from Other Funds .....	739,485	3,000	742,485
Others Receivables .....	<u>107,554</u>	<u>-</u>	<u>107,554</u>
<b>TOTAL ASSETS .....</b>	<b><u>\$ 6,014,772</u></b>	<b><u>\$ 6,995,285</u></b>	<b><u>\$ 13,010,057</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>			
<b>LIABILITIES:</b>			
Accounts Payable .....	\$ 274,412	\$ 472,451	\$ 746,863
Bonds Payable .....	-	-	-
Accrued Interest .....	-	-	-
Due to Governmental Units .....	-	-	-
Due to Other Funds .....	1,954,838	1,631,228	3,586,066
Deposits and Bonds .....	-	-	-
Unearned Revenues .....	<u>407,761</u>	<u>-</u>	<u>407,761</u>
<b>Total Liabilities .....</b>	<b><u>2,637,011</u></b>	<b><u>2,103,679</u></b>	<b><u>4,740,690</u></b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable Revenues – Federal Grants .....	<u>501,857</u>	<u>-</u>	<u>501,857</u>
<b>Total Deferred Inflows of Resources .....</b>	<b><u>501,857</u></b>	<b><u>-</u></b>	<b><u>501,857</u></b>
<b>FUND BALANCES:</b>			
Restricted .....	836,921	4,333,342	5,170,263
Committed .....	2,319,016	600,827	2,919,843
Assigned .....	-	-	-
Unassigned (Deficit) .....	<u>(280,033)</u>	<u>(42,563)</u>	<u>(322,596)</u>
<b>Total Fund Balances .....</b>	<b><u>2,875,904</u></b>	<b><u>4,891,606</u></b>	<b><u>7,767,510</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES .....</b>	<b><u>\$ 6,014,772</u></b>	<b><u>\$ 6,995,285</u></b>	<b><u>\$ 13,010,057</u></b>



COMMONWEALTH OF PUERTO RICO  
AUTONOMOUS MUNICIPALITY OF AGUADILLA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE –  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	SPECIAL REVENUES FUND	CAPITAL PROJECTS FUND	TOTAL NON-MAJOR FUNDS
<b>REVENUES:</b>			
Property Taxes.....	\$ -	\$ -	\$ -
Volume of Business Taxes.....	-	-	-
Sales and Usage Taxes.....	2,412,931	-	2,412,931
Construction Excise Taxes.....	-	-	-
Intergovernmental.....	115,436	161,642	277,078
Federal Grants.....	3,834,346	184,292	4,018,638
Charges for Services.....	1,242,596	-	1,242,596
Interests.....	28	666	694
Rent.....	-	-	-
Miscellaneous.....	53,324	-	53,324
<b>Total Revenues.....</b>	<b><u>7,658,661</u></b>	<b><u>346,600</u></b>	<b><u>8,005,261</u></b>
<b>EXPENDITURES:</b>			
Current:			
Mayor and Municipal Legislature.....	-	-	-
General Government.....	685,971	17,783	703,754
Public Safety.....	125,517	-	125,517
Public Works.....	-	-	-
Culture and Recreation.....	154,697	-	154,697
Health and Sanitation.....	1,153,914	-	1,153,914
Public Instruction.....	-	-	-
Landfill Post-Closure Care Costs.....	262,687	-	262,687
Human Services and Welfare.....	3,095,514	-	3,095,514
Urban Development.....	-	1,017,526	1,017,526
Reimbursement to Grantor Agency.....	-	-	-
Capital Outlay.....	2,076,200	2,782,056	4,858,256
Debt Service:			
Principal.....	-	-	-
Interest and Other Charges.....	-	-	-
<b>Total Expenditures.....</b>	<b><u>7,554,500</u></b>	<b><u>3,817,365</u></b>	<b><u>11,371,865</u></b>
Excess of Revenues Over (Under)			
Expenditures.....	<u>104,161</u>	<u>(3,470,765)</u>	<u>(3,366,604)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Issuance of Interim Note.....	-	-	-
Proceed of Bond.....	-	-	-
Transfers – In.....	1,050,007	1,165,568	2,215,575
Transfers – Out.....	<u>(1,474,746)</u>	<u>(2,072,577)</u>	<u>(3,547,323)</u>
<b>Total Other Financing Sources and (Uses).....</b>	<b><u>(424,739)</u></b>	<b><u>(907,009)</u></b>	<b><u>(1,331,748)</u></b>
<b>Net Change in Fund Balances.....</b>	<b><u>(320,578)</u></b>	<b><u>(4,377,774)</u></b>	<b><u>(4,698,352)</u></b>
Fund Balance – Beginning, as Restated.....	<u>3,196,482</u>	<u>9,269,380</u>	<u>12,465,862</u>
<b>FUND BALANCES – ENDING.....</b>	<b><u>\$ 2,875,904</u></b>	<b><u>\$ 4,891,606</u></b>	<b><u>\$ 7,767,510</u></b>



	STATE ASSIGNMENTS FUND	VETERANS CEMETERY FUND	BUILDING RENT FUND	MUNICIPAL POLICE FUND	STATE DEPARTMENT OF LABOR FUND	SCRAP REMOVAL & RECYCLING FUND
<b>ASSETS:</b>						
Cash and Investments.....	\$ 595,390	\$ 64,970	\$ 924,183	\$ 326,387	\$ 3,502	\$ 315,308
Cash with Fiscal Agent.....	-	-	-	-	-	-
Receivables:						
Sales and Usage Taxes.....	-	-	-	-	-	-
Federal Grants.....	-	-	-	-	-	-
Due from Other Funds.....	-	-	-	-	-	-
Others Receivables.....	-	-	-	-	-	-
<b>TOTAL ASSETS.....</b>	<b>\$ 595,390</b>	<b>\$ 64,970</b>	<b>\$ 924,183</b>	<b>\$ 326,387</b>	<b>\$ 3,502</b>	<b>\$ 315,308</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>						
<b>LIABILITIES:</b>						
Accounts Payable.....	\$ 33,530	\$ 4,327	\$ 47,363	\$ -	\$ 714	\$ 15,342
Bonds Payable.....	-	-	-	-	-	-
Accrued Interest.....	-	-	-	-	-	-
Due to Governmental Units.....	-	-	-	-	-	-
Due to Other Funds.....	39,699	6,166	394,142	432,420	135,955	12,760
Deposits and Bonds.....	-	-	-	-	-	-
Unearned Revenues.....	-	-	-	-	-	-
<b>Total Liabilities.....</b>	<b>73,229</b>	<b>10,493</b>	<b>441,505</b>	<b>432,420</b>	<b>136,669</b>	<b>28,102</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unavailable Revenues – Federal Grants.....	-	-	-	-	-	-
<b>Total Deferred Inflows of Resources.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES:</b>						
Restricted.....	522,161	54,477	-	-	-	-
Committed.....	-	-	482,678	-	-	287,206
Assigned.....	-	-	-	-	-	-
Unassigned (Deficits).....	-	-	-	(106,033)	(133,167)	-
<b>Total Fund Balances (Deficits).....</b>	<b>522,161</b>	<b>54,477</b>	<b>482,678</b>	<b>(106,033)</b>	<b>(133,167)</b>	<b>287,206</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....</b>	<b>\$ 595,390</b>	<b>\$ 64,970</b>	<b>\$ 924,183</b>	<b>\$ 326,387</b>	<b>\$ 3,502</b>	<b>\$ 315,308</b>



	LITERACY ACTIVITIES FUND	URBAN DEVELOPMENT ACTION GRANT FUND	HOME PROGRAM FUND	CENTER FOR THE ELDERLY FUND	CHILD CARE FUND
<b>ASSETS:</b>					
Cash and Investments.....	\$ 60,747	\$ 5,919	\$ 457	\$ 93,416	\$ 234,144
Cash with Fiscal Agent.....	-	-	-	-	-
Amount to be Received.....	-	-	-	-	-
Receivables:					
Sales and Usage Taxes.....	-	-	-	-	-
Federal Grants.....	-	-	16,832	417,080	-
Due from Other Funds.....	-	-	-	-	-
Others Receivables.....	-	-	-	107,554	-
<b>TOTAL ASSETS.....</b>	<b>\$ 60,747</b>	<b>\$ 5,919</b>	<b>\$ 17,289</b>	<b>\$ 618,050</b>	<b>\$ 234,144</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>					
<b>LIABILITIES:</b>					
Accounts Payable.....	\$ 3,108	\$ 1,229	\$ 17,289	\$ 46,155	\$ 76,901
Bonds Payable.....	-	-	-	-	-
Accrued Interest.....	-	-	-	-	-
Due to Governmental Units.....	-	-	-	-	-
Due to Other Funds.....	48,577	-	-	322,050	43,481
Deposits and Bonds.....	-	-	-	-	-
Unearned Revenues.....	-	3,321	-	249,845	154,595
<b>Total Liabilities.....</b>	<b>51,685</b>	<b>4,550</b>	<b>17,289</b>	<b>618,050</b>	<b>274,977</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Unavailable Revenues – Federal Grants ...	-	-	-	-	-
<b>Total Deferred Inflows of Resources ...</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES:</b>					
Restricted.....	9,062	1,369	-	-	-
Committed.....	-	-	-	-	-
Assigned.....	-	-	-	-	-
Unassigned (Deficits).....	-	-	-	-	(40,833)
<b>Total Fund Balances (Deficits).....</b>	<b>9,062</b>	<b>1,369</b>	<b>-</b>	<b>-</b>	<b>(40,833)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....</b>	<b>\$ 60,747</b>	<b>\$ 5,919</b>	<b>\$ 17,289</b>	<b>\$ 618,050</b>	<b>\$ 234,144</b>



	SALES TAX REVENUE FUND	SECTION 8 FUND	CDBG FUND	EMERGENCY SHELTER GRANT FUND	TOTAL NON-MAJOR GOVERNMENTAL FUND
<b>ASSETS:</b>					
Cash and Investments.....	\$ 1,006,253	\$ 244,639	\$ 602	\$ 17	\$ 3,875,934
Cash with Fiscal Agent.....	-	-	-	-	-
Receivables:					
Sales and Usage Taxes.....	260,900	-	-	-	260,900
Federal Grants.....	-	-	557,562	39,425	1,030,899
Due from Other Funds.....	739,485	-	-	-	739,485
Others Receivables.....	-	-	-	-	107,554
<b>TOTAL ASSETS.....</b>	<b>\$ 2,006,638</b>	<b>\$ 244,639</b>	<b>\$ 558,164</b>	<b>\$ 39,442</b>	<b>\$ 6,014,772</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>					
<b>LIABILITIES:</b>					
Accounts Payable.....	\$ 4,398	\$ 4,331	\$ 18,947	\$ 778	\$ 274,412
Bonds Payable.....	-	-	-	-	-
Accrued Interest.....	-	-	-	-	-
Due to Governmental Units.....	-	-	-	-	-
Due to Other Funds.....	453,108	5,089	37,360	24,031	1,954,838
Deposits and Bonds.....	-	-	-	-	-
Unearned Revenues.....	-	-	-	-	407,761
<b>Total Liabilities.....</b>	<b>457,506</b>	<b>9,420</b>	<b>56,307</b>	<b>24,809</b>	<b>2,637,011</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Unavailable Revenues – Federal Grants ...	-	-	501,857	-	501,857
<b>Total Deferred Inflows of Resources ...</b>	<b>-</b>	<b>-</b>	<b>501,857</b>	<b>-</b>	<b>501,857</b>
<b>FUND BALANCES:</b>					
Restricted.....	-	235,219	-	14,633	836,921
Committed.....	1,549,132	-	-	-	2,319,016
Assigned.....	-	-	-	-	-
Unassigned (Deficits).....	-	-	-	-	(280,033)
<b>Total Fund Balances (Deficits).....</b>	<b>1,549,132</b>	<b>235,219</b>	<b>-</b>	<b>14,633</b>	<b>2,875,904</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....</b>	<b>\$ 2,006,638</b>	<b>\$ 244,639</b>	<b>\$ 558,164</b>	<b>\$ 39,442</b>	<b>\$ 6,014,772</b>



COMMONWEALTH OF PUERTO RICO  
AUTONOMOUS MUNICIPALITY OF AGUADILLA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE – NON-MAJOR  
GOVERNMENTAL FUNDS – SPECIAL REVENUES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	STATE ASSIGNMENTS FUND	VETERANS CEMETERY FUND	BUILDING RENT FUND	MUNICIPAL POLICE FUND	STATE STATE DEPARTMENT OF LABOR FUND	SCRAP SCRAP REMOVAL & RECYCLING FUND
<b>REVENUES:</b>						
Property Taxes .....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes .....	-	-	-	-	-	-
Sales and Usage Taxes .....	-	-	-	-	-	-
Construction Excise Taxes .....	-	-	-	-	-	-
Intergovernmental .....	20,000	-	-	-	59,112	-
Federal Grants .....	-	200,000	-	50,470	-	-
Charges for Services .....	-	-	868,946	-	-	373,650
Interests .....	-	-	28	-	-	-
Rent .....	-	-	-	-	-	-
Miscellaneous .....	-	6,598	-	-	6,015	-
<b>Total Revenues .....</b>	<b>20,000</b>	<b>206,598</b>	<b>868,974</b>	<b>50,470</b>	<b>65,127</b>	<b>373,650</b>
<b>EXPENDITURES:</b>						
Current:						
Mayor and Municipal Legislature .....	-	-	-	-	-	-
General Government .....	-	39,789	164,189	-	90,425	-
Public Safety .....	-	-	-	125,517	-	-
Public Works .....	-	-	-	-	-	-
Culture and Recreation .....	-	112,332	-	-	-	-
Health and Sanitation .....	-	-	-	-	-	406,111
Public Instruction .....	-	-	-	-	-	-
Landfill Post-Closure Care Costs .....	-	-	-	-	-	-
Human Services and Welfare .....	26,799	-	11,200	-	-	-
Urban Development .....	-	-	-	-	-	-
Reimbursement to Grantor Agency .....	-	-	-	-	-	-
Capital Outlay .....	-	-	62,806	-	-	27,473
Debt Service:						
Principal .....	-	-	-	-	-	-
Interest and Other Charges .....	-	-	-	-	-	-
<b>Total Expenditures .....</b>	<b>26,799</b>	<b>152,121</b>	<b>238,195</b>	<b>125,517</b>	<b>90,425</b>	<b>433,584</b>
Excess of Revenues Over (Under) Expenditures .....	(6,799)	54,477	630,779	(75,047)	(25,298)	(59,934)
<b>OTHER FINANCING SOURCES (USES):</b>						
Issuance of Interim Note .....	-	-	-	-	-	-
Proceed of Bonds .....	-	-	-	-	-	-
Transfers – In .....	-	-	-	-	-	-
Transfers – Out .....	-	-	(673,250)	-	-	-
<b>Total Other Financing Sources and (Uses) .....</b>	<b>-</b>	<b>-</b>	<b>(673,250)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances .....</b>	<b>(6,799)</b>	<b>54,477</b>	<b>(42,471)</b>	<b>(75,047)</b>	<b>(25,298)</b>	<b>(59,934)</b>
Fund Balance (Deficits) – Beginning, as Restated .....	528,960	-	525,149	(30,986)	(107,869)	347,140
<b>FUND BALANCES (DEFICITS) – ENDING .....</b>	<b>\$ 522,161</b>	<b>\$ 54,477</b>	<b>\$ 482,678</b>	<b>(\$ 106,033)</b>	<b>(\$ 133,167)</b>	<b>\$ 287,206</b>



COMMONWEALTH OF PUERTO RICO  
AUTONOMOUS MUNICIPALITY OF AGUADILLA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE – NON-MAJOR  
GOVERNMENTAL FUNDS – SPECIAL REVENUES – CONTINUE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	LITERACY ACTIVITIES FUND	URBAN DEVELOPMENT ACTION GRANT FUND	HOME PROGRAM FUND	CENTER FOR THE ELDERLY FUND	CHILD CARE FUND
<b>REVENUES:</b>					
Property Taxes .....	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes .....	-	-	-	-	-
Sales and Usage Taxes .....	-	-	-	-	-
Construction Excise Taxes .....	-	-	-	-	-
Intergovernmental .....	-	-	-	36,324	-
Federal Grants .....	30,403	9,364	342,138	314,591	565,167
Charges for Services .....	-	-	-	-	-
Interests .....	-	-	-	-	-
Rent .....	-	-	-	-	-
Miscellaneous .....	-	-	-	40,691	-
<b>Total Revenues .....</b>	<b>30,403</b>	<b>9,364</b>	<b>342,138</b>	<b>391,606</b>	<b>565,167</b>
<b>EXPENDITURES:</b>					
Current:					
Mayor and Municipal Legislature .....	-	-	-	-	-
General Government .....	-	-	-	-	-
Public Safety .....	-	-	-	-	-
Public Works .....	-	-	-	-	-
Culture and Recreation .....	42,365	-	-	-	-
Health and Sanitation .....	-	-	-	-	-
Public Instruction .....	-	-	-	-	-
Landfill Post-Closure Care Costs .....	-	-	-	-	-
Human Services and Welfare .....	-	7,995	342,138	391,606	565,167
Urban Development .....	-	-	-	-	-
Reimbursement to Grantor Agency .....	-	-	-	-	-
Capital Outlay .....	4,692	-	-	-	-
Debt Service:					
Principal .....	-	-	-	-	-
Interest and Other Charges .....	-	-	-	-	-
<b>Total Expenditures .....</b>	<b>47,057</b>	<b>7,995</b>	<b>342,138</b>	<b>391,606</b>	<b>565,167</b>
Excess of Revenues Over (Under) Expenditures .....	(16,654)	1,369	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of Interim Note .....	-	-	-	-	-
Proceed of Bonds .....	-	-	-	-	-
Transfers – In .....	7,009	-	-	-	-
Transfers – Out .....	-	-	-	-	-
<b>Total Other Financing Sources and (Uses) .....</b>	<b>7,009</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances .....</b>	<b>(9,645)</b>	<b>1,369</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund Balance (Deficits) – Beginning, as Restated .....	18,707	-	-	-	(40,833)
<b>FUND BALANCES (DEFICITS) – ENDING .....</b>	<b>\$ 9,062</b>	<b>\$ 1,369</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(\$ 40,833)</b>



COMMONWEALTH OF PUERTO RICO  
AUTONOMOUS MUNICIPALITY OF AGUADILLA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE – NON-MAJOR  
GOVERNMENTAL FUNDS – SPECIAL REVENUES – CONTINUE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	SALES TAX REVENUE FUND	SECTION 8 FUND	CDBG FUND	EMERGENCY SHELTER GRANT FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
<b>REVENUES:</b>					
Property Taxes .....	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes .....	-	-	-	-	-
Sales and Usage Taxes .....	2,412,931	-	-	-	2,412,931
Construction Excise Taxes .....	-	-	-	-	-
Intergovernmental .....	-	-	-	-	115,436
Federal Grants .....	-	1,253,342	1,068,871	-	3,834,346
Charges for Services .....	-	-	-	-	1,242,596
Interests .....	-	-	-	-	28
Rent .....	-	-	-	-	-
Miscellaneous .....	-	20	-	-	53,324
<b>Total Revenues .....</b>	<b>2,412,931</b>	<b>1,253,362</b>	<b>1,068,871</b>	<b>-</b>	<b>7,658,661</b>
<b>EXPENDITURES:</b>					
Current:					
Mayor and Municipal Legislature .....	-	-	-	-	-
General Government .....	391,568	-	-	-	685,971
Public Safety .....	-	-	-	-	125,517
Public Works .....	-	-	-	-	-
Culture and Recreation .....	-	-	-	-	154,697
Health and Sanitation .....	747,803	-	-	-	1,153,914
Public Instruction .....	-	-	-	-	-
Landfill Post-Closure Care Costs .....	262,687	-	-	-	262,687
Human Services and Welfare .....	-	1,277,301	454,085	19,223	3,095,514
Urban Development .....	-	-	-	-	-
Reimbursement to Grantor Agency .....	-	-	-	-	-
Capital Outlay .....	1,981,229	-	-	-	2,076,200
Debt Service:					
Principal .....	-	-	-	-	-
Interest and Other Charges .....	-	-	-	-	-
<b>Total Expenditures .....</b>	<b>3,383,287</b>	<b>1,277,301</b>	<b>454,085</b>	<b>19,223</b>	<b>7,554,500</b>
Excess of Revenues Over (Under) Expenditures .....	(970,356)	(23,939)	614,786	(19,223)	104,161
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of Interim Note .....	-	-	-	-	-
Proceed of Bonds .....	-	-	-	-	-
Transfers – In .....	856,288	-	186,710	-	1,050,007
Transfers – Out .....	-	-	(801,496)	-	(1,474,746)
<b>Total Other Financing Sources and (Uses) .....</b>	<b>856,288</b>	<b>-</b>	<b>(614,786)</b>	<b>-</b>	<b>(424,739)</b>
<b>Net Change in Fund Balances .....</b>	<b>(114,068)</b>	<b>(23,939)</b>	<b>-</b>	<b>(19,223)</b>	<b>(320,578)</b>
Fund Balance (Deficits) – Beginning, as Restated .....	1,663,200	259,158	-	33,856	3,196,482
<b>FUND BALANCES (DEFICITS) – ENDING .....</b>	<b>\$ 1,549,132</b>	<b>\$ 235,219</b>	<b>\$ -</b>	<b>\$ 14,633</b>	<b>\$ 2,875,904</b>



	EMERGENCY CENTER CONSTRUCTION FUND	RAMEY SKATE PARK PROJECT FUND	MUNICIPAL LIBRARIES FUND	FOUNTAIN OF YOUTH PROJECT FUND	VEHICLES AND PROPERTY ACQUISITION FUND	STREETS AND SIDEWALKS IMPROVEMENT FUND
<b>ASSETS:</b>						
Cash and Investments.....	\$ 544,732	\$ -	\$ -	\$ -	\$ -	\$ 267,504
Cash with Fiscal Agent.....	-	-	-	120,434	13,228	383,309
Receivables:						
Property Taxes.....	-	-	-	-	-	-
Sales and Usage Taxes.....	-	-	-	-	-	-
Federal Grants.....	-	-	-	-	-	-
Due from Other Funds.....	-	-	-	-	-	-
Others Receivables.....	-	-	-	-	-	-
<b>TOTAL ASSETS.....</b>	<b>\$ 544,732</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 120,434</b>	<b>\$ 13,228</b>	<b>\$ 650,813</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>						
<b>LIABILITIES:</b>						
Accounts Payable.....	\$ 8,000	\$ -	\$ -	\$ 12,774	\$ 2,280	\$ 3,295
Bonds Payable.....	-	-	-	-	-	-
Accrued Interest.....	-	-	-	-	-	-
Due to Governmental Units.....	-	-	-	-	-	-
Due to Other Funds.....	-	-	-	103,279	53,511	434,355
Deposits and Bonds.....	-	-	-	-	-	-
Unearned Revenues.....	-	-	-	-	-	-
<b>Total Liabilities.....</b>	<b>8,000</b>	<b>-</b>	<b>-</b>	<b>116,053</b>	<b>55,791</b>	<b>437,650</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unearned Revenues – Federal Grants....	-	-	-	-	-	-
<b>Total Deferred Inflows of Resources....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES:</b>						
Restricted.....	-	-	-	4,381	-	206,856
Committed.....	536,732	-	-	-	-	6,307
Assigned.....	-	-	-	-	-	-
Unassigned (Deficit).....	-	-	-	-	(42,563)	-
<b>Total Fund Balances (Deficit).....</b>	<b>536,732</b>	<b>-</b>	<b>-</b>	<b>4,381</b>	<b>(42,563)</b>	<b>213,163</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....</b>	<b>\$ 544,732</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 120,434</b>	<b>\$ 13,228</b>	<b>\$ 650,813</b>



	MUNICIPAL COURTHOUSE CONSTRUCTION FUND	CLOCK TOWER CONSTRUCTION FUND	ACTIVITY CENTER CONSTRUCTION FUND	COMMERCIAL PROPERTY ACQUISITION FUND	ROADS CONSTRUCTION & IMPROVEMENT FUND
<b>ASSETS:</b>					
Cash and Investments.....	\$ -	\$ -	\$ -	\$ -	\$ 52,814
Cash with Fiscal Agent.....	-	-	-	-	441
Receivables:					
Property Taxes.....	-	-	-	-	-
Sales and Usage Taxes.....	-	-	-	-	-
Federal Grants.....	-	-	-	-	-
Due from Other Funds.....	-	-	-	-	-
Others Receivables.....	-	-	-	-	-
<b>TOTAL ASSETS.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 53,255</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>					
<b>LIABILITIES:</b>					
Accounts Payable.....	\$ -	\$ -	\$ -	\$ -	\$ 441
Bonds Payable.....	-	-	-	-	-
Accrued Interest.....	-	-	-	-	-
Due to Governmental Units.....	-	-	-	-	-
Due to Other Funds.....	-	-	-	-	-
Deposits and Bonds.....	-	-	-	-	-
Unearned Revenues.....	-	-	-	-	-
<b>Total Liabilities.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>441</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Unearned Revenues – Federal Grants.....	-	-	-	-	-
<b>Total Deferred Inflows of Resources.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES:</b>					
Restricted.....	-	-	-	-	52,814
Committed.....	-	-	-	-	-
Assigned.....	-	-	-	-	-
Unassigned (Deficit).....	-	-	-	-	-
<b>Total Fund Balances (Deficit).....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52,814</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 53,255</b>



	CITY HALL ANNEX CONSTRUCTION FUND	CONVENTION CENTER CONSTRUCTION FUND	ART CENTER CONSTRUCTION FUND	CONSTRUCTION & IMPROVEMENT OF RECREATIONAL ACTIVITIES FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
<b>ASSETS:</b>					
Cash and Investments.....	\$ -	\$ -	\$ -	\$ 564,036	\$ 1,429,086
Cash with Fiscal Agent.....	276,682	-	-	4,769,105	5,563,199
Receivables:					
Property Taxes.....	-	-	-	-	-
Sales and Usage Taxes.....	-	-	-	-	-
Federal Grants.....	-	-	-	-	-
Due from Other Funds.....	-	-	-	3,000	3,000
Others Receivables.....	-	-	-	-	-
<b>TOTAL ASSETS.....</b>	<b>\$ 276,682</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,336,141</b>	<b>\$ 6,995,285</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>					
<b>LIABILITIES:</b>					
Accounts Payable.....	\$ 16,169	\$ -	\$ -	\$ 429,492	\$ 472,451
Bonds Payable.....	-	-	-	-	-
Accrued Interest.....	-	-	-	-	-
Due to Governmental Units.....	-	-	-	-	-
Due to Other Funds.....	211,429	-	-	828,654	1,631,228
Deposits and Bonds.....	-	-	-	-	-
Unearned Revenues.....	-	-	-	-	-
<b>Total Liabilities.....</b>	<b>227,598</b>	<b>-</b>	<b>-</b>	<b>1,258,146</b>	<b>2,103,679</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Unearned Revenues – Federal Grants.....	-	-	-	-	-
<b>Total Deferred Inflows of Resources.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES:</b>					
Restricted.....	49,084	-	-	4,020,207	4,333,342
Committed.....	-	-	-	57,788	600,827
Assigned.....	-	-	-	-	-
Unassigned (Deficit).....	-	-	-	-	(42,563)
<b>Total Fund Balances (Deficit).....</b>	<b>49,084</b>	<b>-</b>	<b>-</b>	<b>4,077,995</b>	<b>4,891,606</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....</b>	<b>\$ 276,682</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,336,141</b>	<b>\$ 6,995,285</b>



COMMONWEALTH OF PUERTO RICO  
AUTONOMOUS MUNICIPALITY OF AGUADILLA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE – NON-MAJOR  
GOVERNMENTAL FUNDS – CAPITAL PROJECTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	EMERGENCY CENTER CONSTRUCTION FUND	RAMEY SKATE PARK PROJECT FUND	MUNICIPAL LIBRARIES FUND	FOUNTAIN OF YOUTH PROJECT FUND	VEHICLES AND PROPERTY ACQUISITION FUND	STREETS AND SIDEWALKS IMPROVEMENT FUND
<b>REVENUES:</b>						
Property Taxes .....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes .....	-	-	-	-	-	-
Sales and Usage Taxes .....	-	-	-	-	-	-
Construction Excise Taxes .....	-	-	-	-	-	-
Intergovernmental .....	-	-	-	-	-	-
Federal Grants .....	-	-	-	-	184,229	-
Charges for Services .....	-	-	-	-	-	-
Interests .....	-	-	-	-	-	666
Rent .....	-	-	-	-	-	-
Miscellaneous .....	-	-	-	-	-	-
<b>Total Revenues .....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>184,229</b>	<b>666</b>
<b>EXPENDITURES:</b>						
Current:						
Mayor and Municipal Legislature .....	-	-	-	-	-	-
General Government .....	-	-	-	777	-	-
Public Safety .....	-	-	-	-	-	-
Public Works .....	-	-	-	-	-	-
Culture and Recreation .....	-	-	-	-	-	-
Health and Sanitation .....	-	-	-	-	-	-
Public Instruction .....	-	-	-	-	-	-
Landfill Post-Closure Care Costs .....	-	-	-	-	-	-
Human Services and Welfare .....	-	-	-	-	-	-
Urban Development .....	8,000	-	-	-	-	1,001,000
Reimbursement to Grantor Agency .....	-	-	-	-	-	-
Capital Outlay .....	-	-	-	-	-	20,800
Debt Service:						
Principal .....	-	-	-	-	-	-
Interest and Other Charges .....	-	-	-	-	-	-
<b>Total Expenditures .....</b>	<b>8,000</b>	<b>-</b>	<b>-</b>	<b>777</b>	<b>-</b>	<b>1,021,800</b>
Excess of Revenues Over (Under)						
Expenditures .....	(8,000)	-	-	(777)	184,229	(1,021,134)
<b>OTHER FINANCING SOURCES (USES):</b>						
Issuance of Interim Note .....	-	-	-	-	-	-
Proceed of Bonds .....	-	-	-	-	-	-
Transfers – In .....	-	-	-	-	-	-
Transfers – Out .....	-	(47,439)	(41,660)	(405,884)	(7,161)	-
<b>Total Other Financing Sources and (Uses) .....</b>	<b>-</b>	<b>(47,439)</b>	<b>(41,660)</b>	<b>(405,884)</b>	<b>(7,161)</b>	<b>-</b>
<b>Net Change in Fund Balances .....</b>	<b>(8,000)</b>	<b>(47,439)</b>	<b>(41,660)</b>	<b>(406,661)</b>	<b>177,068</b>	<b>(1,021,134)</b>
Fund Balance (Deficits) – Beginning, as Restated .....	544,732	47,439	41,660	411,042	(219,631)	1,234,297
<b>FUND BALANCES (DEFICITS) – ENDING .....</b>	<b>\$ 536,732</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,381</b>	<b>(\$ 42,563)</b>	<b>\$ 213,163</b>



COMMONWEALTH OF PUERTO RICO  
AUTONOMOUS MUNICIPALITY OF AGUADILLA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE – NON-MAJOR  
GOVERNMENTAL FUNDS – CAPITAL PROJECTS – CONTINUE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	MUNICIPAL COURTHOUSE CONSTRUCTION FUND	CLOCK TOWER CONSTRUCTION FUND	ACTIVITY CENTER CONSTRUCTION FUND	COMMERCIAL PROPERTY ACQUISITION FUND	ROADS CONSTRUCTION & IMPROVEMENT FUND
<b>REVENUES:</b>					
Property Taxes .....	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes .....	-	-	-	-	-
Sales and Usage Taxes .....	-	-	-	-	-
Construction Excise Taxes .....	-	-	-	-	-
Intergovernmental .....	-	-	-	-	161,642
Federal Grants .....	-	-	-	-	-
Charges for Services .....	-	-	-	-	-
Interests .....	-	-	-	-	-
Rent .....	-	-	-	-	-
Miscellaneous .....	-	-	-	-	-
<b>Total Revenues .....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>161,642</b>
<b>EXPENDITURES:</b>					
Current:					
Mayor and Municipal Legislature .....	-	-	-	-	-
General Government .....	-	-	-	1,532	-
Public Safety .....	-	-	-	-	-
Public Works .....	-	-	-	-	-
Culture and Recreation .....	-	-	-	-	-
Health and Sanitation .....	-	-	-	-	-
Public Instruction .....	-	-	-	-	-
Landfill Post-Closure Care Costs .....	-	-	-	-	-
Human Services and Welfare .....	-	-	-	-	-
Urban Development .....	-	-	-	-	-
Reimbursement to Grantor Agency .....	-	-	-	-	-
Capital Outlay .....	-	-	-	-	65,200
Debt Service:					
Principal .....	-	-	-	-	-
Interest and Other Charges .....	-	-	-	-	-
<b>Total Expenditures .....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,532</b>	<b>65,200</b>
Excess of Revenues Over (Under) Expenditures .....	-	-	-	(1,532)	96,442
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of Interim Note .....	-	-	-	-	-
Proceed of Bonds .....	-	-	-	-	-
Transfers – In .....	-	-	-	-	-
Transfers – Out .....	(5,132)	(76,670)	(212,967)	(4,676)	(18,859)
<b>Total Other Financing Sources and (Uses) .....</b>	<b>(5,132)</b>	<b>(76,670)</b>	<b>(212,967)</b>	<b>(4,676)</b>	<b>(18,859)</b>
<b>Net Change in Fund Balances .....</b>	<b>(5,132)</b>	<b>(76,670)</b>	<b>(212,967)</b>	<b>(6,208)</b>	<b>77,583</b>
Fund Balance (Deficits) – Beginning, as Restated .....	5,132	76,670	212,967	6,208	(24,769)
<b>FUND BALANCES (DEFICITS) – ENDING .....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 52,814</b>

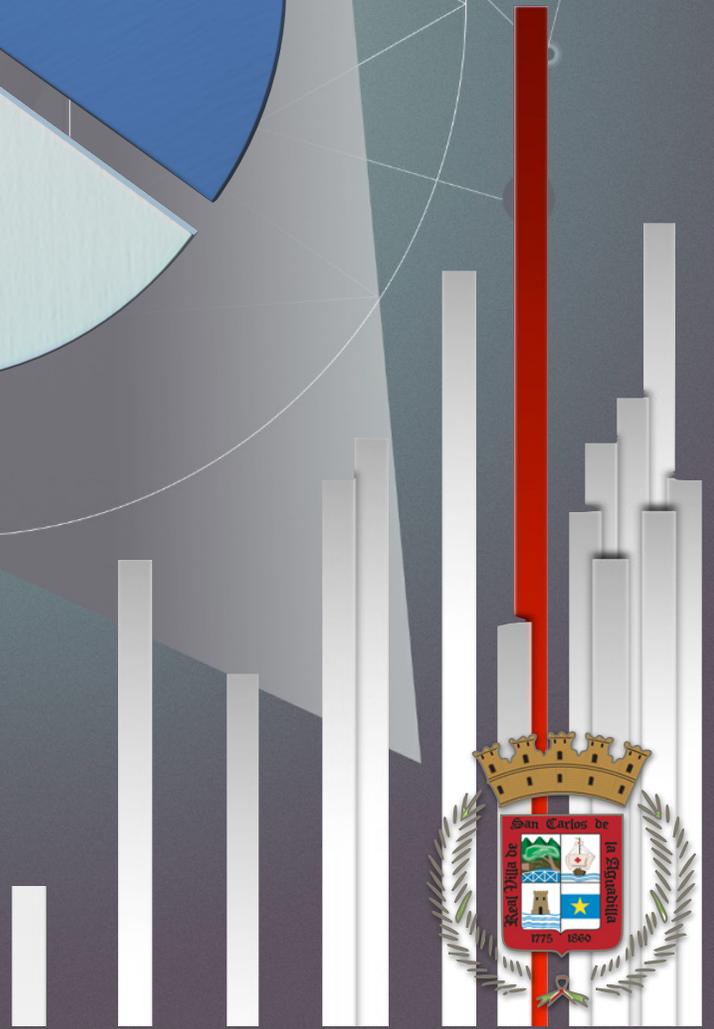
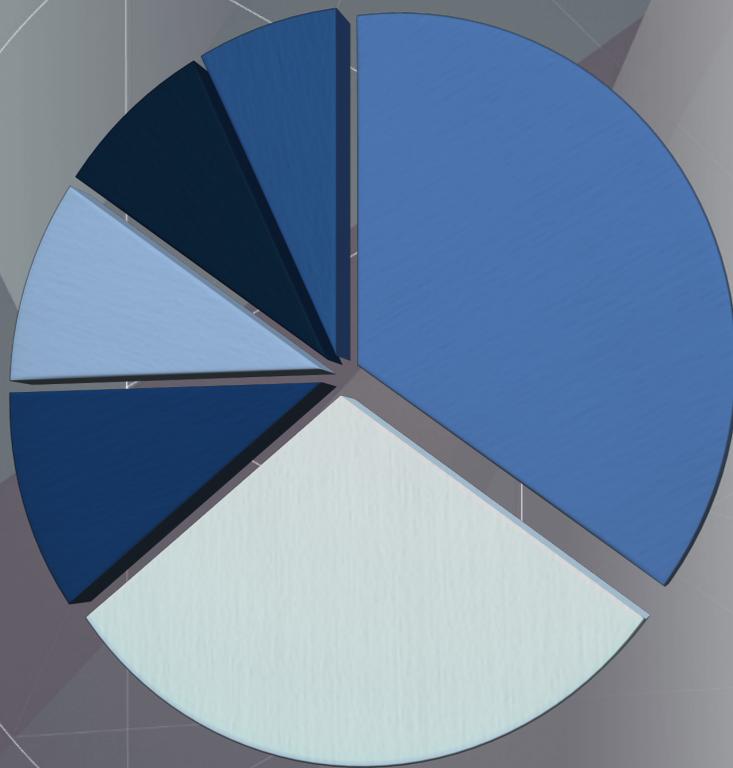


COMMONWEALTH OF PUERTO RICO  
AUTONOMOUS MUNICIPALITY OF AGUADILLA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE – NON-MAJOR  
GOVERNMENTAL FUNDS – CAPITAL PROJECTS – CONTINUE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	CITY HALL ANNEX CONSTRUCTION FUND	CONVENTION CENTER CONSTRUCTION FUND	ART CENTER CONSTRUCTION FUND	CONSTRUCTION & IMPROVEMENT OF RECREATIONAL ACTIVITIES FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
<b>REVENUES:</b>					
Property Taxes .....	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes .....	-	-	-	-	-
Sales and Usage Taxes .....	-	-	-	-	-
Construction Excise Taxes .....	-	-	-	-	-
Intergovernmental .....	-	-	-	-	161,642
Federal Grants .....	-	-	-	63	184,292
Charges for Services .....	-	-	-	-	-
Interests .....	-	-	-	-	666
Rent .....	-	-	-	-	-
Miscellaneous .....	-	-	-	-	-
<b>Total Revenues .....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63</b>	<b>346,600</b>
<b>EXPENDITURES:</b>					
Current:					
Mayor and Municipal Legislature .....	-	-	-	-	-
General Government .....	-	-	1,188	14,286	17,783
Public Safety .....	-	-	-	-	-
Public Works .....	-	-	-	-	-
Culture and Recreation .....	-	-	-	-	-
Health and Sanitation .....	-	-	-	-	-
Public Instruction .....	-	-	-	-	-
Landfill Post-Closure Care Costs .....	-	-	-	-	-
Human Services and Welfare .....	-	-	-	-	-
Urban Development .....	-	3,655	-	4,871	1,017,526
Reimbursement to Grantor Agency .....	-	-	-	-	-
Capital Outlay .....	710	-	-	2,695,346	2,782,056
Debt Service:					
Principal .....	-	-	-	-	-
Interest and Other Charges .....	-	-	-	-	-
<b>Total Expenditures .....</b>	<b>710</b>	<b>3,655</b>	<b>1,188</b>	<b>2,714,503</b>	<b>3,817,365</b>
Excess of Revenues Over (Under)					
Expenditures .....	(710)	(3,655)	(1,188)	(2,714,440)	(3,470,765)
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of Interim Note .....	-	-	-	-	-
Proceed of Bonds .....	-	-	-	-	-
Transfers – In .....	-	-	-	1,165,568	1,165,568
Transfers – Out .....	(348,758)	-	(903,371)	-	(2,072,577)
<b>Total Other Financing Sources and (Uses) .....</b>	<b>(348,758)</b>	<b>-</b>	<b>(903,371)</b>	<b>1,165,568</b>	<b>(907,009)</b>
<b>Net Change in Fund Balances .....</b>	<b>(349,468)</b>	<b>(3,655)</b>	<b>(904,559)</b>	<b>(1,548,872)</b>	<b>(4,377,774)</b>
Fund Balance (Deficits) – Beginning, as Restated .....	398,552	3,655	904,559	5,626,867	9,269,380
<b>FUND BALANCES (DEFICITS) – ENDING .....</b>	<b>\$ 49,084</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,077,995</b>	<b>\$ 4,891,606</b>

# STATISTICAL SECTION



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## STATISTICAL SECTION

This part of the **Autonomous Municipality of Aguadilla's Comprehensive Annual Financial Report** presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the **Municipality's** overall financial health.

### FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the **Municipality's** financial performance and fiscal health has changed over time. The schedules presented from an entity wide perspective only include Fiscal year 2004 and forward, coinciding with the implementation of GASB Statement No. 34. During Fiscal Year 2012-2013, the **Municipality** implemented the requirements of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. Some of the presentation required prior year adjustments. Accordingly, some figures are adjusted to consider such restatements. During Fiscal Year 2014-2015, the **Municipality** implemented the requirements of GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions*, and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. These statements required prior year adjustments. Accordingly, some figures are adjusted to consider such restatements. For the Business-type Activities, schedules are presented for Fiscal Year 2006 and forward. During fiscal year 2012-2013 the **Municipality** created the Aguadilla City Enterprises as new enterprise to group and combined the administration and operation of all enterprise funds. Fund perspective schedules are presented for the last ten years, except where noted. Schedules included are:

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# FINANCIAL TRENDS



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	<u>2015<sup>(d)</sup></u>	<u>2014<sup>(d)</sup></u>	<u>2013</u>	<u>2012<sup>(c)</sup></u>	<u>2011</u>	<u>2010</u>	<u>2009<sup>(b)</sup></u>	<u>2008<sup>(a)</sup></u>	<u>2007<sup>(a)</sup></u>	<u>2006</u>
<b>NET POSITION:</b>										
Net Investment in Capital Assets	\$ 147,708,286	\$ 139,118,695	\$ 133,496,303	\$ 129,488,689	\$ 113,415,490	\$ 108,650,733	\$ 108,994,704	\$ 99,290,451	\$ 105,675,025	\$ 80,151,494
Restricted	19,285,563	21,098,552	20,662,715	25,663,862	19,217,368	20,725,293	23,283,794	25,557,280	17,932,162	18,251,736
Unrestricted (Deficit)	<u>(70,214,830)</u>	<u>(66,948,073)</u>	<u>3,938,867</u>	<u>4,952,646</u>	<u>5,166,838</u>	<u>7,807,493</u>	<u>1,974,089</u>	<u>7,400,958</u>	<u>6,010,803</u>	<u>5,261,097</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 96,779,019</u></b>	<b><u>\$ 93,269,174</u></b>	<b><u>\$ 158,097,885</u></b>	<b><u>\$ 160,105,197</u></b>	<b><u>\$ 137,799,696</u></b>	<b><u>\$ 137,183,519</u></b>	<b><u>\$ 134,252,587</u></b>	<b><u>\$ 132,248,689</u></b>	<b><u>\$ 129,617,990</u></b>	<b><u>\$ 103,664,327</u></b>

Note: The **Municipality** implemented the GASB Statement 34 on the fiscal year ended June 30, 2003. In fiscal year 2012-2013, the **Municipality** implemented GASB Statement 63.

<sup>(a)</sup> Increase in Total Net Position due to recognition of infrastructure, and the construction in progress of new projects.

<sup>(b)</sup> Decrease in Unrestricted Net Position due to the recognition of Landfill Closure and Post-Closure Costs Liability.

<sup>(c)</sup> Increase in Net Investment in Capital Assets is due to a transfer of an infrastructure project made by the US Army Corps of Engineers and US Department of Defense to the **Municipality**.

<sup>(d)</sup> Decrease in Unrestricted Net Position due to implementation of GASB No. 68 provisions.



	<u>2015<sup>(d)</sup></u>	<u>2014<sup>(d)</sup></u>	<u>2013</u>	<u>2012<sup>(c)</sup></u>	<u>2011</u>	<u>2010</u>	<u>2009<sup>(b)</sup></u>	<u>2008<sup>(a)</sup></u>	<u>2007<sup>(a)</sup></u>	<u>2006</u>
<b>NET POSITION:</b>										
Net Investment in Capital Assets	\$ 137,157,924	\$ 128,227,425	\$ 123,887,885	\$ 119,836,889	\$ 103,675,911	\$ 98,761,484	\$ 98,858,466	\$ 89,487,550	\$ 95,839,734	\$ 70,068,980
Restricted	19,285,563	21,098,552	20,662,715	25,663,862	19,217,368	20,725,293	23,283,794	25,557,280	17,932,162	18,251,736
Unrestricted (Deficit)	<u>(73,463,332)</u>	<u>(69,754,236)</u>	<u>2,121,666</u>	<u>3,577,163</u>	<u>3,645,589</u>	<u>6,918,122</u>	<u>1,514,047</u>	<u>5,845,906</u>	<u>5,090,366</u>	<u>3,766,767</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 82,980,155</u></b>	<b><u>\$ 79,571,741</u></b>	<b><u>\$ 146,672,266</u></b>	<b><u>\$ 149,077,914</u></b>	<b><u>\$ 126,538,868</u></b>	<b><u>\$ 126,404,899</u></b>	<b><u>\$ 123,656,307</u></b>	<b><u>\$ 120,890,736</u></b>	<b><u>\$ 118,862,262</u></b>	<b><u>\$ 92,087,483</u></b>

Note: The **Municipality** implemented the GASB Statement 34 on the fiscal year ended June 30, 2003. In fiscal year 2012-2013, the **Municipality** implemented GASB Statement 63.

<sup>(a)</sup> Increase in Total Net Assets due to recognition of infrastructure, and the construction in progress of new projects.

<sup>(b)</sup> Decrease in Unrestricted Net Assets due to the recognition of Landfill Closure and Post-Closure Costs Liability.

<sup>(c)</sup> Increase in Investment in Capital Assets, Net of Related Debt is due to a transfer of an infrastructure project made by the US Army Corps of Engineers and US Department of Defense to the **Municipality**.

<sup>(d)</sup> Decrease in Unrestricted Net Position due to implementation of GASB No. 68 provisions.



COMMONWEALTH OF PUERTO RICO  
AUTONOMOUS MUNICIPALITY OF AGUADILLA

NET POSITION TREND BY COMPONENT FOR THE LAST NINE FISCAL YEARS  
BUSINESS – TYPE ACTIVITIES

	2015	2014	2013 <sup>(c)</sup>	2012			2011			2010		2009		2008		2007	
	AGUADILLA CITY ENTERPRISES	AGUADILLA CITY ENTERPRISES	AGUADILLA CITY ENTERPRISES	AGUADILLA'S WATERFALLS AQUATIC PARK	AGUADILLA ICE SKATING ARENA	OTHER PROPRIETARY FUNDS	AGUADILLA'S WATERFALLS AQUATIC PARK	AGUADILLA ICE SKATING ARENA	OTHER PROPRIETARY FUNDS <sup>(b)</sup>	AGUADILLA'S WATERFALLS AQUATIC PARK	AGUADILLA ICE SKATING ARENA	AGUADILLA'S WATERFALLS AQUATIC PARK <sup>(c)</sup>	AGUADILLA ICE SKATING ARENA	AGUADILLA'S WATERFALLS AQUATIC PARK	AGUADILLA ICE SKATING ARENA	AGUADILLA'S WATERFALLS AQUATIC PARK <sup>(c)</sup>	AGUADILLA ICE SKATING ARENA
NET POSITION:																	
Net Investment in Capital Assets	\$ 10,550,362	\$ 10,891,270	\$ 9,608,418	\$ 3,385,324	\$ 5,777,741	\$ 424,916	\$ 3,321,300	\$ 5,935,921	\$ 482,358	\$ 3,839,842	\$ 6,049,407	\$ 3,943,828	\$ 6,192,410	\$ 4,052,196	\$ 5,750,705	\$ 4,080,048	\$ 5,755,243
Unrestricted	3,248,502	2,806,163	1,817,201	860,289	282,374	232,820	897,345	196,562	427,342	643,657	245,714	366,765	93,277	1,445,284	109,768	829,119	91,318
<b>TOTAL NET POSITION</b>	<b>\$ 13,798,864</b>	<b>\$ 13,697,433</b>	<b>\$ 11,425,619</b>	<b>\$ 4,245,613</b>	<b>\$ 6,060,115</b>	<b>\$ 657,736</b>	<b>\$ 4,218,645</b>	<b>\$ 6,132,483</b>	<b>\$ 909,700</b>	<b>\$ 4,483,499</b>	<b>\$ 6,295,121</b>	<b>\$ 4,310,593</b>	<b>\$ 6,285,687</b>	<b>\$ 5,497,480</b>	<b>\$ 5,860,473</b>	<b>\$ 4,909,167</b>	<b>\$ 5,846,561</b>

Note: The **Municipality** created the Enterprise Funds for Fiscal Year 2006. In fiscal year 2012-2013, the **Municipality** implemented GASB Statement 63.

<sup>(a)</sup> Decrease in Unrestricted Net Assets due to an Operating Equity Transfer made to the General Fund.

<sup>(b)</sup> During Fiscal Year 2011, the General Fund made a Capital Contribution for the creation of the Franchise Division Fund.

Fiscal Year 2011 presents a restatement for the incorporation of a new enterprise fund, the Aguadilla Bowling Alley.

<sup>(c)</sup> During Fiscal Year 2012-2013, the **Municipality** created the Aguadilla City Enterprises to account for all business - type activities.



	<u>2015<sup>(g)</sup></u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Expenses</b>										
Governmental Activities:										
Mayor and Municipal Legislature	\$ 2,392,205	\$ 1,851,126	\$ 1,420,810	\$ 1,374,184	\$ 1,263,729	\$ 1,353,353	\$ 2,243,847	\$ 1,514,767	\$ 1,549,319	\$ 1,455,224
General Government	17,180,419	19,754,482	18,240,673	17,811,106	16,991,843	17,319,708	17,416,165	18,759,422	18,433,566	17,639,130
Public Safety	2,520,193	2,037,547	1,979,991	2,029,544	1,885,212	1,826,605	1,845,635	1,763,964	1,666,842	1,776,161
Public Works	3,219,522	2,762,485	3,202,954	2,741,210	1,472,237	1,697,101	1,821,141	1,858,104	1,874,964	1,800,400
Culture and Recreation	1,197,822	998,705	1,327,961	1,322,936	998,967	1,260,932	1,063,943	1,105,616	979,368	1,361,111
Health and Sanitation	5,404,208	3,983,684	4,520,704	4,610,810	4,309,372	4,387,430	7,517,663 <sup>(b)</sup>	4,046,193	3,057,282	2,135,284
Public Instruction	5,866,989	6,154,158	6,130,946	5,975,579	6,534,940	5,717,719	5,371,819	6,046,261	5,381,175	7,057,884
Landfill Post-Closure Care Costs	-	-	1,675,885	-	-	-	-	-	-	-
Human Services and Welfare	7,081,349	6,102,196	7,743,953	7,087,321	6,724,421	7,259,936	5,090,701	4,792,506	5,582,451	4,780,771
Urban Development	1,797,896	522,299	5,500,393	7,944,350	9,165,696	4,421,722	13,031,468	4,222,382	4,826,215	4,905,990
Reimbursement to Grantor Agency	58,670	-	124,148	230,542	-	-	-	-	-	-
Loss on disposition of Asset	-	-	21,249	50,034	-	-	57,393	-	135,122	-
Interest on Long-Term Debts	<u>3,980,497</u>	<u>3,722,696</u>	<u>3,755,996</u>	<u>5,446,920</u>	<u>2,634,339</u>	<u>2,812,231</u>	<u>3,804,291</u>	<u>2,572,880</u>	<u>2,544,588</u>	<u>2,359,767</u>
Total Governmental Activities	<u>50,699,770</u>	<u>47,889,378</u>	<u>55,645,663</u>	<u>56,624,536</u>	<u>51,980,756</u>	<u>48,056,737</u>	<u>59,264,066</u>	<u>46,682,095</u>	<u>46,030,892</u>	<u>45,271,722</u>
Business Type Activities:										
Aguadilla City Enterprises <sup>(f)</sup>	2,488,729	1,809,890	2,075,427	-	-	-	-	-	-	-
Aguadilla's Waterfalls Aquatic Park	-	-	-	1,814,125	2,021,368	1,375,249	1,955,310	1,396,436	1,373,748	1,182,640
Aguadilla's Ice Skating Arena	-	-	-	604,460	760,657	661,247	787,478	733,245	1,072,889	1,163,757
Other Non-Major Enterprise Funds	-	-	-	826,839	305,187	-	-	-	-	-
Total Business-Type Activities	<u>2,488,729</u>	<u>1,809,890</u>	<u>2,075,427</u>	<u>3,245,424</u>	<u>3,087,212</u>	<u>2,036,496</u>	<u>2,742,788</u>	<u>2,129,681</u>	<u>2,446,637</u>	<u>2,346,397</u>
<b>Total primary government expenses</b>	<b><u>53,188,499</u></b>	<b><u>49,699,268</u></b>	<b><u>57,721,090</u></b>	<b><u>59,869,960</u></b>	<b><u>55,067,968</u></b>	<b><u>50,093,233</u></b>	<b><u>62,006,854</u></b>	<b><u>48,811,776</u></b>	<b><u>48,477,529</u></b>	<b><u>47,618,119</u></b>
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services										
General Government	1,248,446	1,053,515	1,112,638	223,638	52,030	248,430	127,598	228,803	228,940	176,743
Culture and Recreation	-	-	17,641	-	-	-	-	-	-	-
Health and Sanitation	373,650	500,276	724,414	880,178	1,796,421	1,275,358	919,991	547,949	362,794	236,586
Operating Grants and Contributions	12,282,772	10,860,546	9,031,847	14,071,839	10,019,002	12,352,994	12,047,401	10,428,588	10,435,747	9,921,342
Capital Grants and Contributions	<u>161,642</u>	<u>-</u>	<u>72,305</u>	<u>102,123</u>	<u>137,956</u>	<u>143,179</u>	<u>108,064</u>	<u>114,567</u>	<u>124,280</u>	<u>280,850</u>
Total Governmental Activities	<u>14,066,510</u>	<u>12,414,337</u>	<u>10,958,845</u>	<u>15,277,778</u>	<u>12,005,409</u>	<u>14,019,961</u>	<u>13,203,054</u>	<u>11,319,907</u>	<u>11,151,761</u>	<u>10,615,521</u>



	2015 <sup>(g)</sup>	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Business Type Activities:</b>										
Charges for Services										
Aguadilla City Enterprises <sup>(g)</sup>	2,776,870	2,431,648	2,179,690	-	-	-	-	-	-	-
Aguadilla's Waterfalls Aquatic Park	-	-	-	1,798,724	1,816,609	1,593,627	1,769,445	2,298,276	2,107,900	1,961,850
Aguadilla's Ice Skating Arena	-	-	-	659,730	598,019	670,681	642,211	655,224	967,450	1,306,567
Other Non-Major Enterprise Funds	-	-	-	574,875	376,831	-	-	-	-	-
Total Business-Type Activities	2,776,870	2,431,648	2,179,690	3,033,329	2,791,459	2,264,308	2,411,656	2,953,500	3,075,350	3,268,417
<b>Total primary government program revenues</b>	<b>16,843,380</b>	<b>14,845,985</b>	<b>13,138,535</b>	<b>18,311,107</b>	<b>14,796,868</b>	<b>16,284,269</b>	<b>15,614,710</b>	<b>14,273,407</b>	<b>14,227,111</b>	<b>13,883,938</b>
<b>Net (Expense)/Revenue</b>										
Governmental Activities	(36,633,260)	(35,475,041)	(44,686,818)	(41,346,758)	(39,975,347)	(34,036,776)	(46,061,012)	(35,362,188)	(34,879,131)	(34,656,201)
Business-Type Activities	288,141	621,758	104,263	(212,095)	(295,753)	227,812	(331,132)	823,819	628,713	922,020
<b>Total primary government net expense</b>	<b>(36,345,119)</b>	<b>(34,853,283)</b>	<b>(44,582,555)</b>	<b>(41,558,853)</b>	<b>(40,271,100)</b>	<b>(33,808,964)</b>	<b>(46,392,144)</b>	<b>(34,538,369)</b>	<b>(34,250,418)</b>	<b>(33,734,181)</b>
<b>General Revenues</b>										
Governmental Activities:										
Taxes:										
Property Taxes, levied for General Purposes	9,319,287	10,210,899	9,026,096	9,258,446	9,449,710	9,890,862	9,511,364	9,625,207	8,670,371	8,723,643
Property Taxes, levied for Debt Service	4,117,432	5,837,589	4,660,281	4,655,199	4,945,665	3,872,149	2,844,609	3,745,245	3,794,815	3,533,617
Volume of Business Taxes	11,305,314	10,266,649	10,816,480	7,802,098	7,272,001	8,335,598	9,486,385	9,490,510	9,132,473	10,016,589
Sales and Usage Taxes	2,414,963	4,300,571	4,408,603	3,508,085	3,044,714	3,670,110	3,360,924	2,611,633 <sup>(a)</sup>	-	-
Construction Excise Taxes	4,319,846	1,626,065	2,039,815	2,359,751	2,320,597	1,737,351	1,523,864	1,824,688	1,853,366	2,632,322
Intergovernmental	6,510,288	6,927,561	10,873,228	18,599,336	12,378,779	7,474,784	13,761,021	6,825,969	9,641,505	8,470,360
Interests	1,087,738	613,672	405,120	538,139	517,942	565,888	1,288,693	2,407,359	2,319,098	1,469,993
Miscellaneous	780,096	832,151	409,439	776,279	816,445	1,004,529	1,248,887	877,000	865,837	1,255,593
Special Item	-	-	-	16,430,840 <sup>(d)</sup>	-	-	-	-	-	869,000
Transfers	186,710	19,071	-	100,543	60,005	45,472	1,001,022	313,527	1,499,420	216,785
Capital Contributions	-	(1,669,127)	(357,892)	(142,912)	(696,632)	1,671,582 <sup>(c)</sup>	(570,481)	(91,933)	-	-
Total Governmental Activities	40,041,674	38,965,101	42,281,170	63,885,804	40,109,226	38,268,325	43,456,288	37,629,205	37,776,885	37,187,902
Business-Type Activities										
Miscellaneous	-	-	-	-	-	-	-	-	49,591	-
Transfers	(186,710)	(19,071)	-	(100,543)	(60,005)	(45,472)	(1,001,022)	(313,527)	(1,499,420)	(216,785)
Capital Contributions	-	1,669,127	357,892	142,912	696,632	-	570,481	91,933	-	-
Total Business-Type Activities	(186,710)	1,650,056	357,892	42,369	636,627	(45,472)	(430,541)	(221,594)	(1,449,829)	(216,785)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>39,854,964</b>	<b>40,615,157</b>	<b>42,639,062</b>	<b>63,928,173</b>	<b>40,745,853</b>	<b>38,222,853</b>	<b>43,025,747</b>	<b>37,407,611</b>	<b>36,327,056</b>	<b>36,971,117</b>
<b>CHANGE IN NET POSITION</b>										
Governmental Activities	3,408,414	3,490,060	(2,405,648)	22,539,046	133,879	4,231,549	(2,604,724)	2,267,017	2,897,754	2,531,701
Business-Type Activities	101,431	2,271,814	462,155	(169,726)	340,874	182,340	(761,673)	602,225	(821,116)	705,235
<b>CHANGE IN NET POSITION</b>	<b>\$ 3,509,845</b>	<b>\$ 5,761,874</b>	<b>\$ (1,943,493)</b>	<b>\$ 22,369,320</b>	<b>\$ 474,753</b>	<b>\$ 4,413,889</b>	<b>\$ (3,366,397)</b>	<b>\$ 2,869,242</b>	<b>\$ 2,076,638</b>	<b>\$ 3,236,936</b>

<sup>(a)</sup> A Sales and Usage Tax was enacted effective Fiscal Year 2008.

<sup>(b)</sup> Increase in Health and Sanitation due to the recognition of Landfill Closure and Post-Closure Costs Liability.

<sup>(c)</sup> This was a contribution made by the Puerto Rico Infrastructure Financing Authority for improvements made to buildings property of the **Municipality**.

<sup>(d)</sup> This was a transfer of an infrastructure project made by the US Army Corps of Engineers and US Department of Defense to the **Municipality**.

<sup>(e)</sup> Special Item corresponded to Sale of a Building.

<sup>(f)</sup> During Fiscal Year 2012-2013, the **Municipality** created the Aguadilla City Enterprises to account for all Business-Type Activities.

<sup>(g)</sup> Increase in Expenses during Fiscal Year 2015, due to implementation of GASB No. 68 provisions.



COMMONWEALTH OF PUERTO RICO  
AUTONOMOUS MUNICIPALITY OF AGUADILLA

FUND BALANCES FOR THE LAST TEN FISCAL YEARS  
GOVERNMENTAL FUNDS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>General Fund</b>										
Reserved							\$ 645,059	\$ 5,352,209	\$ 1,183,645	\$ 3,656,857
Unreserved (Deficit)							<u>9,854,931</u>	<u>5,130,875</u>	<u>8,409,827</u>	<u>4,630,366</u>
Restricted	\$ -	\$ -	\$ 181	\$ 192,978	\$ 387,953	\$ 1,015,996				
Committed	1,356,627	247,991	728,714	517,621	1,052,576	481,080				
Assigned	882,875	309,747	359,594	259,667	553,787	70,755				
Unassigned (Deficit)	<u>9,337,913</u>	<u>10,024,036</u>	<u>9,303,962</u>	<u>9,250,462</u>	<u>8,899,485</u>	<u>10,070,584</u>				
<b>Total General Fund</b>	<b><u>\$ 11,577,415</u></b>	<b><u>\$ 10,581,774</u></b>	<b><u>\$ 10,392,451</u></b>	<b><u>\$ 10,220,728</u></b>	<b><u>\$ 10,893,801</u></b>	<b><u>\$ 11,638,415</u></b>	<b><u>\$ 10,499,990</u></b>	<b><u>\$ 10,483,084</u></b>	<b><u>\$ 9,593,472</u></b>	<b><u>\$ 8,287,223</u></b>
<b>All Other Governmental Funds</b>										
Reserved							\$ 36,518,175	\$ 39,363,319	\$ 32,722,895	\$ 38,307,420
Unreserved (Deficit):										
Special Revenue Fund							(27,438)	(56,517)	-	-
Capital Project Fund							<u>(252,785)</u>	<u>(146,426)</u>	-	-
Restricted	\$ 27,315,937	\$ 21,611,306	\$ 28,276,403	\$ 26,612,151	\$ 27,031,598	\$ 27,265,468				
Committed	4,745,884	3,990,121	2,333,584	2,619,013	3,287,843 <sup>(b)</sup>	4,114,734				
Assigned	-	-	-	-	-	-				
Unassigned (Deficit)	<u>(1,901,799)</u>	<u>(1,542,936)</u>	<u>(2,136,530)</u>	<u>(1,008,841)</u>	<u>(1,430,021)</u>	<u>(2,214,248)</u>				
<b>Total All Other Governmental Funds</b>	<b><u>\$ 30,160,022</u></b>	<b><u>\$ 24,058,491</u></b>	<b><u>\$ 28,473,457</u></b>	<b><u>\$ 28,222,323</u></b>	<b><u>\$ 28,889,420</u></b>	<b><u>\$ 29,165,954</u></b>	<b><u>\$ 36,237,952</u></b>	<b><u>\$ 39,160,376</u></b>	<b><u>\$ 32,722,895</u></b>	<b><u>\$ 38,307,420</u></b>

<sup>(a)</sup> The **Municipality** implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, in fiscal year 2010-2011.

<sup>(b)</sup> These amounts were adjusted according to a restatement of fund balance due to a reclassification of a Special Revenue Fund as Enterprise Fund in fiscal year 2011-2012.



	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>REVENUES</b>										
Property Taxes	\$ 13,924,622	\$ 15,560,585	\$ 13,686,377	\$ 13,913,645	\$ 14,395,375	\$ 13,763,011	\$ 12,355,973	\$ 13,612,115	\$ 12,223,523	\$ 12,257,260
Volume of Business Taxes	11,305,314	10,266,649	10,816,480	7,802,098	7,272,001	8,335,598	9,486,385	9,490,510	9,132,473	10,016,589
Sales and Usage Taxes	4,319,846	4,300,571	4,408,603	3,508,085	3,044,714	3,670,110	3,360,924	2,611,633	-	-
Federal Grants	9,877,259	10,408,513	11,672,569	11,634,274	11,814,442	12,342,379	12,209,978	10,950,356	11,148,041	10,392,610
Intergovernmental	6,787,366	7,716,156	10,873,228	18,599,336 <sup>(b)</sup>	12,378,779 <sup>(b)</sup>	7,474,784	13,761,021	6,825,969	9,641,505	8,470,360
Construction Excise Taxes	2,414,963	1,626,065	2,039,815	2,359,751	2,320,597	1,737,351	1,523,864	1,824,688	1,853,366	2,632,322
Interests	1,087,738	613,672	405,120	538,139	517,942	565,888	1,288,693	2,407,359	2,269,507	1,432,080
Charges for Services	1,622,096	1,553,791	1,854,693	1,103,816	1,848,451	1,523,788	1,047,589	776,752	591,734	413,579
Miscellaneous	780,096	877,035	409,439	776,279	816,445	1,004,529	1,248,887	877,000	915,428	1,293,256
Total Revenues	<u>52,119,300</u>	<u>52,923,037</u>	<u>56,166,324</u>	<u>60,235,423</u>	<u>54,408,746</u>	<u>50,417,438</u>	<u>56,283,314</u>	<u>49,376,382</u>	<u>47,775,577</u>	<u>46,908,056</u>
<b>EXPENDITURES</b>										
Current:										
Mayor and Municipal Legislature	1,994,915	1,721,552	1,282,309	1,245,558	1,141,189	1,248,151	2,162,643	1,435,091	1,463,533	1,379,470
General Government	14,874,587	15,667,241	16,252,622	14,367,301	14,852,662	15,382,208	15,399,642	16,734,299	16,449,942	15,253,685
Public Safety	1,937,652	1,888,538	1,820,715	1,881,624	1,744,291	1,721,657	1,759,031	1,700,773	1,574,827	1,694,440
Public Works	2,427,015	2,470,945	2,891,327	2,451,802	1,196,523	1,385,399	1,561,329	1,598,784	1,619,285	1,556,446
Culture and Recreation	986,662	933,919	1,258,711	1,258,623	937,697	887,764	3,822,624	1,043,183	897,258	1,303,340
Health and Sanitation	4,367,153	3,627,357	4,139,827	4,257,089	3,972,388	4,311,509	1,001,882	3,725,500	2,920,164	2,458,784
Public Instruction	5,799,951	6,278,042	6,228,077	5,907,441	6,597,354	5,715,424	5,596,055	6,078,591	5,534,232	6,021,802
Landfill Closure/Post Closure Care Costs	262,687	219,770	192,797	194,102	628,043	1,084,877	-	-	-	-
Human Service and Welfare	6,607,312	6,021,510	7,657,708	7,006,931	6,647,834	7,182,677	5,028,977	4,731,427	5,504,421	4,727,195
Urban Development	1,571,877	2,115,548	6,170,814	7,867,174 <sup>(b)</sup>	9,092,172 <sup>(b)</sup>	4,306,118	12,832,305	4,077,698	4,183,065	4,747,862
Reimbursement to Grantor Agency	58,670	-	124,148	230,542	-	-	-	-	-	-
Capital Outlay	<u>19,039,099</u>	<u>17,917,698</u>	<u>8,080,465</u>	<u>7,331,016</u>	<u>6,541,192</u>	<u>11,852,805</u>	<u>11,517,613</u>	<u>11,918,942</u>	<u>9,749,437</u>	<u>5,351,016</u>



COMMONWEALTH OF PUERTO RICO  
AUTONOMOUS MUNICIPALITY OF AGUADILLA

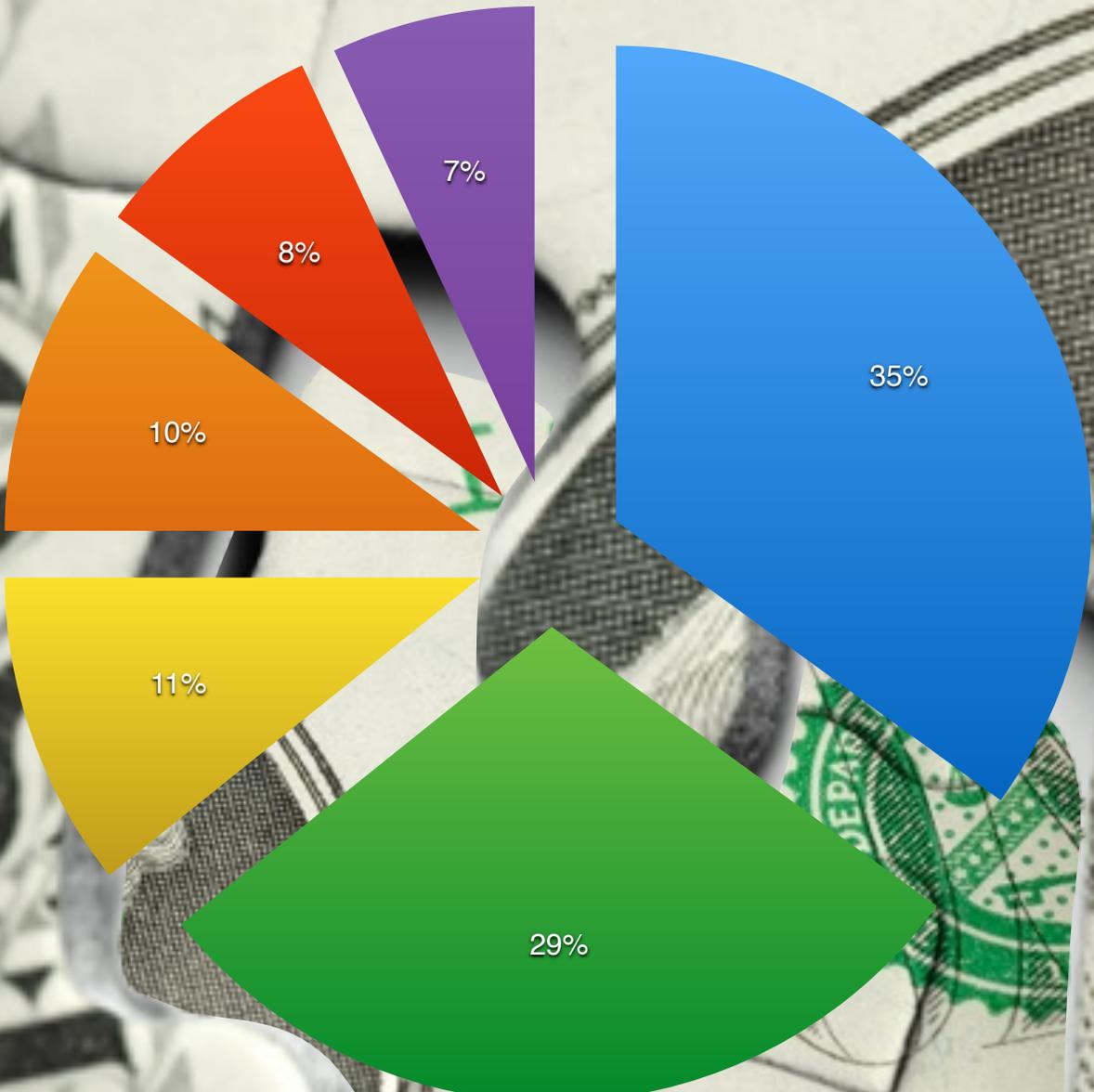
CHANGES IN FUND BALANCES FOR THE LAST TEN FISCAL YEARS  
GOVERNMENTAL FUNDS – CONTINUED

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Debt Service:										
Principal Retirement	3,892,494	3,976,500	4,129,500	4,371,082	3,294,377	6,716,664	3,467,334	2,902,364	2,642,233	2,441,000
Interest and Other Charges	3,772,727	3,555,228	3,654,975	5,446,920	2,634,339	2,812,231	3,804,291	2,572,880	2,544,588	2,359,767
Bond Issue Costs	-	-	50,480	11,595	28,123	28,615	16,201	51,269	-	35,135
Total Expenditures	<u>67,592,801</u>	<u>66,393,848</u>	<u>63,934,475</u>	<u>63,828,800</u>	<u>59,308,184</u>	<u>64,636,099</u>	<u>67,969,927</u>	<u>58,570,801</u>	<u>55,082,985</u>	<u>49,329,942</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(15,473,501)</u>	<u>(13,470,811)</u>	<u>(7,768,151)</u>	<u>(3,593,377)</u>	<u>(4,899,438)</u>	<u>(14,218,661)</u>	<u>(11,686,613)</u>	<u>(9,194,419)</u>	<u>(7,307,408)</u>	<u>(2,421,886)</u>
<b>OTHER FINANCING SOURCES (USES)</b>										
Issuance of Interim Note	5,741,176	-	-	-	-	-	-	-	-	-
Proceed of Bonds	16,290,000	9,226,097	12,328,900	2,295,576	5,206,379	8,218,075	7,780,073	16,207,985	1,529,712	6,541,446
Refinancing Debt	-	-	(3,780,000)	-	-	-	-	-	-	-
Transfer-In	8,327,058	6,224,015	4,205,713	5,789,689	2,076,938	6,089,068	5,376,858	2,441,916	3,534,896	2,994,757
Transfer-Out	<u>(8,140,348)</u>	<u>(6,204,944)</u>	<u>(4,563,605)</u>	<u>(5,832,058)</u>	<u>(2,713,475)</u>	<u>(6,043,596)</u>	<u>(4,375,836)</u>	<u>(2,128,389)</u>	<u>(2,035,476)</u>	<u>(2,777,972)</u>
Total Other Financing Sources and Uses	<u>16,476,710</u>	<u>9,245,168</u>	<u>8,191,008</u>	<u>2,253,207</u>	<u>4,569,842</u>	<u>8,263,547</u>	<u>8,781,095</u>	<u>16,521,512</u>	<u>3,029,132</u>	<u>6,758,231</u>
<b>SPECIAL ITEM</b>										
Proceeds from Sale	-	-	-	-	-	-	-	-	-	919,000
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 1,003,209</u>	<u>\$ (4,225,643)</u>	<u>\$ 422,857</u>	<u>\$ (1,340,170)</u>	<u>\$ (329,596)</u>	<u>\$ (5,955,114)</u>	<u>\$ (2,905,518)</u>	<u>\$ 7,327,093</u>	<u>\$ (4,278,276)</u>	<u>\$ 5,255,345</u>
<b>Debt service as a percentage of non capital expenditures <sup>(a)</sup></b>	15.79%	15.54%	13.94%	17.38%	11.24%	18.05%	12.88%	11.74%	11.44%	10.92%

<sup>(a)</sup> This calculation was made based on Total Expenditures less Capital Outlay Expenditures divided by Total Debt Service Expenditures.

<sup>(b)</sup> Increases in Urban Development Expense and Intergovernmental Revenue are explained in details in the Management's Discussion and Analysis.

# REVENUE CAPACITY



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**REAL PROPERTY TAX VALUATION**

<b>FISCAL YEAR</b>	<b>TAXABLE VALUE</b>	<b>EXEMPT VALUE</b>	<b>GROSS VALUE</b>	<b>EXONERATED VALUE</b>	<b>NET ASSESSED VALUE</b>
<b>2015</b>	\$2,160,647,967	\$ 1,369,486,887	\$ 791,161,081	\$ 551,032,793	\$ 240,128,288
<b>2014</b>	2,161,792,998	1,366,442,101	795,350,898	551,139,795	244,211,103
<b>2013</b>	2,160,536,077	1,366,372,101	794,163,977	551,139,795	243,024,182
<b>2012</b>	2,146,141,915	1,385,242,618	760,899,297	547,847,494	213,051,803
<b>2011</b>	2,109,256,902	1,361,434,923	747,821,979	568,825,693	178,996,286
<b>2010<sup>(a)</sup></b>	1,621,210,746	1,046,422,048	574,788,698	437,209,107	137,579,591
<b>2009<sup>(b)</sup></b>	182,728,361	11,505,871	171,222,490	83,408,949	87,813,541
<b>2008</b>	182,728,361	11,505,871	171,222,490	83,408,949	87,813,541
<b>2007</b>	175,521,030	12,259,645	163,261,385	82,680,798	80,580,587
<b>2006</b>	172,942,348	14,539,269	158,403,079	79,778,120	78,624,959

**PERSONAL PROPERTY TAX VALUATION**

<b>FISCAL YEAR</b>	<b>TAXABLE VALUE</b>	<b>EXEMPT VALUE</b>	<b>GROSS VALUE</b>	<b>EXONERATED VALUE</b>	<b>NET ASSESSED VALUE</b>
<b>2015</b>	\$ 792,729,480	\$ 436,001,214	\$ 356,728,266	\$ 217,691,558	\$ 139,036,708
<b>2014</b>	792,578,891	435,918,390	356,660,501	219,547,881	137,112,620
<b>2013</b>	792,578,891	435,918,390	356,660,501	219,547,881	137,112,620
<b>2012</b>	766,754,023	436,357,873	330,396,150	221,470,182	108,925,968
<b>2011</b>	753,576,081	431,502,106	322,073,975	231,368,998	90,704,977
<b>2010<sup>(a)</sup></b>	579,211,399	331,659,861	247,551,538	177,834,149	69,717,389
<b>2009<sup>(b)</sup></b>	237,181,937	155,645,466	81,536,471	3,456,438	78,080,033
<b>2008</b>	237,181,937	155,645,466	81,536,471	3,456,438	78,080,033
<b>2007</b>	251,403,170	174,123,584	77,279,586	3,534,443	73,745,143
<b>2006</b>	338,127,158	255,890,622	82,236,536	3,857,992	78,378,544



**TOTAL PROPERTY TAX VALUATION**

<b>FISCAL YEAR</b>	<b>TAXABLE VALUE</b>	<b>EXEMPT VALUE</b>	<b>GROSS VALUE</b>	<b>EXONERATED VALUE</b>	<b>NET ASSESSED VALUE</b>	<b>TAX EFFECTIVE RATE</b>
<b>2015</b>	\$2,953,377,447	\$1,805,488,101	\$ 1,147,889,347	\$ 768,724,351	\$ 379,164,996	7.66
<b>2014</b>	2,954,371,889	1,802,360,491	1,152,011,398	770,687,676	381,323,723	7.66
<b>2013</b>	2,953,114,968	1,802,290,491	1,150,824,477	770,687,676	380,136,802	7.66
<b>2012</b>	2,912,895,938	1,821,600,491	1,091,295,447	769,317,676	321,977,771	7.66
<b>2011</b>	2,862,832,983	1,792,937,029	1,069,895,954	800,194,691	269,701,263	7.66
<b>2010<sup>(a)</sup></b>	2,200,422,145	1,378,081,909	822,340,236	615,043,256	207,296,980	7.66
<b>2009<sup>(b)</sup></b>	419,910,298	167,151,337	252,758,961	86,865,387	165,893,574	7.66
<b>2008</b>	419,910,298	167,151,337	252,758,961	86,865,387	165,893,574	7.66
<b>2007</b>	426,924,200	186,383,229	240,540,971	86,215,241	154,325,730	7.66
<b>2006</b>	511,069,506	270,429,891	240,639,615	83,636,112	157,003,503	7.66

<sup>(a)</sup> See Note 13 for changes on the Taxable, Exempt and Exonerated Value made by the Municipal Revenue Collection Center for the Fiscal Year 2009-2010.

<sup>(b)</sup> No revisions on the Taxable, Exempt nor Exonerated Value were made by the Municipal Revenue Collection Center for the Fiscal Year 2008-2009.



*REAL PROPERTY*

<i>FISCAL YEAR</i>	<i>MUNICIPALITY</i>			<i>COMMONWEALTH OF PUERTO RICO</i>	<i>DISCOUNT</i>	<i>TOTAL</i>
	<i>GENERAL PURPOSES</i>	<i>DEBT SERVICES</i>	<i>TOTAL</i>			
2015	6.00%	3.50%	9.50%	1.03%	0.20%	10.33%
2014	6.00%	3.50%	9.50%	1.03%	0.20%	10.33%
2013	6.00%	3.50%	9.50%	1.03%	0.20%	10.33%
2012	6.00%	3.50%	9.50%	1.03%	0.20%	10.33%
2011	6.00%	3.50%	9.50%	1.03%	0.20%	10.33%
2010	6.00%	1.50%	7.50%	1.03%	0.20%	8.33%
2009	6.00%	1.50%	7.50%	1.03%	0.20%	8.33%
2008	6.00%	1.50%	7.50%	1.03%	0.20%	8.33%
2007	6.00%	1.50%	7.50%	1.03%	0.20%	8.33%
2006	6.00%	1.50%	7.50%	1.03%	0.20%	8.33%

*PERSONAL PROPERTY*

<i>FISCAL YEAR</i>	<i>MUNICIPALITY</i>			<i>COMMONWEALTH OF PUERTO RICO</i>	<i>DISCOUNT</i>	<i>TOTAL</i>
	<i>GENERAL PURPOSES</i>	<i>DEBT SERVICES</i>	<i>TOTAL</i>			
2015	4.00%	3.50%	7.50%	1.03%	0.20%	8.33%
2014	4.00%	3.50%	7.50%	1.03%	0.20%	8.33%
2013	4.00%	3.50%	7.50%	1.03%	0.20%	8.33%
2012	4.00%	3.50%	7.50%	1.03%	0.20%	8.33%
2011	4.00%	3.50%	7.50%	1.03%	0.20%	8.33%
2010	4.00%	1.50%	5.50%	1.03%	0.20%	6.33%
2009	4.00%	1.50%	5.50%	1.03%	0.20%	6.33%
2008	4.00%	1.50%	5.50%	1.03%	0.20%	6.33%
2007	4.00%	1.50%	5.50%	1.03%	0.20%	6.33%
2006	4.00%	1.50%	5.50%	1.03%	0.20%	6.33%



<b>Taxpayer</b>	<b>2015</b>		<b>2006</b>	
	<b>Total Business</b>	<b>Percentage of Total Business</b>	<b>Total Business</b>	<b>Percentage of Total Business</b>
PR Telephone Co.	\$ 90,797,850	0.239	N/AV	N/AV
AT&T Mobility Puerto Rico, Inc.	67,285,452	0.177	N/AV	N/AV
Fomento Industrial	60,929,216	0.161	N/AV	N/AV
PR Wireless, Inc	52,628,000	0.139	N/AV	N/AV
Lifescan Products, LLC	33,257,639	0.088	N/AV	N/AV
Sprintcom, Inc.	31,170,000	0.082	N/AV	N/AV
Centennial, Cable TV	7,981,941	0.021	N/AV	N/AV
Hewlett Packard	4,921,894	0.013	N/AV	N/AV
Luan Investment	4,884,728	0.013	N/AV	N/AV
Sensormatic Electronic, Corp	2,308,441	0.006	N/AV	N/AV
Ten largest taxpayers	356,165,161	0.939		
All other taxpayers	22,999,835	0.061		
Total assessed valuation-all taxpayers	\$ 379,164,996	1.000		

**Note:** Information for the Fiscal Year 2006 was not available.



FISCAL YEAR	TAX LEVIED FOR THE FISCAL YEAR	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
		AMOUNT	PERCENTAGE OF LEVY		AMOUNT	PERCENTAGE OF LEVY
2015	\$ 15,663,853	\$ 14,933,539	95.34%	\$ -	\$ 14,933,539	95.34%
2014	15,187,249	14,975,562	98.61%	72,906	15,048,468	99.09%
2013	13,358,413	12,579,047	94.17%	765,452	13,344,499	99.90%
2012	13,502,638	12,649,814	93.68%	479,903	13,129,717	97.24%
2011	15,645,205	14,773,406	94.43%	382,875	15,156,281	96.87%
2010	15,106,409	14,415,455	95.43%	674,732	15,090,187	99.89%
2009	15,435,522	14,702,014	95.25%	254,698	14,956,712	96.90%
2008	14,703,927	14,228,893	96.77%	154,090	14,382,983	97.82%
2007	13,734,824	12,318,562	89.69%	769,887	13,088,449	95.29%
2006	14,408,482	12,902,919	89.55%	565,486	13,468,405	93.48%

SOURCE: Department of Finance of the Municipality.

**2015**

<b><i>INCOME (IN HUNDREDS)</i></b>	<b><i>NUMBER OF FILERS</i></b>	<b><i>PERCENTAGE OF TOTAL</i></b>	<b><i>TOTAL INCOME (IN HUNDREDS)</i></b>	<b><i>PERCENTAGE OF TOTAL</i></b>
\$5 - \$1,000	1,497	89.75%	209,558	9.75%
\$1,000 - \$100,000	169	10.13%	742,284	34.52%
Over \$100,000	2	0.12%	1,198,400	55.73%
	<b>1,668</b>	<b>100%</b>	<b>\$ 2,150,242</b>	<b>100%</b>

**2014**

<b><i>INCOME (IN HUNDREDS)</i></b>	<b><i>NUMBER OF FILERS</i></b>	<b><i>PERCENTAGE OF TOTAL</i></b>	<b><i>TOTAL INCOME (IN HUNDREDS)</i></b>	<b><i>PERCENTAGE OF TOTAL</i></b>
\$5 - \$1,000	1,689	90.95%	231,471	9.94%
\$1,000 - \$100,000	165	8.89%	830,001	35.62%
Over \$100,000	3	0.16%	1,268,372	54.44%
	<b>1,857</b>	<b>100%</b>	<b>\$ 2,329,844</b>	<b>100%</b>

**2013**

<b><i>INCOME (IN HUNDREDS)</i></b>	<b><i>NUMBER OF FILERS</i></b>	<b><i>PERCENTAGE OF TOTAL</i></b>	<b><i>TOTAL INCOME (IN HUNDREDS)</i></b>	<b><i>PERCENTAGE OF TOTAL</i></b>
\$5 - \$1,000	1,722	91.11%	258,822	10.99%
\$1,000 - \$100,000	165	8.73%	760,386	32.28%
Over \$100,000	3	0.16%	1,336,640	56.74%
	<b>1,890</b>	<b>100%</b>	<b>\$ 2,355,848</b>	<b>100%</b>

**2012**

<b>INCOME (IN HUNDREDS)</b>	<b>NUMBER OF FILERS</b>	<b>PERCENTAGE OF TOTAL</b>	<b>TOTAL INCOME (IN HUNDREDS)</b>	<b>PERCENTAGE OF TOTAL</b>
\$5 - \$1,000	1,700	96.87%	240,290	8.78%
\$1,000 - \$100,000	52	2.96%	723,263	26.44%
Over \$100,000	3	0.17%	1,771,789	64.77%
	<b>1,755</b>	<b>100%</b>	<b>\$ 2,735,342</b>	<b>100%</b>

**2011**

<b>INCOME (IN HUNDREDS)</b>	<b>NUMBER OF FILERS</b>	<b>PERCENTAGE OF TOTAL</b>	<b>TOTAL INCOME (IN HUNDREDS)</b>	<b>PERCENTAGE OF TOTAL</b>
\$5 - \$1,000	1,720	96.90%	141,553	4.94%
\$1,000 - \$100,000	52	2.93%	529,915	18.48%
Over \$100,000	3	0.17%	2,195,616	76.58%
	<b>1,775</b>	<b>100%</b>	<b>\$ 2,867,084</b>	<b>100%</b>

**2010**

<b>INCOME (IN HUNDREDS)</b>	<b>NUMBER OF FILERS</b>	<b>PERCENTAGE OF TOTAL</b>	<b>TOTAL INCOME (IN HUNDREDS)</b>	<b>PERCENTAGE OF TOTAL</b>
\$5 - \$1,000	1,563	96.18%	118,870	4.23%
\$1,000 - \$100,000	59	3.63%	530,148	18.88%
Over \$100,000	3	0.18%	2,159,015	76.89%
	<b>1,625</b>	<b>100%</b>	<b>\$ 2,808,033</b>	<b>100%</b>



2009

<i><b>INCOME (IN HUNDREDS)</b></i>	<i><b>NUMBER OF FILERS</b></i>	<i><b>PERCENTAGE OF TOTAL</b></i>	<i><b>TOTAL INCOME (IN HUNDREDS)</b></i>	<i><b>PERCENTAGE OF TOTAL</b></i>
\$5 - \$1,000	1,458	94.86%	118,870	4.23%
\$1,000 - \$100,000	75	4.88%	530,148	18.88%
Over \$100,000	4	0.26%	2,159,015	76.89%
	<b>1,537</b>	<b>100%</b>	<b>\$ 2,808,033</b>	<b>100%</b>

2008

<i><b>INCOME (IN HUNDREDS)</b></i>	<i><b>NUMBER OF FILERS</b></i>	<i><b>PERCENTAGE OF TOTAL</b></i>	<i><b>TOTAL INCOME (IN HUNDREDS)</b></i>	<i><b>PERCENTAGE OF TOTAL</b></i>
\$5 - \$1,000	1,354	95.82%	98,456	3.93%
\$1,000 - \$100,000	57	4.03%	231,738	9.25%
Over \$100,000	2	0.14%	2,173,759	86.81%
	<b>1,413</b>	<b>100%</b>	<b>\$ 2,503,953</b>	<b>100%</b>

2007

<i><b>INCOME (IN HUNDREDS)</b></i>	<i><b>NUMBER OF FILERS</b></i>	<i><b>PERCENTAGE OF TOTAL</b></i>	<i><b>TOTAL INCOME (IN HUNDREDS)</b></i>	<i><b>PERCENTAGE OF TOTAL</b></i>
\$5 - \$1,000	1,458	97.46%	105,774	4.63%
\$1,000 - \$100,000	36	2.41%	193,251	8.46%
Over \$100,000	2	0.13%	1,984,780	86.91%
	<b>1,496</b>	<b>100%</b>	<b>\$ 2,283,805</b>	<b>100%</b>



2006

<i>INCOME (IN HUNDREDS)</i>	<i>NUMBER OF FILERS</i>	<i>PERCENTAGE OF TOTAL</i>	<i>TOTAL INCOME (IN HUNDREDS)</i>	<i>PERCENTAGE OF TOTAL</i>
\$5 - \$1,000	1,544	94.72%	98,456	3.90%
\$1,000 - \$100,000	84	5.15%	231,738	9.18%
Over \$100,000	2	0.12%	2,195,487	86.93%
	<b>1,630</b>	<b>100%</b>	<b>\$ 2,525,681</b>	<b>100%</b>

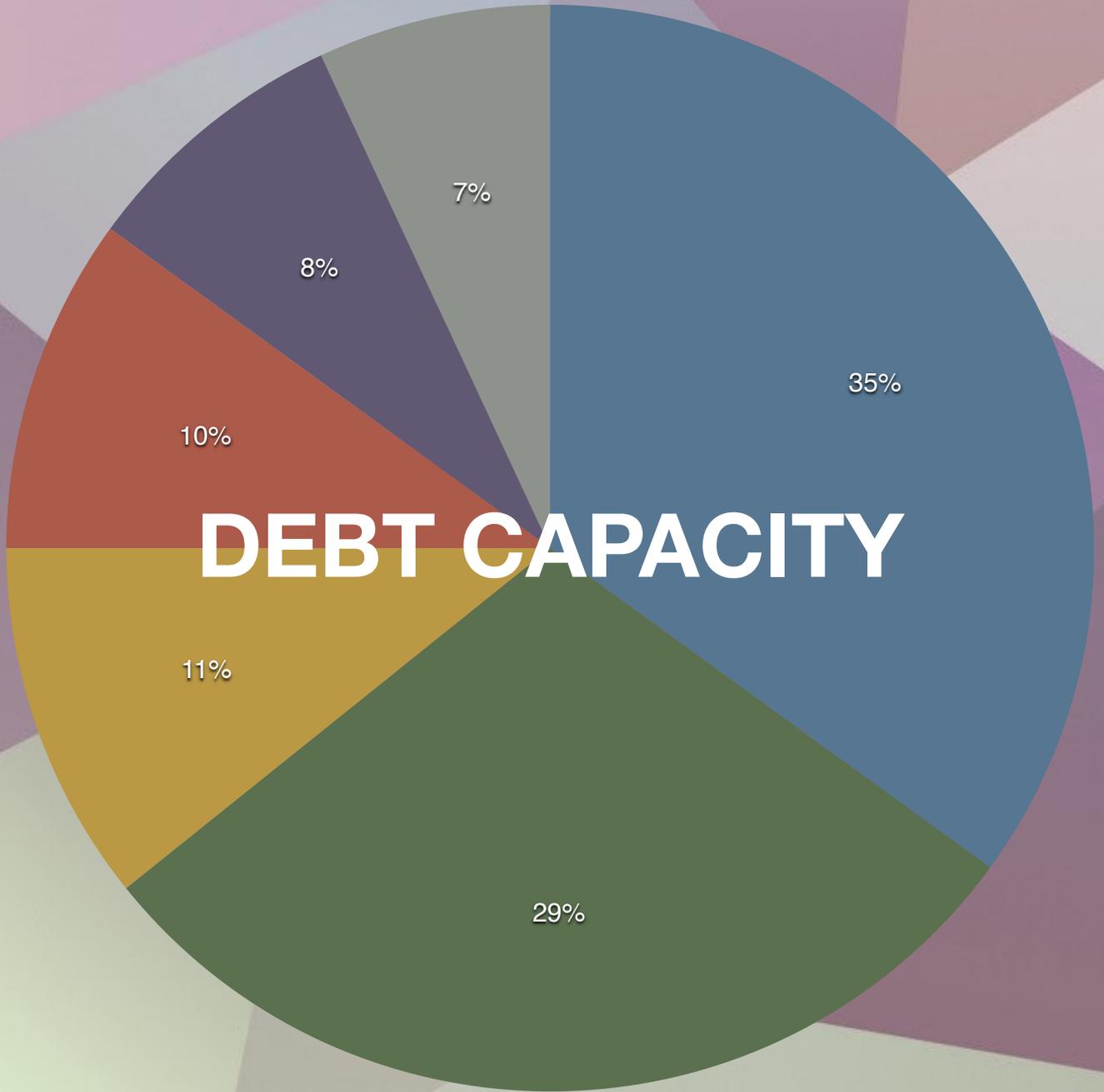


<b>FISCAL YEAR</b>	<b>FINANCIAL INSTITUTIONS <sup>(a)</sup></b>		<b>OTHER ORGANIZATIONS</b>	
	<b>RATE</b>	<b>DISCOUNT <sup>(b)</sup></b>	<b>RATE</b>	<b>DISCOUNT <sup>(b)</sup></b>
<b>2015</b>	1.50%	5.00%	0.40%	5.00%
<b>2014</b>	1.50%	5.00%	0.40%	5.00%
<b>2013</b>	1.50%	5.00%	0.40%	5.00%
<b>2012</b>	1.50%	5.00%	0.40%	5.00%
<b>2011</b>	1.50%	5.00%	0.40%	5.00%
<b>2010</b>	1.50%	5.00%	0.40%	5.00%
<b>2009</b>	1.50%	5.00%	0.40%	5.00%
<b>2008</b>	1.50%	5.00%	0.40%	5.00%
<b>2007</b>	1.50%	5.00%	0.40%	5.00%
<b>2006</b>	1.50%	5.00%	0.40%	5.00%

<sup>(a)</sup> This rate applies to Financial Institutions and Savings and Loan Associations.

<sup>(b)</sup> See Notes to the Basic Financial Statements.

# DEBT CAPACITY



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<i>FISCAL YEAR</i>	<i>SPECIAL OBLIGATION BONDS</i>	<i>GENERAL OBLIGATION BONDS</i>	<i>LINE OF CREDIT</i>	<i>TOTAL OBLIGATION BONDS</i>
2015	\$ 23,854,585	\$ 70,355,250	\$ 14,967,273	\$ 109,177,108
2014	25,227,579	56,700,250	9,226,097	91,153,926
2013	26,555,579	59,539,250	-	86,094,829
2012	27,828,929	53,517,000	-	81,345,929
2011	34,363,453	48,791,900	-	83,155,353
2010	31,159,291	48,700,000	-	79,859,291
2009	33,042,216	45,135,000	-	78,177,216
2008	30,055,143	43,660,000	-	73,715,143
2007	30,403,158	29,705,000	-	60,108,158
2006	31,205,000	29,790,446	-	60,995,446

**Note:** Detail regarding the **Municipality** outstanding debt can be found in Note 11 of the Basic Financial Statements.

**OUTSTANDING DEBT RATIO - PER PERSONAL INCOME**

<b>FISCAL YEAR</b>	<b>TOTAL OUTSTANDING DEBT</b>	<b>PERSONAL INCOME <sup>1</sup></b>	<b>OUTSTANDING DEBT RATIO</b>
<b>2015</b>	\$ 109,177,108	\$ 1,614,661,360	6.762%
<b>2014</b>	91,153,926	1,458,662,400	6.249%
<b>2013</b>	86,094,829	1,246,907,769	6.905%
<b>2012</b>	81,345,929	1,291,556,159	6.298%
<b>2011</b>	83,155,353	1,208,435,823	6.881%
<b>2010</b>	79,859,291	1,198,883,265	6.661%
<b>2009</b>	78,177,216	1,087,710,000	7.187%
<b>2008</b>	73,715,143	952,254,992	7.741%
<b>2007</b>	60,108,158	834,405,389	7.204%
<b>2006</b>	60,995,446	732,521,130	8.327%

**Note:** Detail regarding the **Municipality's** of outstanding debt can be found in Note 11 of the Basic Financial Statements.

**Note 1:** Personal Income amounts can be found in the Schedule of Demographic and Economic Statistics.

**OUTSTANDING DEBT RATIO - PER CAPITA**

<b>FISCAL YEAR</b>	<b>TOTAL OUTSTANDING DEBT</b>	<b>PER CAPITA <sup>1</sup></b>	<b>OUTSTANDING DEBT RATIO</b>
2015	\$ 109,177,108	57,290	\$ 1,905.69
2014	91,153,926	58,440	1,559.79
2013	86,094,829	59,453	1,448.12
2012	81,345,929	60,316	1,348.66
2011	83,155,353	60,949	1,364.34
2010	79,859,291	67,745	1,178.82
2009	78,177,216	67,491	1,158.34
2008	73,715,143	67,181	1,097.26
2007	60,108,158	67,167	894.91
2006	60,995,446	66,926	911.39

**Note:** Detail regarding the **Municipality's** of outstanding debt can be found in Note 11 of the Basic Financial Statements.

**Note 1:** Per Capita data can be found in the Schedule of Demographic and Economic Statistics.

**OUTSTANDING DEBT RATIO - PER PROPERTY TAX ASSESSED VALUE**

<b>FISCAL YEAR</b>	<b>TOTAL OUTSTANDING DEBT</b>	<b>NET ASSESSED VALUE <sup>1</sup></b>	<b>OUTSTANDING DEBT RATIO</b>
2015	\$ 109,177,108	\$ 379,164,996	28.79%
2014	91,153,926	381,323,723	23.90%
2013	86,094,829	380,136,802	22.65%
2012	81,345,929	317,917,771	25.59%
2011	83,155,353	269,701,263	30.83%
2010	79,859,291	207,296,980	38.52%
2009	78,177,216	165,893,574	47.12%
2008	73,715,143	165,893,574	44.44%
2007	60,108,158	154,325,730	38.95%
2006	60,995,446	157,003,503	38.85%

**Note:** Detail regarding the Municipality's of outstanding debt can be found in Note 11 of the Basic Financial Statements.

**Note 1:** Net Assessed Value amounts can be found in the Assessed Value of Property Taxes.



<i>FISCAL YEAR</i>	<i>PRINCIPAL</i>	<i>INTEREST AND FISCAL CHARGES</i>	<i>TOTAL DEBT SERVICE</i>	<i>TOTAL GENERAL GOVERNMENTAL EXPENDITURES</i>	<i>PERCENTAGE OF DEBT SERVICE TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES</i>
<b>2015</b>	\$ 2,105,000	\$ 2,433,182	\$ 4,538,182	\$ 26,637,649	17.04%
<b>2014</b>	2,269,000	2,242,875	4,511,875	28,857,169	15.64%
<b>2013</b>	2,487,000	2,098,053	4,585,053	29,428,918	15.58%
<b>2012</b>	2,184,000	1,743,836	3,927,836	27,363,916	14.35%
<b>2011</b>	1,865,000	1,879,173	3,744,173	26,096,888	14.35%
<b>2010</b>	2,475,000	1,782,747	4,257,747	27,278,859	15.61%
<b>2009</b>	2,260,000	2,644,379	4,904,379	27,460,267	17.86%
<b>2008</b>	1,825,000	1,642,131	3,467,131	29,126,672	11.90%
<b>2007</b>	1,595,000	1,558,753	3,153,753	29,125,072	10.83%
<b>2006</b>	1,500,000	1,476,931	2,976,931	25,870,304	11.51%

Source: Department of Finance of the Municipality.



FISCAL YEAR	POPULATION <sup>2</sup>	NET ASSESSED VALUE <sup>1</sup>	GENERAL OBLIGATION BONDS	LESS: AMOUNTS AVAILABLE IN DEBT SERVICE FUND	NET GENERAL OBLIGATION BONDS	PERCENTAGE OF PERSONAL INCOME <sup>2</sup>	PERCENTAGE OF NET ASSESSED	
							VALUE OF TAXABLE PROPERTY	BONDED DEBT PER CAPITA
2015	57,290	\$ 379,164,996	\$ 70,355,250	\$ 7,276,716	\$ 63,078,534	4.32%	16.64%	\$ 1,101.04
2014	58,440	381,323,723	56,700,250	7,623,529	49,076,721	3.36%	12.87%	839.78
2013	59,453	380,136,802	59,539,250	7,827,722	51,711,528	4.15%	13.60%	869.79
2012	60,316	317,917,771	53,517,000	7,265,500	46,251,500	3.75%	14.55%	766.82
2011	60,949	269,701,263	48,791,900	6,257,912	42,533,988	3.52%	15.77%	697.86
2010	67,745	207,296,980	48,700,000	4,613,103	44,086,897	4.05%	21.27%	650.78
2009	67,491	165,893,574	45,135,000	3,668,129	41,466,871	4.35%	25.00%	614.41
2008	67,181	165,893,574	43,660,000	3,929,859	39,730,141	4.76%	23.95%	591.39
2007	67,167	154,325,730	29,705,000	3,249,218	26,455,782	3.61%	17.14%	393.88
2006	66,926	157,003,503	29,790,446	2,605,748	27,184,698	3.87%	17.31%	406.19

**Source:** Department of Finance of the **Municipality**.

**Note 1:** Net Assessed Value amounts can be found in the Assessed Value of Property Taxes Tables.

**Note 2:** Population and Personal Income data can be found in the Schedule of Demographic and Economic Statistics.



Value of Taxable Property			\$ 3,533,260,028
Percentage of Legal Margin			<u>0.10</u>
Legal Margin			\$ 353,326,003
Debt Outstanding and/or Authorized:			
Principal		\$ 53,170,250	
Authorized		1,430,000	
Less: Fund Balance of Debt Service			
Fund Balance at June 30, 2015	\$ 7,276,716		
Accrued Interests 2014 - 2015	1,218,067	<u>6,058,649</u>	
Net Debt			<u>48,541,601</u>
<b>Legal Debt Margin</b>			<b><u><u>\$ 304,784,402</u></u></b>

Source: Governmental Development Bank of the Commonwealth of Puerto Rico

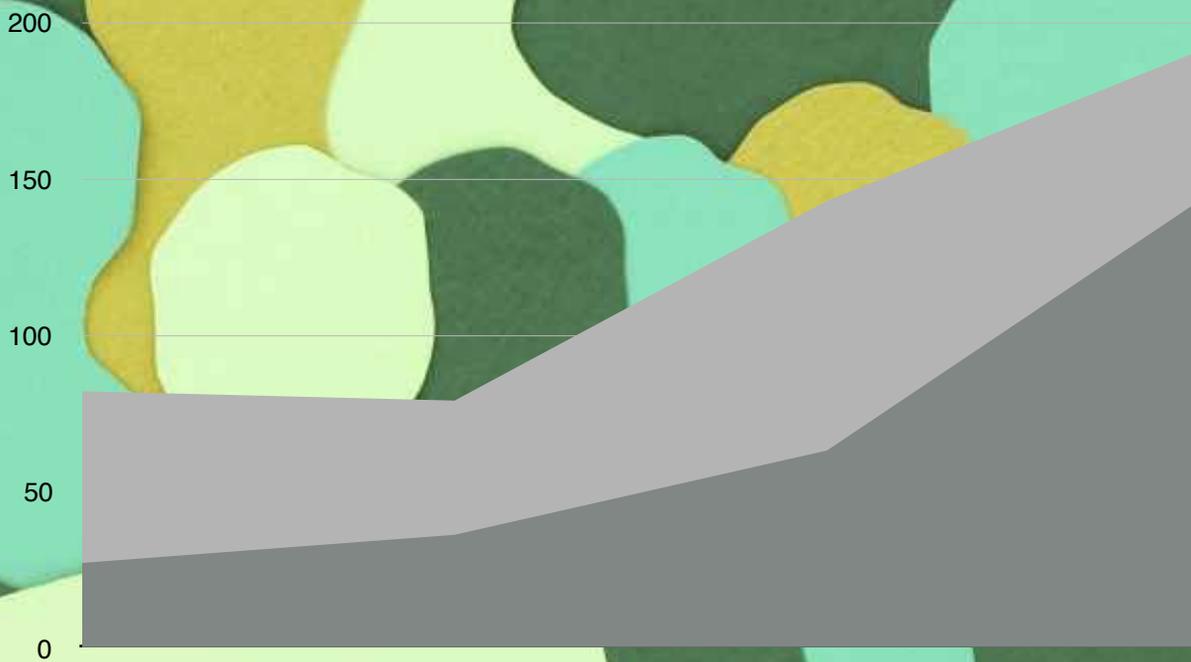


<b>FISCAL YEAR</b>	<b>LEGAL DEBT LIMIT</b>	<b>TOTAL NET DEBT APPLICABLE TO LIMIT</b>	<b>LEGAL DEBT MARGIN <sup>(1)</sup></b>	<b>TOTAL NET DEBT APPLICABLE TO THE LIMIT AS A PERCENTAGE OF DEBT LIMIT</b>
<b>2015</b>	\$ 304,784,402	\$ 48,541,601	\$ 256,242,801	15.93%
<b>2014</b>	301,943,222	51,494,596	250,448,626	17.05%
<b>2013</b>	353,437,818	58,791,972	294,645,846	16.63%
<b>2012</b>	342,095,875	53,557,025	288,538,850	15.66%
<b>2011</b>	336,216,389	51,368,248	284,848,141	15.28%
<b>2010</b>	220,042,215	44,102,579	175,939,636	20.04%
<b>2009</b>	41,991,030	41,546,765	444,265	98.94%
<b>2008</b>	41,991,030	40,445,123	1,545,907	96.32%
<b>2007</b>	42,692,420	27,932,778	14,759,642	65.43%
<b>2006</b>	51,106,951	35,899,446	15,207,505	70.24%

**Source:** Department of Finance of the **Municipality**

**Note 1:** This amount is obtained by subtracting the Net Debt Applicable to Limit from the Legal Debt Limit.

# DEMOGRAPHIC INFORMATION



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LAST TEN FISCAL YEARS

<b>FISCAL YEAR</b>	<b>POPULATION</b>	<b>PERSONAL INCOME</b>	<b>PER CAPITA<sup>1</sup></b>	<b>INFLATION RATE</b>	<b>LABOR FORCE<sup>2</sup></b>	<b>EMPLOYMENT<sup>2</sup></b>	<b>UNEMPLOYMENT RATE</b>
2015	57,290	\$ 1,614,661,360	\$ 28,184	3.50%	20,299	17,356	14.50%
2014	58,440	1,458,662,400	24,960	1.40%	18,100	15,663	13.46%
2013	59,453	1,246,907,769	20,973	1.80%	19,069	16,294	14.55%
2012	60,316	1,291,556,159	21,413	1.90%	20,442	17,376	15.00%
2011	60,949	1,208,435,823	19,827	1.75%	20,881	17,415	16.60%
2010	67,745	1,241,359,380	18,324	4.50%	20,985	16,977	19.10%
2009	67,491	1,087,684,956	16,116	2.70%	20,906	17,185	17.80%
2008	67,181	952,223,494	14,174	6.50%	23,400	20,475	12.50%
2007	67,167	834,415,641	12,423	11.90%	23,546	20,720	12.00%
2006	66,926	732,521,130	10,945	8.17%	23,452	20,239	13.70%

**Note 1:** Per capita data was computed using US Census Bureau and ZIP Atlas.

**Note 2:** Labor force data was provided by the Workforce Development Administration of Puerto Rico.



<u>Type of Employer - Industry</u>	<u>2015</u>		<u>2006</u>	
	<i>Number of Employments</i>	<i>Percentage of Total Employment</i>	<i>Number of Employments</i>	<i>Percentage of Total Employment</i>
Professional Technical Services	726	4%	N/AV	N/AV
Real State	372	2%	N/AV	N/AV
Manufacturing	2,458	14%	N/AV	N/AV
Retail	1,298	7%	N/AV	N/AV
Wholesale	270	2%	N/AV	N/AV
Construction	1,420	8%	N/AV	N/AV
Educative Services	2,131	12%	N/AV	N/AV
Transportation & Warehousing	608	4%	N/AV	N/AV
Hotels and Restaurants	895	5%	N/AV	N/AV
Government	2,461	14%	N/AV	N/AV
Ten largest industries	12,639	73%		
All other industries	4,717	27%		
Total employments by industries	17,356	100%		

**Note:** Information for the Fiscal Year 2006 was not available.

# OPERATING INFORMATION



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FUNCTIONS	FISCAL YEARS									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Mayor and Municipal Legislature	51	51	51	53	45	64	60	69	50	65
General Government	176	172	178	181	176	183	167	177	143	184
Public Safety	52	57	60	68	64	66	63	66	62	64
Public Works	43	43	58	59	52	56	82	44	34	39
Culture and Recreation	38	36	45	46	46	43	37	36	58	31
Health and Sanitation	121	121	124	124	112	124	136	162	138	139
Human Services and Welfare	89	92	102	109	113	115	100	101	88	90
Urban Development	27	29	43	45	44	53	49	64	55	51
<b>TOTAL</b>	<b>597</b>	<b>601</b>	<b>661</b>	<b>685</b>	<b>652</b>	<b>704</b>	<b>694</b>	<b>719</b>	<b>628</b>	<b>663</b>

**Source:** Office of Human Resources of the Municipality.

**Note:** A regular employee is scheduled to work seven and a half (7.5) hours per day.



FUNCTIONS	FISCAL YEARS								
	2015	2014	2013	2012	2011	2010	2009	2008	2007
Public Safety									
Patrol Units	31	31	32	31	33	32	33	30	29
Motorcycle	4	4	4	10	9	9	9	9	9
Public Works									
Bridges	15	15	15	15	15	15	15	15	15
Vehicles	49	50	56	56	57	55	57	57	57
Equipment	2,118	2,278	2,146	2,591	2,508	2,418	2,433	2,407	2,420
Culture and Recreation									
Parks	59	59	58	58	58	58	58	58	58
Community Centers	15	15	14	14	14	14	14	14	13
Public Instruction									
Head Start Centers	5	5	6	6	6	6	6	6	6
Health and Sanitation									
Buildings	2	2	2	2	2	2	2	2	2
Human Services and Welfare									
Cemeteries	4 <sup>(a)</sup>	3	3	3	3	3	3	3	3
Geriatrics Centers	7	7	6	6	6	6	6	5	4
Urban Development									
Buildings	6	6	6	6	6	6	6	5	4

Note: No capital assets statistics are available for the General Government and Mayor and Municipal Assembly functions.

(a) Includes a Cemetery in construction.



FUNCTIONS	FISCAL YEARS					
	2015	2014	2013	2012	2011	2010
Public Safety						
Police Officers	47	45	46	68	64	66
Public Works						
Collection of Debris - Worked Cases	478	420	551	533	670	889
Culture and Recreation						
Rentals of Community Centers	787	655	724	375	375	375
Health and Sanitation						
Collected Stray Dogs and Cats	475	373	274	320	298	426
Human Services and Welfare						
Donations Made	113	141	101	83	55	88

**Note:** Information from prior years was not available. In addition, the **Municipality** is working to obtain additional relevant data, including the General Government and Mayor and Municipal Assembly functions.

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**Accountability** – Term used by the GASB to describe a government’s duty to justify the raising and spending of public resources. The GASB has identified accountability as the “paramount objective” of financial reporting “from which all other objectives must flow.”

**Accounts Payable** – A short-term liability account reflecting amounts owed to private persons or organizations for goods and services received by a government.

**Accounts Receivable** – An asset account reflecting amounts due from private persons or organizations for goods and services furnished by a government (but not including amounts due from other funds or other governments).

**Accrual Basis of Accounting** – The recording of the financial effects of a government of transactions and other events and circumstances that have cash consequences for the government in the periods in which those transactions, events, and circumstances occur, rather than only in the periods in which cash is received or paid by the government.

**Accumulated Depreciation** – A contra-asset account used to report the accumulation of periodic credits to reflect the expiration of the estimated service life of capital assets.

**Acquisition Costs** - In the context of public-entity risk pools, costs that vary with and are primarily related to the acquisition of new and renewal contracts.

**Active Employees** - Individuals employed at the end of the reporting or measurement period, as applicable.

**Actuarial Assumptions** – In the context of defined benefit pension and OPEB plans, assumptions that an actuary must make as to the occurrence of future events affecting benefit costs (rate of inflation, mortality, etc.).

**Actuarial Valuation** - The determination, as of a point in time (the actuarial valuation date), of the service cost, total pension liability, and related actuarial present value of projected benefit payments for pensions performed in conformity with Actuarial Standards of Practice unless otherwise specified by the GASB.

**Actuarial Valuation Date** – The date as of which an actuarial valuation is performed.

**Actuarially Determined Contribution** – A target or recommended contribution to a defined benefit pension plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.

**Advance From Other Funds** – A liability account used to record noncurrent portions of a long-term loan from one fund to another fund within the same reporting entity. See **Due To Other Funds** and **Interfund Receivable/Payable**.

**Advance to Other Funds** – An asset account used to record noncurrent portions of a long-term loan from one fund to another fund within the same reporting entity. See **Due From Other Funds** and **Interfund Receivable/Payable**.

**Amortization** – The portion of the cost of a limited-life or intangible asset charged as an expense during a particular period. The reduction of debt by regular payments of principal and interest sufficient to retire the debt by maturity.

**Annual Covered Payroll** – In the context of defined benefit pension and OPEB plans, all elements of annual compensation paid to active employees on which contributions to a plan are based.

**Annual Required Contributions (ARC)** – Term used in connection with other postemployment benefit plans to describe the amount an employer must contribute in a given year.

**Appropriated Budget** – Expenditure authority created by the appropriation bills or ordinances that are signed into law and related estimated revenues. The appropriated budget includes all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes.

**Appropriated Fund Balance** – A portion of existing fund balance that is incorporated into the subsequent year’s budget to “balance” expected expenditures in excess of expected revenues.

**Appropriation** – A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation usually is limited in amount and time it may be expended.

**Assessed Valuation** – A valuation set upon real estate or other property by a government as a basis for levying taxes.

**Assigned Fund Balance** – Amounts that are constrained by the Municipality’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority, or by a body or an official designated for that purpose. This is also the classification for residual funds in the Municipality’s special revenue funds.

**Auditor’s Report** – In the context of a financial audit, a statement by the auditor describing the scope of the audit and the auditing standards applied in the examination, and setting forth the auditor’s opinion on the fairness of presentation of the financial information in conformity with GAAP or some other comprehensive basis of accounting.



**Availability Criterion** – Requirement under the modified accrual basis of accounting that revenues be recognized only if they are collected or collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

**Availability Period** – Designated period immediately following the close of the fiscal year by the end of which cash must be collected for related revenue to be recognized under the modified accrual basis of accounting.

**Balance Sheet** – The financial statement disclosing the assets, liabilities, and equity of an entity at a specified date in conformity with GAAP.

**Basic Financial Statements (BFS)** – The minimum combination of financial statements and note disclosures required for fair presentation in conformity with GAAP. Basic financial statements have three components: government-wide financial statements, fund financial statements, and notes to the financial statements.

**Basis of Accounting** – A term used to refer to *when* revenues, expenditures, expenses, and transfers, and the related assets and liabilities, are recognized in the accounts and reported in the financial statements. Specifically, it relates to the *timing* of the measurements made, regardless of the nature of the measurement, on either the cash or the accrual method.

**Budget** – A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year. The term "budget" is used in two senses in practice. Sometimes it designates the financial plan presented to the appropriating governing body for adoption, and sometimes, the plan finally approved by that body.

**Budgetary Control** – The control or management of a government or enterprise in accordance with an approved budget to keep expenditures within the limitations of available appropriations and available revenues.

**Budgetary Reporting** – In the context of financial reporting, requirement to present budgetary comparisons in connection with general purpose external financial reporting. Budgetary reporting is required in connection with the basic financial statements for both the general fund and individual major special revenue funds with annual (or biennial) appropriated budgets. Budgetary reporting also is required within the CAFR to demonstrate compliance at the legal level of control for all governmental funds with annual (or biennial) appropriated budgets.

**Business-Type Activities** – One of two classes of activities reported in the government-wide financial statements. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. These activities are usually reported in enterprise funds.

**Capital and Related Financing Activities** – Term used in connection with cash flows reporting. Capital and related financing activities include 1) acquiring and disposing of capital assets used in providing services or producing goods, 2) borrowing money for acquiring, constructing, or improving capital assets and repaying the amounts borrowed, including interest, and 3) paying for capital assets obtained from vendors on credit.

**Capital Assets** – Long-lived assets obtained or controlled as a result of past transactions, events, or circumstances. Capital assets include equipment, buildings, and improvements other than buildings; land; infrastructure; and intangible assets. In the private sector, these assets are referred to most often as property, plant and equipment, and intangible assets.

**Capital Outlays** – Expenditures resulting in the acquisition of or addition to the government's general capital assets.

**Capital Projects Fund** – A fund created to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**Capitalization Policy** – Dollar value at which a government elects to capitalize tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Generally, capitalization threshold are applied to individual items rather than groups of items unless the result would be to exclude items that in the aggregate would clearly be material to the financial statements.

**Capitalization Threshold** – The criteria used by a government to determine which outlays should be reported as capital assets.

**Cash** – In the context of cash flows reporting, not only currency on hand, but also demand deposits with banks or other financial institutions. Cash also includes deposits in other kinds of accounts or cash management pools that have the general characteristics of demand deposit accounts.

**Cash Basis of Accounting** – A basis of accounting under which transactions are recognized only when cash is received or disbursed.

**Cash Equivalent** – In the context of cash flows reporting, short-term, highly liquid investments that are both 1) readily convertible to known amounts of cash and 2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition. For this purpose, "original maturity" means maturity as of the date the investments is acquired.

**Cash With Fiscal Agent** – An asset account reflecting deposits with fiscal agents, such as commercial banks, for the payment of bond principal and interest.



**Certificate of Achievement for Excellence in Financial Reporting Program** – A voluntary program administered by the GFOA to encourage governments to publish efficiently organized and easily readable CAFRs and to provide technical assistance and peer recognition to the finance officers preparing them.

**Change in the Fair Value of Investments** – The difference between the fair value of investments at the beginning of the year and at the end of the year, taking into consideration investment purchases, sales, and redemptions.

**Closed Amortization Period** – Term used in connection with the unfunded actuarial accrued liability associated with defined benefit pension and other postemployment benefit plans. A specific number of years that is counted from one date and, therefore, declines to zero with the passage of time. For example, if the amortization period is initially 30 years on a closed basis, 29 years remain after the first year, 28 years after the second year, and so forth.

**Combining Financial Statements** – Financial statements that report separate columns for individual funds or component units. Combining financial statements normally are required in a CAFR to support each column in the basic financial statements that aggregate information from more than one fund or component unit.

**Committed Fund Balance** – Amounts that can only be used for specific purposes determined by formal action of the **Municipality's** highest level of decision-making authority (the Board of Supervisors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

**Compensated Absences** – Absences, such as vacation, illness, and holidays, for which it is expected employees will be paid. The term does not encompass severance or termination pay, postretirement benefits, deferred compensation, or other long-term fringe benefits, such as group insurance and long-term disability pay.

**Comprehensive Annual Financial Report (CAFR)** – A CAFR is a financial report that encompasses all funds and component units of the government. It contains (1) the basic financial statements and required supplementary information, (2) combining statements to support columns in the basic financial statements that aggregate information from more than one fund or component unit, and (3) individual fund statements as needed. It is the governmental unit's official annual report and it also contains introductory information, schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, and statistical data.

**Condensed Financial Statements** – Abbreviated financial statements sometimes required by GAAP to be presented within the notes to the financial statements in connection with component units, external investment pools, and segments. In addition, GAAP prescribe the presentation of condensed financial information for the prior fiscal year as part of Management's Discussion and Analysis.

**Contingent Liability** – Items that may become liabilities as a result of conditions undetermined at a given date, such as guarantees, pending lawsuits, judgments under appeal, unsettled disputed claims, unfilled purchase orders, and uncompleted contracts. Contingent liabilities should be disclosed within the financial statements (including the notes) when there is a reasonable possibility a loss may have been incurred. Guarantees, however, should be disclosed even though the possibility of loss may be remote.

**Contribution Deficiencies** – The difference between the annual required contributions (ARC) of the employer(s), and the employer's actual contributions in relation to the ARC.

**Contributions** – Additions to a pension plan's fiduciary net position for amounts from employers, nonemployer contributing entities (for example, state government contributions to a local government pension plan), or employees. Contributions can result from cash receipts by the pension plan or from recognition by the pension plan of a receivable from one of these sources.

**COSO** – Organization that published *Internal Control: An Integrated Framework*, *Enterprise Risk Management—Integrated Framework*, and *Guidance on Monitoring Internal Control Systems* (the Committee of Sponsoring Organizations of the Treadway Commission on Fraudulent Financial Reporting).

**Cost-Sharing Multiple-Employer Defined Benefit Pension/OPEB Plan** – Plan in which a single actuarial valuation and contribution rate apply to all participating employers.

**Covered Payroll** – Term used in connection with defined benefit pension and other postemployment benefit plans to describe all elements of annual compensation paid to active employees on which contributions to a plan are based.

**Current Financial Resources Measurement Focus** – Measurement focus according to which the aim of a set of financial statements is to report the near-term (current) inflows, outflows, and balances of expendable (spendable) financial resources. The current financial resources measurement focus is unique to accounting and financial reporting for state and local governments and is used solely for reporting the financial position and results of operations of governmental funds.

**Debt** – An obligation resulting from the borrowing of money or from the purchase of goods and services. Debts of governments include bonds, time warrants, and notes.

**Debt Service Fund** – A fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**Deferred Inflows of Resources** – An acquisition of net position by the government that is applicable to a future reporting period.

**Deferred Outflows of Resources** – A consumption of net position by the government that is applicable to a future reporting period.

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – Deferred outflows of resources and deferred inflows of resources related to pensions arising from certain changes in the collective net pension liability.

**Deficit** – (1) The excess of the liabilities of a fund over its assets. (2) The excess of expenditures over revenues during an accounting period or, in the case of proprietary funds, the excess of expenses over revenues during an accounting period.

**Defined Benefit Pension Plan** – A pension plan having terms that specify the amount of pension benefits to be provided at a future date or after a certain period of time; the amount specified usually is a function of one or more factors such as age, years of service, and compensation.

**Defined Contribution Pension Plan** – Pension plan having terms that 1) provide an individual account for each plan member and 2) specify how contributions to an active plan member's account are to be determined, rather than the income or other benefits the member or his or her beneficiaries are to receive at or after separation from employment. Those benefits will depend only on the amounts contributed to the member's account, earnings on investments of those contributions, and forfeitures of contributions made for other members that may be allocated to the member's account.

**Depreciation** – (1) Expiration in the service life of capital assets, other than wasting assets, attributable to wear and tear, deterioration, action of the physical elements, inadequacy, and obsolescence. (2) The portion of the cost of a capital asset, other than a wasting asset, charged as an expense during a particular period. In accounting for depreciation, the cost of a capital asset, less any salvage value, is prorated over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the entire cost of the asset is ultimately charged off as an expense.

**Direct Costing** – Use of actual source data (invoices) to establish the historical cost of a capital asset.

**Direct Expense** – Expense that is specifically associated with a service, program, or department and, thus, is clearly identifiable with a particular function.

**Discount Rate** – The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

**Due From Other Funds** – An asset account reflecting amounts owed to a particular fund by another fund for goods sold or services rendered. This account includes only short-term obligations on open account, not interfund loans.

**Due To Other Funds** – A liability account reflecting amounts owed by a particular fund to another fund for goods sold or services rendered. This account includes only short-term obligations on open account, not interfund loans.

**Early Recognition Option** – Option to recognize an expenditure in the current period in a debt service fund for principal and interest payments due early in the subsequent period.

**Economic Resources Measurement Focus** – Measurement focus under which the aim of a set of financial statements is to report all inflows, outflows, and balances affecting or reflecting an entity's net position. The economic resources measurement focus is used for proprietary and fiduciary funds, as well as for government-wide financial reporting. It is also used by business enterprises in the private sector.

**Employer's Contributions** – Term used in the context of pension and other postemployment benefits to describe contributions actually made by the employer in relation to the annual required contribution (ARC) of the employer. (Only amounts paid to trustees and outside parties qualify.)

**Encumbrances** – Commitments related to unperformed (executory) contracts for goods or services. Used in budgeting, encumbrances are not GAAP expenditures or liabilities, but represent the estimated amount of expenditures ultimately to result if unperformed contracts in process are completed.

**Enterprise Fund** – Proprietary fund type used to report an activity for which a fee is charged to external users for goods and services.



**Entry Age Actuarial Cost Method** – A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the *normal cost*. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the *actuarial accrued liability*.

**Exchange Transaction** – Transaction in which each party receives and surrenders essentially equal values.

**Exchange-Like Transaction** – Transaction in which there is an identifiable exchange between the reporting government and another party, but the values exchanged may not be quite equal or the direct benefits of the exchange may not be exclusively for the parties to the exchange.

**Expenditure-Driven Grants** – Government-mandated or voluntary non-exchange transactions in which expenditure is the prime factor for determining eligibility. Also referred to as reimbursement grants.

**Expenditures** – Decreases in net financial resources. Expenditures include current operating expenses requiring the present or future use of net current assets, debt service, and capital outlays, and intergovernmental grants, entitlement, and shared revenues.

**Expenses** – Outflows or other using up of assets or incurrence of liabilities (or a combination of both) from delivering or producing goods, rendering services, or carrying out other activities that constitute the entity's ongoing major or central operations.

**External Auditors** – Independent auditors typically engaged to conduct an audit of a government's financial statements.

**External Investment Pool** – An arrangement that commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio; one or more of the participants is not part of the sponsors reporting entity. An external investment pool can be sponsored by an individual government, jointly by more than one government, or by a nongovernmental entity. An investment pool that is sponsored by an individual state or local government is an external investment pool if it includes participation by a legally separate entity that is not part of the same reporting entity as the sponsoring government. If a government sponsored pool includes only the primary government and its component units, it is an internal investment pool and not an external investment pool.

**Fair Value** – The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**Fiduciary Funds** – The trust and agency funds used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other government units, and/or other funds.

**Final Amended Budget** – The original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year, whenever signed into law or otherwise legally authorized.

**Financial Accountability** – Relationship warranting the inclusion of a legally separate organization in the reporting entity of another government.

**Financial Resources** – Resources that are or will become available for spending. Financial resources include cash and resources ordinarily expected to be converted to cash (e.g., receivables or investments). Financial resources may also include inventories and prepaid (because they obviate the need to expend current available resources).

**Financial Section** – One of the three basic sections of a CAFR. The financial section is used to present the independent auditor's report on the financial statements; management's discussion and analysis; the basic financial statements (including the notes to the financial statements); required supplementary information; combining statements, individual fund statements and schedules; and supplementary information, as needed.

**Fiscal Agent** – A fiduciary agent, usually a bank or county treasurer, who performs the function of paying debt principal and interest when due.

**Fund** – A fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, all related liabilities and residual equities, or balances, and changes therein, are recorded and segregated to carry on specific activities or attain certain objectives in accordance with special regulations, restrictions, or limitations.

**Fund Balance** – The difference between fund assets and fund liabilities of governmental and similar trust funds.

**Fund Financial Statements** – Basic financial statements presented on the basis of funds. Term used in contrast with *government-wide financial statements*.

**Fund Type** – Any one of seven categories into which all funds are classified in governmental accounting. The seven fund types are: general, special revenue, debt service, capital projects, enterprise, internal service, and trust and agency.



**General Fund** – The general fund is one of five governmental fund types and typically serves as the chief operating fund of the government. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

**General Revenues** – All revenues that are not required to be reported as program revenues. All taxes, even those that are levied for a specific purpose, are general revenues and should be reported by type of tax (e.g., property tax, sales tax, and transient occupancy tax). All other nontax revenues (including interest, grants, and contributions) that do not meet the criteria to be reported as program revenues should also be reported as general revenues.

**Generally Accepted Accounting Principles (GAAP)** – The conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements. The various sources of GAAP for state and local governments are set forth by Statement of Accounting Standards (SAS) No. 69, *The Meaning of “Present Fairly in Conformity with Generally Accepted Accounting Principles” in the Independent Auditor’s Report*.

**Generally Accepted Auditing Standards (GAAS)** – Rules and procedures that govern the conduct of a financial audit.

**Generally Accepted Governmental Auditing Standards (GAGAS)** – Standards for the conduct and reporting of both financial and performance audits in the public sector promulgated by the Government Accountability Office (GAO) through its publication *Government Auditing Standards (GAS)*, commonly known as the “Yellow Book”.

**Government Accountability Office (GAO)** – Investigative arm of the U.S. Congress charged with improving the performance and accountability of the federal government. The GAO issues the publication *Government Auditing Standards (GAS)*, commonly known as the “Yellow Book”, which sets generally accepted government auditing standards (GAGAS).

**Government Finance Officers Association (GFOA)** – An association of public finance professionals founded in 1906 as the Municipal Finance Officers Association. The GFOA has played a major role in the development and promotion of GAAP for state and local governments since its inception and has sponsored the Certificate of Achievement for Excellence in Financial Reporting Program since 1946.

**Governmental Accounting** – The composite activity of analyzing, recording, summarizing, reporting, and interpreting the financial transactions of governments.

**Governmental Accounting Standards Advisory Council (GASAC)** – Advisory body established to assist the GASB. The membership of the GASAC represents all major groups with an interest in accounting and financial reporting for state and local governments.

**Governmental Accounting Standards Board (GASB)** – The ultimate authoritative accounting and financial reporting standard setting body for state and local governments. The GASB was established in June 1984 to replace the National Council on Governmental Accounting (NCGA).

**Governmental Accounting, Auditing, and Financial Reporting (GAAFR)** – Publication of the GFOA. Also known as the “Blue Book”, various editions have been published since the mid 1930s.

**Governmental Activities** – Activities generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. These activities are usually reported in governmental funds and internal service funds.

**Governmental Entity** – Funds generally used to account for tax supported activities. The five different types of governmental funds are as follows: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

**Governmental Financial Reporting Model** – Minimum combination of financial statements, notes, and required supplementary information prescribed for state and local governments by the GASB.

**Governmental Funds** – For accounting and financial reporting purposes, an entity subject to the hierarchy of GAAP applicable to state and local governments.

**Government-Mandated Nonexchange Transactions** – Situation where a higher-level government requires performance by a lower-level government, while providing full or partial funding for the cost of doing so (sometimes described as a *funded mandate*).

**Government-wide Financial Statements** – Financial statements that incorporate all of a government’s governmental and business-type activities, as well as its non-fiduciary component units. There are two basic government-wide financial statements: the Statement of Net Position and the Statement of Activities. Both basic governmental financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

**Impairment** – Significant, unexpected decline in the service utility of a capital asset that will remain in use.

**Implementation Guides** – Guidance on the proper implementation of authoritative accounting and financial reporting standards issued by the staff of the GASB. Implementation Guides use a question-and-answer format and enjoy “level 1” (after GASB Statement No. 76) status of the hierarchy of GAAP for state and local governments. The GASB annually issues a *Comprehensive Implementation Guide* that consolidates, updates, and expands upon the guidance offered in the individual publications.

**Imposed Nonexchange Revenues** – Revenues that result from assessments imposed on nongovernmental entities, including individuals, other than assessments on exchange transactions (property taxes and fines).

**Improvement** – An addition made to, or change made in, a capital asset, other than maintenance, to prolong its life or to increase its efficiency or capacity. The cost of the addition or change is added to the book value of the asset.

**In-relation-to Opinion** – Indication in the independent auditor's report that the auditor is *not* offering an opinion on the fair presentation *per se* of certain information contained in the financial report (combining and individual fund financial statements), but is asserting that the information in question is fairly presented *in-relation-to* the audited financial statements.

**Inactive Employees** – Terminated individuals that have accumulated benefits but are not yet receiving them, and retirees or their beneficiaries currently receiving benefits.

**Independent Auditor** – Auditors who are independent, both in fact and appearance, of the entities they audit. Both GAAS and GAGAS set specific criteria that must be met for an auditor to be considered independent.

**Indirect Expenses** – Expenses that cannot be specifically associated with a given service, program, or department and thus, cannot be clearly associated with a particular functional category.

**Inflow of Resources** – An acquisition of net position by the government that is applicable to the reporting period.

**Infrastructure** – Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems.

**Interest Rate Risk** – Risk that changes in interest rates will adversely affect the fair value of an investment.

**Interfund Activity** – Activity between funds of the primary government. Interfund activities are divided into two broad categories: *reciprocal* and *nonreciprocal*. Reciprocal interfund activity comprises *interfund loans* and *interfund services provided and used*. Nonreciprocal interfund activity comprises *interfund transfers* and *interfund reimbursements*.

**Introductory Section** – First of three essential components of any CAFR. The introductory section typically provides general information on a government's structure and personnel, as well as information useful in assessing the government's economic condition. The key element of the introductory section is the letter of transmittal.

**Landfill Closure and Postclosure Care Costs** – Cost incurred to provide for the protection of the environment that occur near or after the date that a municipal solid-waste landfill stops accepting solid waste and throughout the postclosure period. Closure and postclosure care costs include the cost of equipment and facilities (leachate collection systems and final cover) as well as the cost of services (postclosure maintenance and monitoring costs).

**Legal Debt Margin** – Excess of the amount of debt legally authorized over the amount of debt outstanding.

**Liabilities** – Present obligations to sacrifice resources that the government has little or no discretion to avoid.

**Interfund Receivable/Payable** – Short-term loans made by one fund to another, or the current portion of an advance to or from another fund.

**Interfund Transfers** – Flow of assets (such as cash or goods) between funds and blended component units of the primary government without equivalent flows of assets in return and without a requirement for payment.

**Lapse** – As applied to appropriations, the automatic termination of an appropriation. Except for indeterminate appropriations and continuing appropriations, an appropriation is made for a certain period of time. At the end of this period, any unexpended or unencumbered balance thereof lapses, unless otherwise provided by law.

**Legal Level of Budgetary Control** – The level at which spending in excess of budgeted amounts would be a violation of law.

**Level of Budgetary Control** – The level at which a government's management may not reallocate resources without special approval from the legislative body.

**Level Percentage of Projected Payroll Amortization Method** – Amortization payments are calculated so that they are a constant percentage of the projected payroll of active plan members over a given number of years. The dollar amount of the payments generally will increase over time as payroll increases due to inflation; in dollars adjusted for inflation, the payments can be expected to remain level.

**Liabilities** – Probable future sacrifices of economic benefits, arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.

**Loans Receivable** – An asset account reflecting amounts loaned to individuals or organizations external to a government, including notes taken as security for such loans. Loans to other funds and governments should be recorded and reported separately.



**Major Fund** – A governmental fund or enterprise fund reported as a separate column in the basic fund financial statements. The general fund is always a major fund. Otherwise, major funds are funds whose revenues/expenditures, assets, or liabilities are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. Any other governmental or enterprise fund may be reported as a major fund if the government's officials believe that fund is particularly important to financial statement users.

**Management's Discussion and Analysis (MD&A)** – A component of required supplementary information used to introduce the basic financial statements and to provide an analytical overview of the government's financial activities.

**Measurement Focus** – A way of presenting an entity's financial performance and position by considering which *resources* are measured (financial or economic) and *when* the effects of transactions or events involving those resources are recognized (the basis of accounting). The measurement focus of government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements is economic resources. The measurement focus of governmental fund financial statements is current financial resources.

**Measurement Period** – The period between the prior and the current measurement dates.

**Modified Accrual Basis of Accounting** – The accrual basis of accounting adapted to the governmental fund-type measurement focus. Under it, revenues and other financial resource increments (e.g., bond issue proceeds) are recognized when they become susceptible to accrual that is when they become both "measurable" and "available to finance expenditures of the current period." "Available" means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Generally, expenditures are recognized when the fund liability is incurred. All governmental funds, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting.

**National Council on Governmental Accounting (NCGA)** – Immediate predecessor of the GASB as the authoritative accounting and financial reporting standard-setting body for state and local governments.

**Net Pension Liability** – The liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit pension plan.

**Net Position** – The residual of all other financial statement elements presented in a Statement of Financial Position.

**Nonexchange Transaction** – Transaction in which a government either 1) gives value (benefit) to another party without directly receiving equal value in exchange, or 2) receives value (benefit) from another party without directly giving equal value in exchange.

**Nonspendable Fund Balance** – Amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

**Other Financing Sources** – An increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends. The use of the other financing sources category is limited to items so classified by GAAP.

**Other Financing Uses** – A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends. The use of other financing uses category is limited to items so classified by GAAP.

**Outflows of Resources** – A consumption of net position by the government that is applicable to the reporting period.

**Pay-As-You-Go** – A method of financing a pension plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

**Payroll Growth Rate** – An actuarial assumption with respect to future increases in total covered payroll attributable to inflation; used in applying the level percentage of projected payroll amortization method.

**Pension Benefits** – Retirement income and all other benefits, including disability benefits, death benefits, life insurance, and other ancillary benefits, except healthcare benefits, that are provided through a defined benefit pension plan to plan members and beneficiaries after termination of employment or after retirement. Postemployment healthcare benefits are considered other postemployment benefits, whether they are provided through a defined benefit pension plan or another type of plan.

**Pension Expense** – Pension expense arising from certain changes in the collective net pension liability.

**Pension Plan** – Arrangements through which pensions are determined, assets dedicated for pensions are accumulated and managed, and benefits are paid as they come due.

**Plan Members** – Individuals that are covered under the terms of a pension plan. Plan members generally include (1) employees in active service (active plan members) and (2) terminated employees who have accumulated benefits but are not yet receiving them and retirees or their beneficiaries currently receiving benefits (inactive plan members).



**Postemployment** – Period following termination of employment, including the time between termination and retirement postemployment healthcare benefits.

**Primary Government** – Term used in connection with defining the financial reporting entity. A state government or general purpose local government. Also, a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. The primary government is the focus of the financial reporting entity.

**Program Revenues** – Term used in connection with the government-wide statement of activities. Revenues that derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government's general revenues.

**Projected Benefit Payments** – All benefits estimated to be payable through the pension plan to current active and inactive employees as a result of their past service and their expected future service.

**Proprietary Funds** – Funds that focus on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.

**Real Rate of Return** – The rate of return on an investment after adjustment to eliminate inflation.

**Reporting Entity** – The oversight unit and all of its component units, if any, that are combined in the CAFR/BFS.

**Required Supplementary Information** – Consists of statements, schedules, statistical data, or other information that according to the GASB is necessary to supplement, although not required to be a part of, the basic financial statements.

**Restricted Assets** – Assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

**Restricted Fund Balance** – Amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

**Restricted Net Position** – A component of net position calculated by reducing the carrying value of restricted assets by the amount of any related debt outstanding.

**Revenue Bonds** – Bonds whose principal and interest are payable exclusively from earnings of an enterprise fund. In addition to a pledge of revenues, such bonds sometimes contain a mortgage on the enterprise fund's property.

**Risk Management** – All the ways and means used to avoid accidental loss or to reduce its consequences if it does occur.

**Self-Insurance** – A term often used to describe the retention by an entity of a risk of loss arising out of the ownership of property or from some other cause, instead of transferring that risk to an independent third party through the purchase of an insurance policy. It is sometimes accompanied by the setting aside of assets to fund any related losses. Because no insurance is involved, the term self-insurance is a misnomer.

**Service Life** – The average remaining years of service of all members of the plan (both current employees and retirees).

**Single Audit** – An audit performed in accordance with the Single Audit Amendment Act of 1997 and Office of Management and Budget's (OMB) Circular A-133, *Audits of States and Local Governments and Non-Profit Organizations*. The Single Audit Amendment Act allows or requires governments (depending on the amount of federal assistance received) to have one audit performed to meet the needs of all federal agencies.

**Special Items** – Significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence.

**Special Revenue Fund** – A fund used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

**Statement of Revenues, Expenditures and Changes in Fund Balances** – Reports information about the inflows, outflows and balances of current financial resources of each major governmental fund for the fiscal year end.

**Statistical Section** – One of three basic components of a CAFR, it provides 2) information on financial trends, 2) information on revenue capacity, 3) information on debt capacity, 4) demographic and economic information, and 5) operating information.

**Subsequent Event** – An event or transaction that occurs subsequent to the reporting date, but prior to the issuance of the financial statements, that requires either an adjustment to the financial statements or disclosure in the notes.

**Termination Benefits** – Inducements offered by employers to active employees to hasten the termination of services, or payments made in consequence of the early termination of services. Termination benefits include early-retirement incentives, severance benefits, and other termination-related benefits.



**Total Pension Liability** – The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service.

**Trust Funds** – Funds used to account for assets held by a government in a trustee capacity for individuals, private organizations, other governments, and/or other funds.

**Unassigned Fund Balance** – The residual classification for the Municipality's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

**Unearned Revenues** – Resource inflows that do not yet meet the criteria for revenue recognition. In governmental funds, earned amounts also are reported as unearned revenue until they are available to liquidate liabilities of the current period.

**Unmodified Opinion** – An opinion rendered without reservation by the independent auditor that financial statements are fairly presented.

**Unrestricted Net Position** – That portion of net position that is neither restricted nor invested in capital assets (net of related debt).

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# COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2015

