

Commonwealth of Puerto Rico

Autonomous Municipality of Aguadilla

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014



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Prepared by:
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INTRODUCTORY SECTION



- ◆ Letter of Transmittal
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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, 2014. 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, 2014, 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, 2014, are fairly presented in conformity with the accounting principles generally accepted in the United States of America. 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 CAFR is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter, the Government Finance Officer's Certificate of Achievement for Excellence in Financial Reporting, organizational chart, and a list of principal officials.

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, and the Notes to the Basic Financial Statements.

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 Córdoba 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 36.6 square miles are land area and 39 square miles of water. This **Municipality** serves 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), Riquissimo (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.

SPORTS We have created the **CENTERS FOR CREATION AND DEVELOPMENT**, with specialized trainers in about 35 sport disciplines for our children and youth. We are also preparing an aquatic sports program to include teaching activities such as Paddle Board, Surfing, Kayak, and a new Chapter of Junior Life Guard, to take advantage of the fact that this is a coastal City. This programs impact around 2,000 children and young people monthly. We have also developed the **MUNICIPAL BASEBALL ACADEMY**, serving more than 400 children and young athletes. Also, during the year, we renovated the **MUNICIPAL GYM IN VILLANUEVA**, with all new equipment.

This year, was the first edition of what we hope will be an annual competition, called **PEDALING IN THE GARDEN OF THE ATLANTIC**. The activity was a success, with more than 300 participants from across the island.



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 43 roads were repaved or repaired, using some 10,360 tons of asphalt, at a total cost of \$984,200.

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 have implemented 8 new residential routes, for a total of 6,773 homes served.

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 \$219,770 this year, which is being funded by the General Fund, and by the sales and usage taxes.

Through a collaboration with the Solid Waste Administration (ADS in Spanish), and fund pairing by the **Municipality**, we acquired a new 6 yard compacting truck for processing cardboard.

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.

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 \$1.8 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. Recently, we acquired a sport car for the Transportation Unit.

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 \$2 million on such projects, and an additional \$18 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 is currently one ongoing project at the **Aguadilla's Waterfalls Aquatic Park**, which 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 \$22 million, which will be financed through an emission of bonds of the Governmental Development Bank of Puerto Rico. The total investment during the fiscal year was \$8,735,534.

Las Cascadas Hotel



We began construction of the hotel last year and expect completion in December, 2014. 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.

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. The second phase of this project was started this year with an investment of over \$3.8 million.



This year, we remodeled two properties and created **Atlantic Terraces** and **Portal of the Atlantic** apartment buildings, with 17 living spaces between them. These properties will be available at a range of prices, depending on the applicants economic resources.

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.

The new **Aguadilla City Center** facility is composed of a multi-floor parking with capacity for 500 vehicles, an area where the traditional market place is located, premises available for rent at a monthly fee of \$25 per square feet (offices and restaurants), and an activities room with capacity for 500 guests.

The area that is designated for office rent has 27,500 square feet, and the area for the restaurants has 1,400 square feet of construction. The market place has space for seven kiosks on a construction area of 2,600 square feet. We are currently in the last stages of design of these kiosks, and will begin construction shortly. There is also space for some Central Government offices and for a new Court House. The



Department of Justice and the Property Register will use this facility to house their offices. The rent income obtained from these government offices, is repaying the General Bond Obligation used to finance the construction already, making this property auto-sustainable.

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.

We inaugurated the **Atlantic Gardens Veteran's Cemetery**, a project that has been planned for almost 10 years, at a total investment of over \$10 million. We are also in the beginning stages of construction for a new Municipal Cemetery, with an investment of over \$10 million.



Atlantic Gardens Veteran Cemetery

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.



Higüey Fishery

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 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 renovated 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.

We renovated the park, and in the process, canalized the river and solved the flooding problem in the City once and for all. Total investment on this project was around \$19 million.

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 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, Micron Technology, 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 \$10.6 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 \$247,991. Assigned Fund Balance was \$309,747, and Unassigned Fund Balance was \$10,024,036.

The Due from Other Funds line item of the Balance Sheet - Governmental Funds Financial Statements General Fund which is \$4.1 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 As an internal control, 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.

Major Initiatives

On April this year, Lufthansa Technik announced they will establish a new aviation maintenance, repair and overhaul (MRO) facility at Rafael Hernández International Airport here in Aguadilla. The company will employ up to 400 workers and run a total of five overhaul lines. Initially it will operate two lines for Airbus A320 C-checks and D-checks. The first layover is due to take place in 2015.

The establishment of this facility will not only create the jobs mentioned earlier, but also some other indirect jobs, as well as an injection of new economic activity for our City and area. Total investment in the facilities has been estimated to be around \$57 million by the company.

Another company that has recently announced plans to establish its business in Aguadilla is CommSense. CommSense will offer bilingual telemarketing services for businesses that provide products and services for customers in the United States.

The facility will employ 200 people during the initial phase and add 300 to the payroll over the next three years. Total investment for the opening of the call center is estimated at \$5.1 million, in construction related costs only. Further economic effect will be provided with sales and indirect jobs boost in the area, once the facility is running at full capacity.

This year we saw the establishment of what we call **The Franchise Corridor**. Some years ago, we bought a plot of land on State Road #2, with the idea of getting private businesses to set up their franchises there and create some economic activity. We bought the land and prepared it with the basic infrastructure so that investors would feel compelled to use the space. So far, Walgreens, Chili's, Sizzler, Yougufuti, Papa John's and some others, have bought space and constructed their stores in the area, with more to come.

We completed construction of the **Tres Palmas Park**, which has an artificial lake, a basketball court, and a baseball park. Total investment for these facilities was over \$3 million.



We completed construction for the **La Vía Boulevard** at a total investment of \$1.3 million, and the BBQ Patio Grill (adjacent to the Aguadilla Ice Skating Arena).



Another project 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 a Unisex Gym), a Municipal Gym on the San Antonio Ward, and a New Municipal Cemetery.

On Plácido Acevedo Plaza we already remodeled the walking track, and soon we will work on the stage area and two kiosks which will be rented. There will be a fountain in the center where kids and people of all ages will be able to get in and get wet with water jets.





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 fourth **Certificate of Achievement for Excellence in Financial Reporting** for our **Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013**. 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 with the Certificate of Achievement Program requirements and we submit it to the GFOA to determine its eligibility.

Respectfully submitted,

Mrs. Noemi Alfonso Valle
Finance Director

2013



GOVERNMENT FINANCE OFFICERS ASSOCIATION

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

Presented to

**Government of Puerto Rico,
Municipality of Aguadilla
Puerto Rico**

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, 2013. 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 five consecutive years (fiscal years ended 2009, 2010, 2011, 2012, and 2013). 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

CITY ADMINISTRATOR

HON. RAFAEL FERNANDEZ NADAL
MUNICIPAL LEGISLATURE PRESIDENT

CONSULTING OFFICES

PERMITS

HUMAN RESOURCES

PUBLIC RELATIONS

AUDITING

FINANCE

LAND PLANNING

PURCHASES

CENTRAL ARCHIVES

PROJECT PLANNING
AND
ADMINISTRATION

MAYOR'S OFFICE

CULTURE AND
TOURISM

LEGAL DIVISION

BUDGET

INTERNAL AUDITOR

ENVIRONMENTAL
CONTROL

OASIS

SPORTS & RECREATION

EMERGENCY CONTROL

GERIATRIC CENTER

SECTION 8 HOUSING
PROGRAM

MUNICIPAL SECRETARY

PUBLIC WORKS

MUNICIPAL POLICE

TECHNICAL SERVICES

TECHNOLOGICAL
DEVELOPMENT

FEDERAL PROGRAMS

SCHOOL
TRANSPORTATION

PUBLIC BUILDINGS

EMBELLISHMENT AND
MAINTENANCE

SANITATION

MUNICIPAL ENTERPRISES

RECYCLING

WATERFALLS AQUATIC
PARK

ICE SKATING ARENA

AGUADILLA BOWLING
ALLEY

FRANCHISE DIVISION

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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. RAFAEL CRESPO PADILLA

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

MS. JESSICA ACEVEDO – PLANNING & BUDGET DEPARTMENT DIRECTOR

MS. NANNETTE GUEVARA – 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



HOTEL LAS CASCADAS



Las Cascadas Hotel



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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, 2014, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Autonomous Municipality of Aguadilla, Puerto Rico**, as of June 30, 2014, 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 23 to the financial statements, the **Municipality** adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Our opinion is 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 on pages 4 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we 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.

Other Information

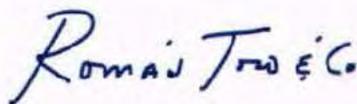
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Autonomous Municipality of Aguadilla, Puerto Rico's** basic financial statements. The combining and individual nonmajor fund financial statements, and introductory and statistical 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 December 5, 2014 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
December 5, 2014

Stamp #E115255 was affixed to
the original report

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The following is a discussion and analysis of the **Autonomous Municipality of Aguadilla of the Commonwealth of Puerto Rico (Municipality)**'s financial performance, including an overview and analysis of the financial activities of the **Municipality** for the fiscal year ended June 30, 2014. Readers should consider this information in conjunction with the information included in our letter of transmittal, which can be found preceding this narrative, and with the **Municipality's** financial statements, including the notes to the financial statements, which are located after this analysis.

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 2014 by \$5,938,120 and 2013 decreased by (\$3,157,175).
- Net Position of the **Municipality** Business-Type Activities, on a government-wide basis, increased at the close of fiscal year 2014 by \$2,271,814, and 2013 increased by \$462,155.
- Net Position of the **Municipality**, Governmental Activities, on a government-wide basis, exceeded its liabilities at the close of fiscal year 2014 by \$152,610,386, and 2013 by \$146,672,266, as restated.
- Net Position of the **Municipality** Business-Type Activities, on a government-wide basis, exceeded its liabilities at the close of fiscal year 2014 by \$13,697,433 and 2013 by \$11,425,619.
- Net Position of the **Municipality**, on a government-wide basis, exceeded its liabilities at the close of fiscal year 2014 by \$166,307,819, and 2013 by \$158,097,885, as restated.
- Total Revenues of the **Municipality** Governmental Activities, on a government-wide basis, decreased by \$444,265 (0.8%) and expenses decreased (\$10.8) million (19.25%) in comparison with year 2013
- Total Revenues of the **Municipality** Business-Type Activities, on a government-wide basis, increased by \$251,958 (11.6%) and expenses decreased (\$265,537) (12.8%) in comparison with year 2013
- Total net change in net position, on a government-wide basis, amounted to \$8,209,934, an increase of \$10,904,954 (404.6%) with respect to prior year (2013) 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 \$34,640,265, a decrease of (\$4,225,643) in comparison with the prior year.
- The General Fund reported an excess of revenues over expenditures and other financing sources and uses of \$189,323 and unassigned fund balance of \$10,024,036.
- Proprietary funds reported combined fund net position of \$13,697,433, an increase of \$2,271,814 in comparison with prior year, after transfer of (19,071) and contributed capital of \$1,669,127. Without these transactions the result of operation of the proprietary funds was positive by \$621,758.

continue

General Financial Highlights

- The Net Investment in Capital Assets from Governmental Activities as of June 30, 2014 was \$126,568,583 (\$210,261,974 of capital assets, net of accumulated depreciation, related debt of \$89,703,926 and unspent capital debt proceeds of \$8,010,535), and \$10,891,270 (net of accumulated depreciation) from Business-Type Activities.
- Long term debt general and special obligations bonds decreased to \$81,927,829, approximately a decrease of 4.8% (\$4,167,000) with respect to prior year balance.
- A new line of credit was issued by the Governmental Development Bank as interim financing for the construction of Las Cascadas Hotel. Of the total approved line of credit of \$21,750,000, the amount used as June 30, 2014 was \$9,226,097.
- Other noncurrent liabilities increases and net reductions from payments amounted to \$1,086,990 and (\$1,725,030), respectively. Such decrease is principally for payment of prior year property taxes liquidation for the amount of \$905,074 during the fiscal year.
- On a budgetary basis, actual revenues exceeded actual expenditures by \$626,130, net of \$2,309,621 transfers out to other funds.
- Estimated Revenues increase by \$455,254 and total expenditures reflect economies of \$170,876. Total Variances amounted to \$626,130 or 2.0% 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 three components: (1) Governmental-wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Basic Financial Statements. 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			
	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. 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.

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	GOVERNMENT-WIDE STATEMENTS	FUND FINANCIAL STATEMENTS	
		GOVERNMENTAL	PROPRIETARY
SCOPE	Entire entity	The day-to-day operating activities of the Municipality for basic governmental services	The day-to-day operating activities of the Municipality 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

• **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. 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*. 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 24-25 of this report.

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 \$34.6 million. Approximately 24.5% 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, Construction & Improvement of Recreational Facilities 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 \$10,581,774 of which \$10,024,036 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 34.7% of the total fund expenditures, while total fund balance represents 36.7% 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 2014 was \$189,323. This increase was a result of the reduction of expenditures during the fiscal year by the amount of \$571,749 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.

The governmental fund financial statements can be found on pages 26-30 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 31).

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 Enterprise.

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 2013 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 32-34 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. The notes to the basic financial statements can be found on pages 35-87 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 notes to the financial statements and can be found on pages 88-103 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, 2014 and 2013:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Non-current Assets	\$ 57,429,703	\$ 60,953,780	\$ 3,031,771	\$ 2,015,972	\$ 60,461,474	\$ 62,969,752
Capital Assets (as Restated)	210,261,974	195,583,611	10,891,270	9,608,418	221,153,244	205,192,029
Total Assets	267,691,677	256,537,391	13,923,041	11,624,390	281,614,718	268,161,781
Current Liabilities	6,420,903	5,606,625	222,361	161,439	6,643,264	5,768,064
Unearned Revenues	9,357,268	9,376,437	-	-	9,357,268	9,376,437
Noncurrent Liabilities	99,303,120	94,882,063	3,247	37,332	99,306,367	94,919,395
Total Liabilities	115,081,291	109,865,125	225,608	198,771	115,306,899	110,063,896
Net Position						
Net Investment in Capital Assets	128,568,583	123,887,885	10,891,270	9,608,418	139,459,853	133,496,303
Restricted	21,098,552	20,662,715	-	-	21,098,552	20,662,715
Unrestricted	2,943,251	2,121,666	2,806,163	1,817,201	5,749,414	3,938,867
Total Net Position	\$ 152,610,386	\$ 146,672,266	\$ 13,697,433	\$ 11,425,619	\$ 166,307,819	\$ 158,097,885

Analysis of Net Position

As noted earlier net position (assets over liabilities) may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$166,307,819 at the close of the most recent fiscal year.

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 \$139,459,853 [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.

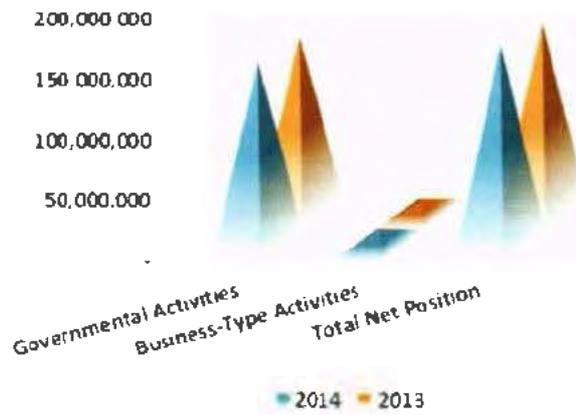
As of June 30, 2014 the **Municipality** presented unrestricted net position of \$5,749,414. This balance was affected by long-term obligations such as compensated absences \$4,951,914, and other debts for the amount of \$3,197,280 (including Landfill Post-Closure Care Costs obligation of \$3,002,276) 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 \$2,806,163 in unrestricted net position reported in connection with the **Municipality's** Business-Type Activities and \$2,943,251 in Governmental Activities.

continue

An additional portion of the **Municipality's** net position (\$21,098,552) represents resources that are subject to external restrictions on how they may be used. There was an increase of \$435,837 in restricted net position. (See **Table 1** and **Figure 1**)

FIGURE 1

Commonwealth of Puerto Rico
Autonomous Municipality of Aguadilla
Net Position by Sources
(In Dollars)



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Changes in Net Position

The following table summarizes the changes in net position for the years ended June 30, 2014 and 2013:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,553,791	\$ 1,854,693	\$ 2,431,648	\$ 2,179,690	\$ 3,985,439	\$ 4,034,383
Operating Grants and Contributions	10,860,546	8,907,699	-	-	10,860,546	8,907,699
Capital Grants and Contributions	-	72,305	-	-	-	72,305
General Revenues:						
Property Taxes	16,048,488	13,686,377	-	-	16,048,488	13,686,377
Volume of Business Taxes	10,266,649	10,816,480	-	-	10,266,649	10,816,480
Sales and Usage Taxes	4,300,571	4,408,603	-	-	4,300,571	4,408,603
Construction Excise Taxes	1,626,065	2,039,815	-	-	1,626,065	2,039,815
Intergovernmental	6,927,561	10,873,228	-	-	6,927,561	10,873,228
Interests	613,672	405,120	-	-	613,672	405,120
Other General Revenues	832,151	409,439	-	-	832,151	409,439
Total Revenues	53,029,494	53,473,759	2,431,648	2,179,690	55,461,142	55,653,449
Governmental Activities Expenses:						
General Administration	19,157,548	19,682,732	-	-	19,157,548	19,682,732
Public Safety	2,037,547	1,979,991	-	-	2,037,547	1,979,991
Public Works	2,762,485	3,202,954	-	-	2,762,485	3,202,954
Culture and Recreation	998,705	1,327,901	-	-	998,705	1,327,961
Health and Sanitation	3,983,684	4,520,704	-	-	3,983,684	4,520,704
Landfill Post-Closure Care Costs	-	1,675,885	-	-	-	1,675,885
Public Instruction	6,154,158	6,130,946	-	-	6,154,158	6,130,946
Human Services and Welfare	6,102,196	7,743,953	-	-	6,102,196	7,743,953
Urban Development	522,299	6,251,920	-	-	522,299	6,251,920
Interest Costs	3,722,696	3,755,996	-	-	3,722,696	3,755,996
Total Expenses	45,441,318	56,273,042	-	-	45,441,318	56,273,042
Business-Type Activities Expenses:						
Aguadilla City Enterprises	-	-	1,809,890	2,075,427	1,809,890	2,075,427
Total Expenses	-	-	1,809,890	2,075,427	1,809,890	2,075,427
Increase (Decrease) in Net Position Before Capital Contribution and Transfer						
	7,588,176	(2,799,283)	621,758	104,263	8,209,934	(2,695,020)
Capital Contributions	(1,669,127)	(357,892)	1,669,127	357,892	-	-
Transfer-in (Out)	19,071	-	(19,071)	-	-	-
Changes in Net Position	5,938,120	(3,157,175)	2,271,814	462,155	8,209,934	(2,695,020)
Net Position - Beginning	146,672,266	149,829,441	11,425,619	10,963,464	158,097,885	160,792,905
Net Position - Ending	\$ 152,610,386	\$ 146,672,266	\$ 13,697,433	\$ 11,425,619	\$ 166,307,819	\$ 158,097,885

continue

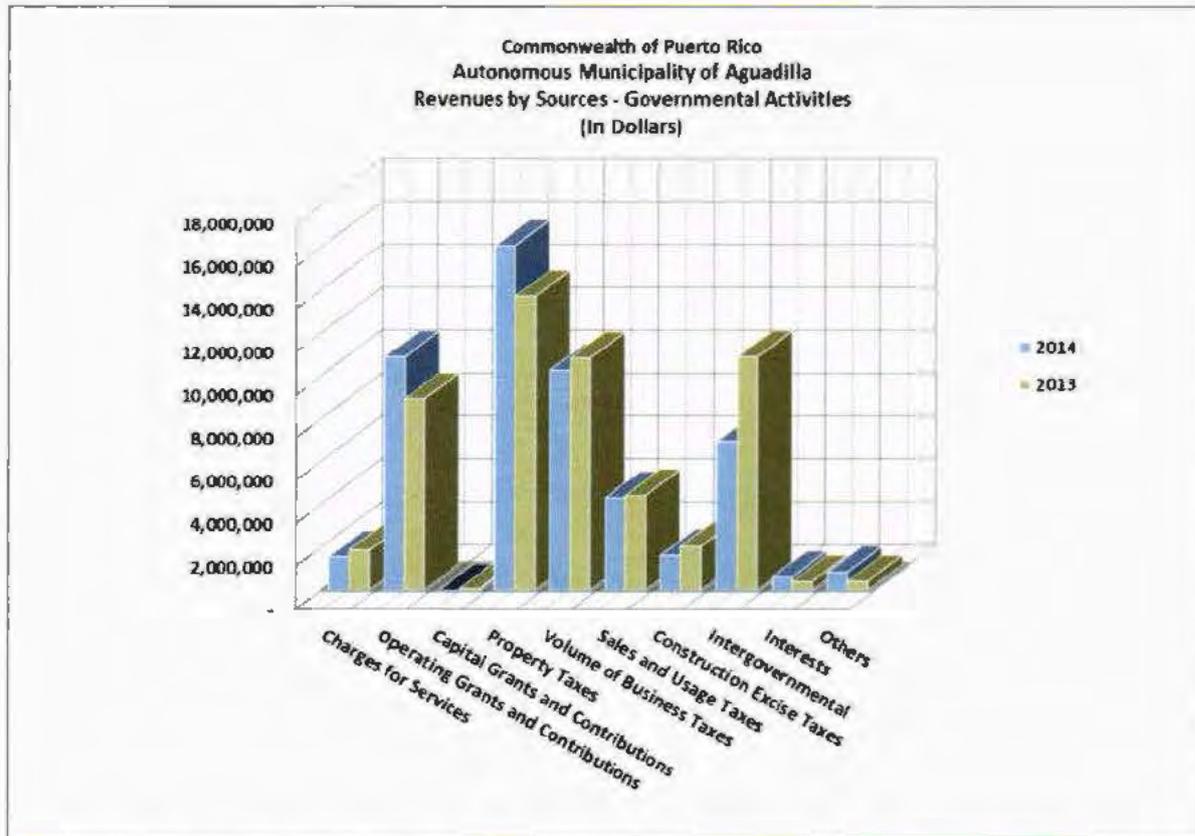
Analysis of Changes in Net Position

The **Municipality's** net position overall increased by \$8,209,934 during fiscal year 2013-2014, compared to (\$2,695,020) decrease last fiscal year. The Governmental Activities component of 2013-2014 change was a \$5,938,120 increase, and Business-Type Activities increase of \$2,271,814, that compare with the prior year net change of (\$2,695,020). A discussion of these changes is presented in the Government and Business-Type Activities below.

Governmental Activities. The **Municipality's** net position increased by \$5,938,120 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 2 present revenues comparison by sources of the Governmental Activities during the past two years:

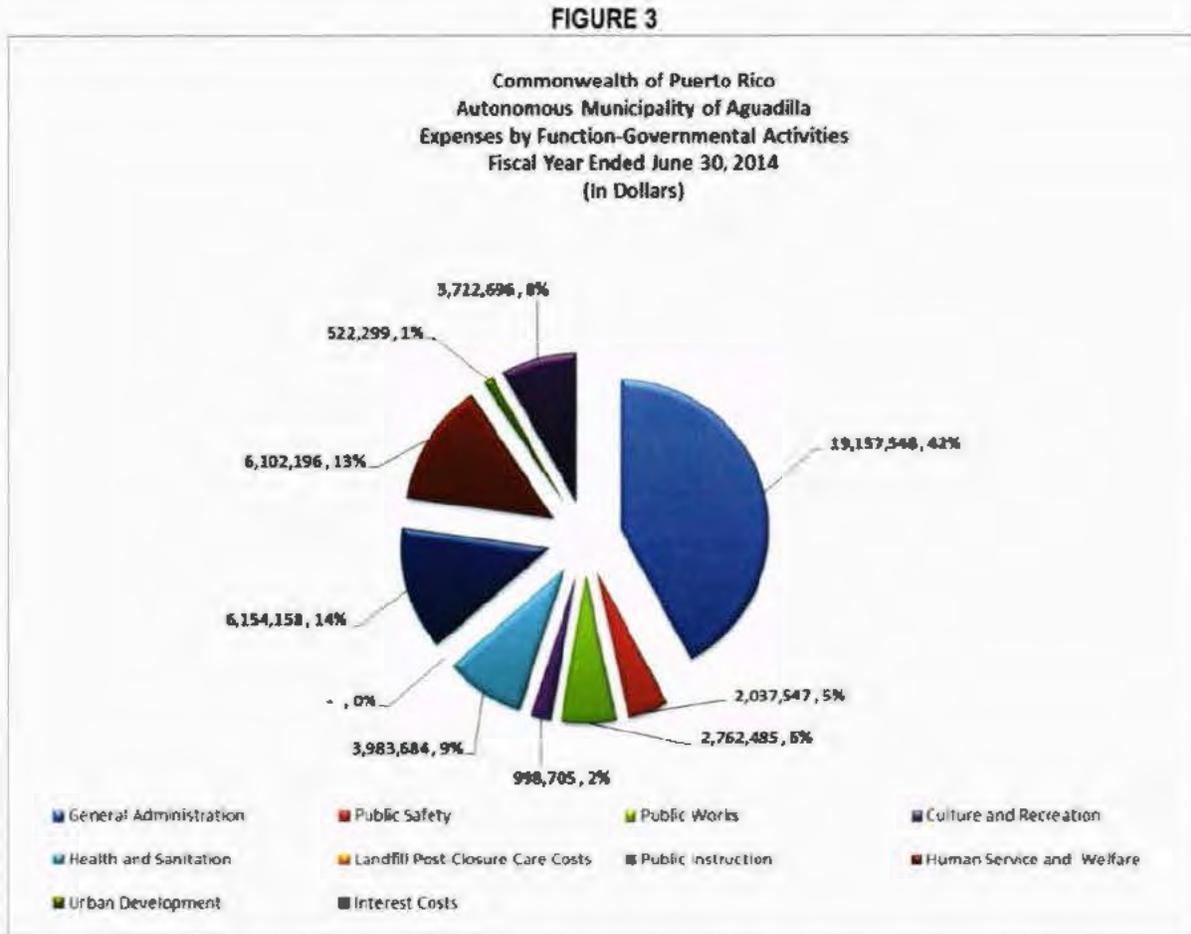
FIGURE 2



Approximately 20.5% of the **Municipality's** revenues came from grants and contributions, 30.3% from property taxes, volume of business taxes 19.4%, intergovernmental 13%, and 16.8% from other sources. The **Municipality's** expenses cover a range of services. The largest expenses are general administration with 42.2%, education representing approximately 13.5%, human services and welfare with 13.4%, and health and sanitation with 8.8%. Program revenues of the **Municipality** covered 27.3% of total expenses.

Expenses decreased 19.25% or (\$10,831,724) in comparison with 2013 year principally from reduction in public works, culture and recreational, health and sanitation, landfill post-closure care costs, human services and welfare and urban development.

Figure 3 present expenses by function of the Governmental Activities during the fiscal year 2013-2014:

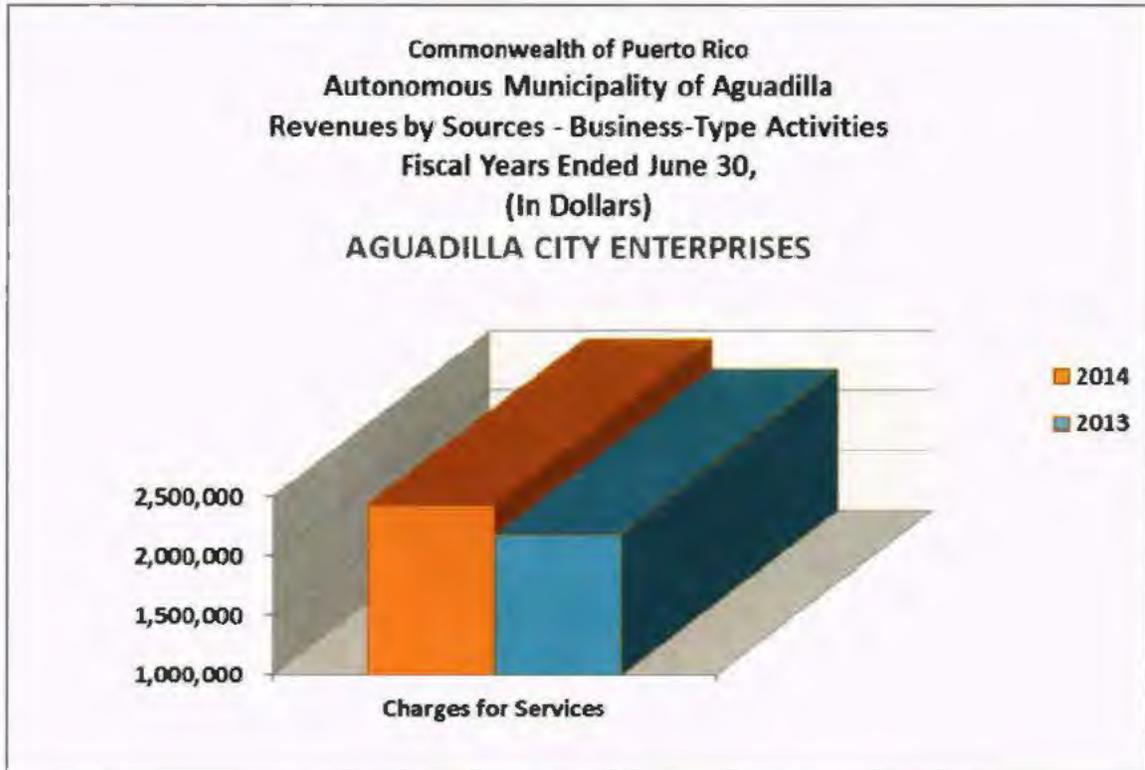


Business-Type Activities. The proprietary fund net position increased by \$2,271,814 during the current fiscal year, after a capital contributions of \$1,669,127 from general fund. The increase in charges for services and the reduction in expenses was due to a coordinated program to use all recreational facilities with a corresponding cost control.

For the most part, decreases in expenses closely related to expenses control to cover specific areas in the demand for services. During 2013 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 a program of coordinated activities within all facilities are functioned.

Figures 4 present revenues by sources and expenses comparison of the Business-Type Activities during the past two years:

FIGURES 4



Commonwealth of Puerto Rico
Autonomous Municipality of Aguadilla
Expenses - Business-Type Activities
Fiscal Years Ended June 30,
(In Dollars)
AGUADILLA CITY ENTERPRISES



continue

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	
	2014	2013	2014	2013
Governmental Activities:				
General Government	\$ 19,157,548	\$ 19,682,732	\$ 18,104,033	\$ 18,570,094
Public Safety	2,037,547	1,979,991	1,959,795	1,877,324
Public Works	2,762,485	3,202,954	2,762,485	3,202,954
Culture and Recreation	998,705	1,327,961	998,705	1,310,320
Health and Sanitation	3,983,684	4,520,704	3,483,408	3,796,290
Landfill Post-Closure Care Costs	-	1,675,885	-	1,675,885
Public Instruction	6,154,158	6,130,946	654,841	629,469
Human Services and Welfare	6,102,196	7,743,953	3,091,037	5,385,054
Urban Development	522,299	6,251,920	(1,750,019)	5,234,959
Interest Costs	3,722,696	3,755,996	3,722,696	3,755,996
Total Expenses	<u>45,441,318</u>	<u>56,273,042</u>	<u>33,026,981</u>	<u>45,438,345</u>
Business-Type Activities:				
Aguadilla City Enterprises	1,809,890	2,075,427	(621,758)	(104,263)
Total Expenses	<u>1,809,890</u>	<u>2,075,427</u>	<u>(621,758)</u>	<u>(104,263)</u>
Total Expenses	<u>\$ 47,251,208</u>	<u>\$ 58,348,469</u>	<u>\$ 32,405,223</u>	<u>\$ 45,334,082</u>

Some of the cost of Governmental Activities in 2014 was paid by those who directly benefited from the programs (\$1,553,791) and other governments and organizations that subsidized certain programs with grants and contributions (\$10,860,546). The \$33,026,981 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 2014 were paid by those directly benefited from the programs.

FINANCIAL ANALYSIS OF THE MUNICIPALITY'S FUNDS

Governmental Funds

The focus of the **Municipality's** governmental funds is to provide information on near-term inflows, outflows and balances of resources available for spending. 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**).

Table 4

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

FUNDS:	FUND BALANCES									
	Restricted		Committed		Assigned		Unassigned		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
General	\$ -	\$ 181	\$ 247,961	\$ 749,612	\$ 309,747	\$ 336,696	\$ 10,024,036	\$ 9,303,662	\$ 10,581,774	\$ 10,392,451
Head Start	-	-	-	-	-	-	-	-	-	-
Constr. & Improv.	-	-	-	-	-	-	-	-	-	-
Recr. Facilities	5,623,141	8,363,916	3,726	3,726	-	-	-	(112,318)	5,626,867	8,255,326
Real Marina	5,294,309	9,095,685	-	-	-	-	-	-	5,294,309	9,095,685
Las Cascadas Hotel	-	-	-	-	-	-	(1,118,848)	(1,609,411)	(1,118,848)	(1,609,411)
Debt Service	7,623,529	7,827,722	-	-	-	-	-	-	7,623,529	7,827,722
Other Governmental	3,070,327	3,101,396	3,986,395	2,329,858	-	-	(424,088)	(527,119)	6,632,634	4,904,135
Total	\$ 21,611,308	\$ 28,388,900	\$ 4,238,112	\$ 3,883,196	\$ 309,747	\$ 338,696	\$ 8,461,100	\$ 7,055,116	\$ 34,640,265	\$ 38,865,908

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 \$34.6 million. Approximately 24.5% 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, 2013, the governmental funds reported combined ending fund balances of \$38.8 million, with a net decrease of approximately (\$4.2) million in comparison with the current year. This decrease was due primarily by the uses of restricted funds.

The general fund is the operating fund of the **Municipality**. Unassigned Fund Balance of the General Fund represents approximately 28.9% of total fund balances and 94.7% 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, Construction & Improvement of Recreational, 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.

For the year ended June 30, 2014, the fund balance of the general fund increased by \$189,323 when in the prior year there is an increase of \$179,651 (see **Table 5**).

Table 5

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

Description	2014	2013
Revenues:		
Property Taxes	\$ 10,113,691	\$ 9,026,096
Volume of Business Taxes	10,266,649	10,816,480
Sales and Usage Taxes	1,030,904	1,385,764
Construction Excise Taxes	1,626,065	2,039,815
Intergovernmental	6,692,224	6,853,262
Interests	570,453	337,591
Charges for Service	199,999	332,489
Miscellaneous	828,470	374,515
Total Revenues	<u>31,328,455</u>	<u>31,166,012</u>
Expenditures:		
General Government	16,666,380	16,774,165
Public Safety	1,791,935	1,791,429
Public Work	2,470,945	2,891,327
Culture and Recreation	768,716	1,161,364
Health and Sanitation	2,682,387	2,823,870
Landfill Post-Closure Costs	22,523	192,797
Human Services and Welfare	3,109,210	3,234,571
Urban Development	440,980	519,239
Capital Outlay	904,093	40,156
Total Expenditures	<u>28,857,169</u>	<u>29,428,918</u>
Net Transfer In (Out)	(2,281,963)	(1,557,443)
Other Financing Sources	-	-
Net Change in Fund Balance	<u>\$ 189,323</u>	<u>\$ 179,651</u>

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.

continue

GENERAL FUND BUDGETARY HIGHLIGHTS

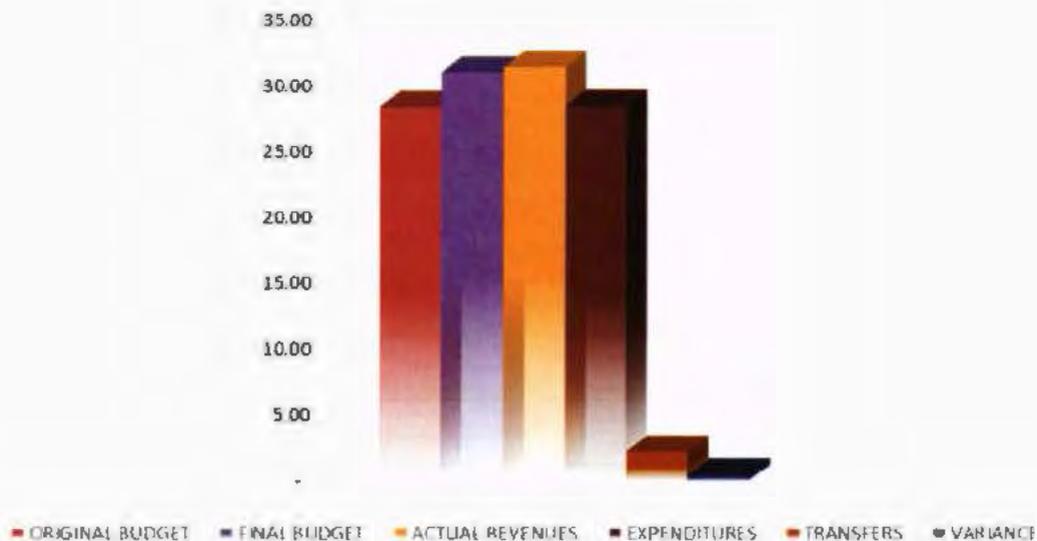
The General Fund original budget for the fiscal period 2013-2014 was lesser than prior year budget by approximately \$2.6 million due to a decrease in volume of business taxes and construction excise taxes revenues. Actual revenues were more than the revised budgeted revenues by \$455,254 due to limited increase in all revenues, except sales and usage taxes and property taxes revenues.

Also, economies were generated during the year of approximately \$171,000. The **Municipality** reported less expenditure than appropriations in those functions on payments for professional and nonprofessional services. Total Variances amounted to \$626,130 or 0.02% of estimated resources.

Figure 5 presents the budgetary comparison by their components during the fiscal year 2013-2014:

FIGURE 5

Commonwealth of Puerto Rico
Autonomous Municipality of Aguadilla
Fiscal Year Ended June 30, 2014
BUDGETARY ANALYSIS
(In Million of \$)



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the **Municipality** has invested \$210,261,974 (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 \$14,678,363 or 7.5% more than prior year.

The **Municipality** acquired a total of \$17,917,698 of capital assets during the fiscal year 2013-2014 as follows:

continue

Governmental Activities

- Land – \$331,180
- Construction in progress of buildings and facilities – \$15,862,371 (\$6,482,206 was terminated and presented as addition to buildings and infrastructure). Principal investment corresponded to Real Marina and "Las Cascadas" Hotel projects.
- Building and Infrastructure – \$389,775
- Acquisition of Motor Vehicles – \$1,135,018
- Acquisition of Machinery and Equipment – \$199,354

Prior year adjustment was presented for land and construction in progress for a total amount of \$832,643 and (\$81,116), respectively.

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 (\$1,942,980).

Business-Type Activities

- Construction in progress of buildings – (\$639,457) was terminated and presented as addition to buildings)
- Acquisition of Equipment – \$15,554

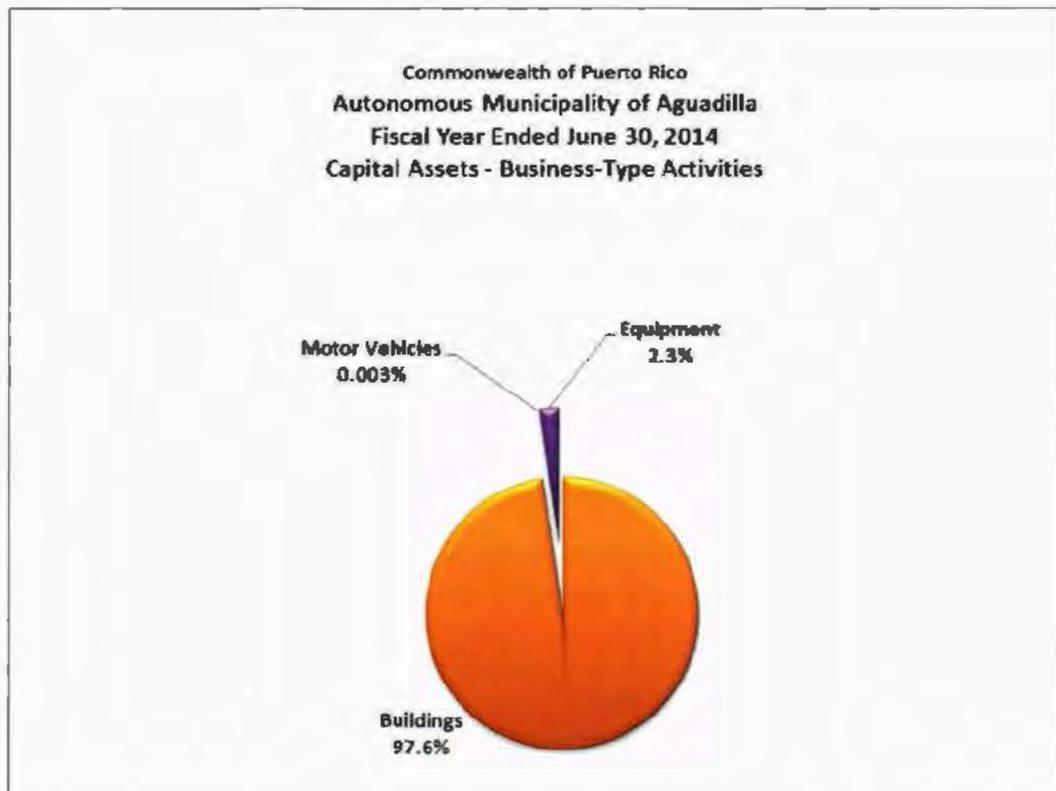
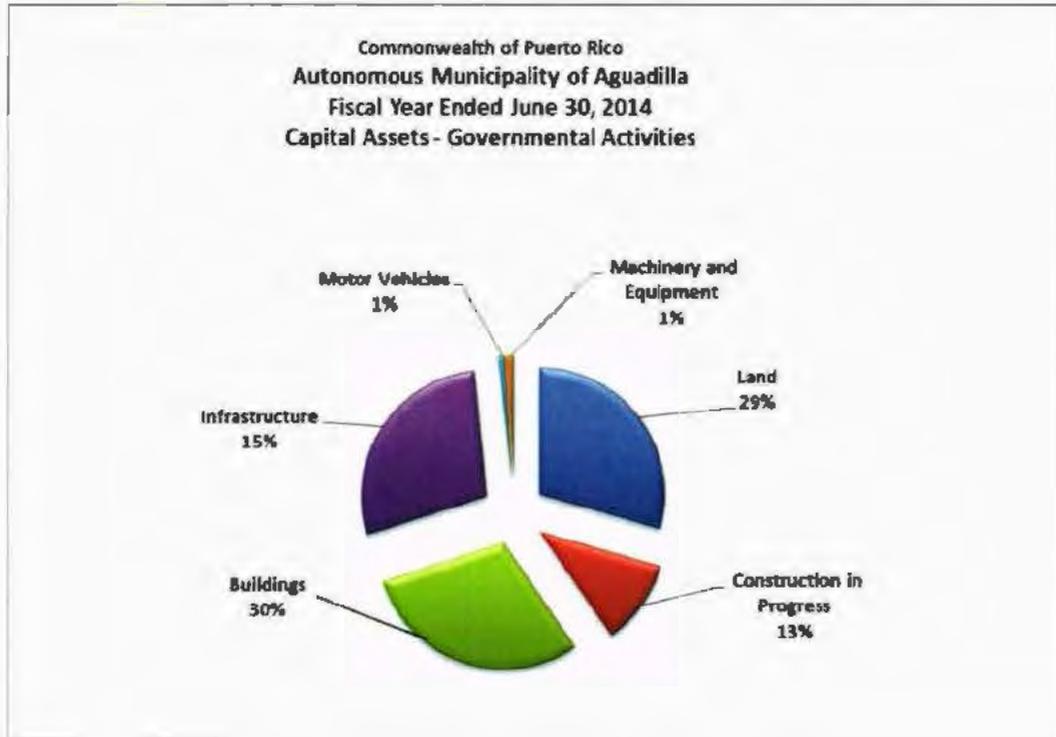
During the year, fully depreciated motor vehicles was retired for the amount of (\$10,000).

Table 6 and Figures 6 present the components of capital assets during the fiscal year 2013-2014:

Description	2014	2013
Governmental Activities:		
Non-Depreciable Capital Assets:		
Land	\$ 61,864,581	\$ 61,533,401
Construction in Progress	23,013,568	13,633,403
Depreciable Capital Assets (Net):		
Buildings	62,426,057	60,269,752
Infrastructure	59,551,366	57,457,692
Motor Vehicles	1,717,081	1,053,327
Machinery and Equipment	1,689,321	1,636,036
Total Governmental Capital Assets	<u>210,261,974</u>	<u>195,583,611</u>
Business-Type Activities:		
Non-Depreciable Capital Assets:		
Construction in Progress	-	143,330
Depreciable Capital Assets (Net):		
Buildings	10,635,078	9,108,971
Motor Vehicles	4,199	7,348
Equipment	251,993	348,769
Total Business-Type Capital Assets	<u>10,891,270</u>	<u>9,608,418</u>
Total	<u>\$ 221,153,244</u>	<u>\$ 205,192,029</u>

continue

FIGURES 6



Additional information on the Municipality's capital assets can be found in Note 10 to the financial statements on pages 63-64 of this report.

continue

Noncurrent Liabilities

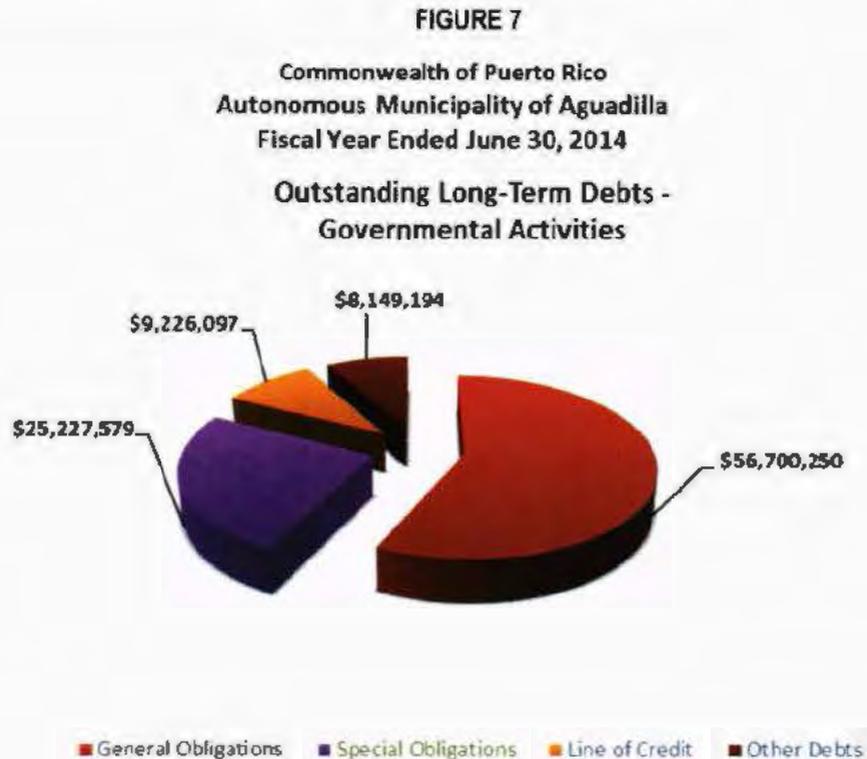
On September 2012, the **Municipality** received the approval of a Non-Revolving Construction Credit Facility (Non-Revolving Facility) and a Permanent Financing Facility Revenue Bond (Permanent Facility) under the Municipal Financing Act of 1996 in the amount of \$21,750,000 for the construction of Las 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 2013-2014 the amount of \$9,226,097 of the Non-Revolving Facility Line of Credit are used. 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.

At year-end, the **Municipality** had \$81,927,929 in general and special obligations bonds, a decrease of 4.8% with respect to prior year. Following is a summary of the **Municipality's** outstanding debt as of June 30, 2014 and 2013:

Table 7		
Commonwealth of Puerto Rico		
Autonomous Municipality of Aguadilla		
Outstanding Long-Term Debts		
As of June 30,		
	<u>2014</u>	<u>2013</u>
Governmental Activities:		
General and Special Obligation Bonds	\$ 81,927,829	\$ 86,094,829
Line of Credit	9,226,097	-
Law Number 146 - MRCC	171,019	180,519
MRCC Liquidation	-	905,074
Deferred Credits	-	36,819
Landfill Obligation	3,002,276	3,054,578
Claims and Judgments	23,985	35,574
Compensated Absences	4,951,914	4,574,670
Total	<u>\$ 99,303,120</u>	<u>\$ 94,882,063</u>
Business-Type Activities:		
Compensated Absences	<u>\$ 3,247</u>	<u>\$ 37,332</u>

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Figure 7 presents the components of long-term debts during the fiscal year 2013-2014:



More detailed information about the **Municipality's** long-term liabilities is presented in Note 11 to the financial statements on pages 65-69 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

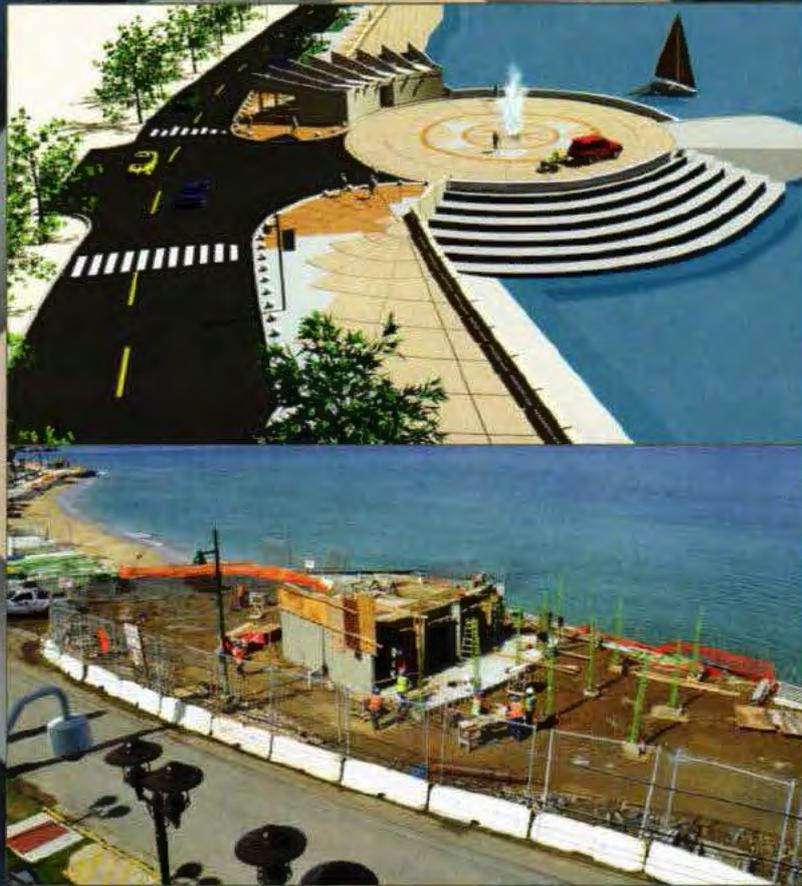
The **Municipality's** selected and appointed officials considered many factors when setting the fiscal year 2013-2014 budget. One of these factors is the economy. Among economic areas considered are the population growth estimates, personal income, housing statistics and unemployment rates. The **Municipality's** 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 2014-2015 are \$28.9 million, approximately \$600,000 additional than the fiscal year 2013-2014. The **Municipality** expects limited changes in revenues for the next year due to Puerto Rico economic recession. 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.

BASIC FINANCIAL STATEMENTS



Paseo Real Marina



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	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS:			
Cash and Investments	\$ 30,897,335	\$ 3,031,771	\$ 33,929,106
Cash with Fiscal Agent.....	19,820,443	-	19,820,443
Amount to be Received.....	1,210,659	-	1,210,659
Receivables (Net):			
Federal Grants	4,666,445	-	4,666,445
Sales and Usage Taxes	263,990	-	263,990
Due from Government Units.....	487,903	-	487,903
Others	76,777	-	76,777
Internal Balances.....	<u>6,151</u>	<u>(6,151)</u>	<u>-</u>
Capital Assets:			
Land, Improvements and Construction in Progress	84,878,149	-	84,878,149
Other Capital Assets [Net of Depreciation].....	<u>125,383,825</u>	<u>10,891,270</u>	<u>136,275,095</u>
Total Capital Assets.....	<u>210,261,974</u>	<u>10,891,270</u>	<u>221,153,244</u>
TOTAL ASSETS	<u>267,691,677</u>	<u>13,916,890</u>	<u>281,608,567</u>
LIABILITIES:			
Accounts Payable and Accrued Expenses.....	4,334,784	216,210	4,550,994
Accrued Interest.....	1,096,348	-	1,096,348
Due to Governmental Units.....	495,165	-	495,165
Deposits and Bonds.....	494,606	-	494,606
Unearned Revenues.....	9,357,268	-	9,357,268
Noncurrent Liabilities:			
Due within One Year	7,777,392	3,247	7,780,639
Due in more than One Year.....	<u>91,525,728</u>	<u>-</u>	<u>91,525,728</u>
TOTAL LIABILITIES	<u>115,081,291</u>	<u>219,457</u>	<u>115,300,748</u>
NET POSITION:			
Net Investment in Capital Assets.....	128,568,583	10,891,270	139,459,853
Restricted for:			
Capital Projects	5,931,930	-	5,931,930
Head Start Program.....	3,363,189	-	3,363,189
Debt Service.....	8,218,417	-	8,218,417
Community Development Projects	1,277,547	-	1,277,547
Other Purposes	2,307,469	-	2,307,469
Unrestricted.....	<u>2,943,251</u>	<u>2,806,163</u>	<u>5,749,414</u>
TOTAL NET POSITION	<u>\$152,610,386</u>	<u>\$ 13,697,433</u>	<u>\$166,307,819</u>

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
GOVERNMENTAL ACTIVITIES:							
Mayor and Municipal Legislature ..	\$ 1,851,126	\$ -	\$ -	\$ -	(\$ 1,851,126)	\$ -	(\$ 1,851,126)
General Government	17,306,422	1,053,515	-	-	(16,252,907)	-	(16,252,907)
Public Safety	2,037,547	-	77,752	-	(1,959,795)	-	(1,959,795)
Public Works	2,762,485	-	-	-	(2,762,485)	-	(2,762,485)
Culture and Recreation	998,705	-	-	-	(998,705)	-	(998,705)
Health and Sanitation	3,983,684	500,276	-	-	(3,483,408)	-	(3,483,408)
Public Instruction	6,154,158	-	5,499,317	-	(654,841)	-	(654,841)
Human Services and Welfare.....	6,102,196	-	3,011,159	-	(3,091,037)	-	(3,091,037)
Urban Development	522,299	-	2,272,318	-	1,750,019	-	1,750,019
Interest on Long-Term Debts	3,722,696	-	-	-	(3,722,696)	-	(3,722,696)
Total Governmental Activities .	45,441,318	1,553,791	10,860,546	-	(33,026,981)	-	(33,026,981)
BUSINESS-TYPE ACTIVITIES:							
Aguadilla City Enterprises	1,809,890	2,431,648	-	-	-	621,758	621,758
Total Business-Type Activities	1,809,890	2,431,648	-	-	-	621,758	621,758
Total Activities.....	\$ 47,251,208	\$ 3,985,439	\$ 10,860,546	\$ -	(33,026,981)	621,758	(32,405,223)
GENERAL REVENUES:							
Taxes:							
Property Taxes, levied for General Purposes					10,210,899	-	10,210,899
Property Taxes, levied for Debt Service					5,837,589	-	5,837,589
Volume of Business Taxes					10,266,649	-	10,266,649
Sales and Usage Taxes					4,300,571	-	4,300,571
Construction Excise Taxes					1,626,065	-	1,626,065
Intergovernmental					6,927,561	-	6,927,561
Interests					613,672	-	613,672
Miscellaneous					832,151	-	832,151
Capital Contributions					(1,669,127)	1,669,127	-
Transfers					19,071	(19,071)	-
Total General Revenues, Capital Contributions and Transfers.....					38,965,101	1,650,056	40,615,157
Change in Net Position					5,938,120	2,271,814	8,209,934
Net Position - Beginning of Year, As Restated					146,672,266	11,425,619	158,097,885
NET POSITION - ENDING OF YEAR.....					\$152,610,386	\$ 13,697,433	\$166,307,819

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



	GENERAL FUND	HEAD START FUND	CONSTRUCTION & IMPROVEMENT OF RECREATIONAL FACILITIES FUND	REAL MARINA FUND	LAS CASCADAS HOTEL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:								
Cash and Cash Equivalents	\$ 16,601,565	\$ 89,028	\$ 590,004	\$ 5,331,612	\$ -	\$ -	\$ 8,285,126	\$ 30,897,335
Cash with Fiscal Agent	-	-	6,417,761	-	22,211	11,179,877	2,200,594	19,820,443
Amount to be Received	-	-	-	-	1,210,659	-	-	1,210,659
Receivables:								
Sales and Usage Taxes	87,500	-	-	-	-	-	176,490	263,990
Federal Grants	-	4,207,191	-	-	-	-	459,254	4,666,445
Due from Other Governmental Units – Municipal								
Revenue Collection Center	97,208	-	-	-	-	390,695	-	487,903
Due from Other Funds	4,185,222	-	3,000	-	-	-	4,758	4,192,980
Others Receivables	6,151	-	-	-	-	-	75,777	82,928
TOTAL ASSETS	\$ 20,977,646	\$ 4,296,219	\$ 7,010,765	\$ 5,331,612	\$ 1,232,870	\$ 11,570,572	\$ 11,202,999	\$ 61,622,683
LIABILITIES:								
Accounts Payable	\$ 273,272	\$ 49,337	\$ 734,665	\$ 33,572	\$ 2,205,292	\$ 2,460,000	\$ 1,038,646	\$ 6,794,784
Accrued Interest	-	-	-	-	-	1,096,348	-	1,096,348
Due to Governmental Units	495,165	-	-	-	-	-	-	495,165
Due to Other Funds	4,758	470,230	649,233	3,731	146,426	-	2,918,602	4,192,980
Deposits and Bonds	494,606	-	-	-	-	-	-	494,606
Unearned Revenues	9,030,863	-	-	-	-	-	326,405	9,357,268
Total Liabilities	10,298,664	519,567	1,383,898	37,303	2,351,718	3,556,348	4,283,653	22,431,151
DEFERRED INFLOWS OF RESOURCES:								
Unavailable Revenues – Municipal Revenue								
Collection Center	97,208	-	-	-	-	390,695	-	487,903
Unavailable Revenues – Federal Grants	-	3,776,652	-	-	-	-	286,712	4,063,364
Total Deferred Inflows of Resources	97,208	3,776,652	-	-	-	390,695	286,712	4,551,267
FUND BALANCES:								
Restricted	-	-	5,623,141	5,294,309	-	7,623,529	3,070,327	21,611,306
Committed	247,991	-	3,726	-	-	-	3,986,395	4,238,112
Assigned	309,747	-	-	-	-	-	-	309,747
Unassigned (Deficit)	10,024,036	-	-	-	(1,118,848)	-	(424,088)	8,481,100
Total Fund Balances	10,581,774	-	5,626,867	5,294,309	(1,118,848)	7,623,529	6,632,634	34,640,265
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 20,977,646	\$ 4,296,219	\$ 7,010,765	\$ 5,331,612	\$ 1,232,870	\$ 11,570,572	\$ 11,202,999	\$ 61,622,683

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



Total Fund Balances – Governmental Funds (Page 26)..... \$ 34,640,265

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.....	\$ 84,878,149	
Depreciable Capital Assets	184,247,562	
Accumulated Depreciation	<u>(58,863,737)</u>	
Total Capital Assets		210,261,974

Some of the **Municipality's** 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	3,776,652	
Municipal Revenues Collection Center – Property Taxes Liquidation...	487,903	
Community Development Block Grant Program.....	<u>286,712</u>	
Total Unavailable Revenues		4,551,267

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	(54,585,250)	
Special Obligation Bonds	(24,882,579)	
Interim Note (Line of Credit).....	(9,226,097)	
Other Obligations	<u>(8,149,194)</u>	
Total Noncurrent Liabilities.....		<u>(96,843,120)</u>

Total Net Position of Governmental Activities (Page 24)..... \$152,610,386



STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	GENERAL FUND	HEAD START FUND	CONSTRUCTION & IMPROVEMENT OF RECREATIONAL FACILITIES FUND	REAL MARINA FUND	LAS CASCADAS HOTEL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:								
Property Taxes	\$ 10,113,691	\$ -	\$ -	\$ -	\$ -	\$ 5,446,894	\$ -	\$ 15,560,585
Volume of Business Taxes	10,266,649	-	-	-	-	-	-	10,266,649
Sales and Usage Taxes	1,030,904	-	-	-	-	975,296	2,294,371	4,300,571
Construction Excise Taxes	1,626,065	-	-	-	-	-	-	1,626,065
Intergovernmental	6,692,224	-	-	-	-	-	1,023,932	7,716,156
Federal Grants	-	5,690,160	11,908	-	-	-	4,706,445	10,408,513
Interests	570,453	-	34	42,108	-	-	1,077	613,672
Charges for Service	199,999	-	-	-	-	-	1,353,792	1,553,791
Rent	125,454	-	-	-	-	-	-	125,454
Miscellaneous	703,016	-	3,478	-	-	-	45,087	751,581
Total Revenues	31,328,455	5,690,160	15,420	42,108	-	6,422,190	9,424,704	52,923,037
EXPENDITURES:								
Current:								
Mayor and Municipal Legislature	1,721,552	-	-	-	-	-	-	1,721,552
General Government	14,944,828	-	9,478	-	-	-	712,935	15,667,241
Public Safety	1,791,935	-	-	-	-	-	96,603	1,888,538
Public Works	2,470,945	-	-	-	-	-	-	2,470,945
Culture and Recreation	768,716	-	-	-	-	-	165,203	933,919
Health and Sanitation	2,682,387	-	-	-	-	-	944,970	3,627,357
Public Instruction	-	5,690,160	-	-	-	-	587,882	6,278,042
Landfill Post-Closure Care Costs	22,523	-	-	-	-	-	197,247	219,770
Human Services and Welfare	3,109,210	-	-	-	-	-	2,912,300	6,021,510
Urban Development	440,980	-	8,780	-	-	-	1,665,788	2,115,548
Capital Outlay	904,093	-	2,545,778	3,826,832	8,735,534	-	1,905,461	17,917,698
Debt Service:								
Principal	-	-	-	-	-	3,976,500	-	3,976,500
Interest and Other Charges	-	-	-	-	-	3,555,228	-	3,555,228
Total Expenditures	28,857,189	5,690,160	2,564,036	3,826,832	8,735,534	7,531,728	9,188,389	66,393,848
Excess of Revenues Over (Under)								
Expenditures	2,471,286	-	(2,548,616)	(3,784,724)	(8,735,534)	(1,109,538)	236,315	(13,470,811)

continue



STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	GENERAL FUND	HEAD START FUND	CONSTRUCTION & IMPROVEMENT OF RECREATIONAL FACILITIES FUND	REAL MARINA FUND	LAS CASCADAS HOTEL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
OTHER FINANCING SOURCES (USES):								
Proceed of Interim Note	\$ -	\$ -	\$ -	\$ -	\$ 9,226,097	\$ -	\$ -	\$ 9,226,097
Transfers – In	27,658	-	-	990,835	-	2,510,723	2,694,799	6,224,015
Transfers – Out	(2,309,621)	-	(79,843)	(1,007,487)	-	(1,605,378)	(1,202,615)	(6,204,944)
Total Other Financing Sources and (Uses).....	(2,281,963)	-	(79,843)	(16,652)	9,226,097	905,345	1,492,184	9,245,168
Net Change in Fund Balances.....	189,323	-	(2,628,459)	(3,801,376)	490,563	(204,193)	1,728,499	(4,225,643)
Fund Balances – Beginning, As Restated.....	10,392,451	-	8,255,326	9,095,685	(1,609,411)	7,827,722	4,904,135	38,865,908
FUND BALANCES – ENDING.....	\$ 10,581,774	\$ -	\$ 5,626,867	\$ 5,294,309	(\$ 1,118,848)	\$ 7,623,529	\$ 6,632,634	\$ 34,640,265

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



Net Change in Fund Balances – Total Governmental Funds (Page 29)..... (\$ 4,225,643)

Amounts reported for Governmental Activities in the Statement of Activities (Page 25) 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	\$ 17,917,698	
Depreciation Expense	<u>(3,239,335)</u>	
Excess of Capital Assets over Depreciation Expense		14,678,363

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	77,813	
Head Start Program	<u>(459,259)</u>	
Total of Revenues		106,457

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..... (9,226,097)

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..... 3,976,500

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	52,302	
Decrease in MRCC – Property Taxes Liquidation.....	905,074	
Decrease in Claims and Judgments	11,589	
Decrease in Deferred Charges.....	36,819	
Increase in Compensated Absences.....	<u>(377,244)</u>	
Total Additional Expenditures.....		<u>628,540</u>

Change in Net Position of Governmental Activities (Page 25) \$ 5,938,120



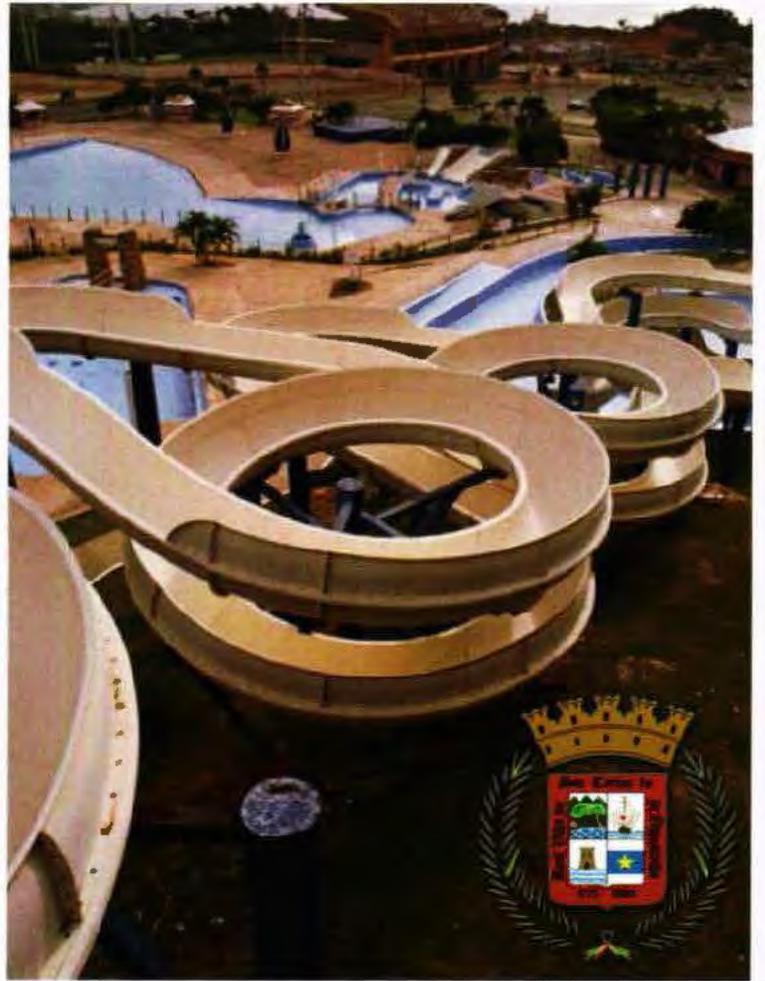
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	BUDGET AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	BUDGET TO GAAP DIFFERENCES OVER (UNDER)	ACTUAL AMOUNTS (GAAP BASIS)
	ORIGINAL	FINAL			
REVENUES:					
Property Taxes.....	\$ 9,055,527	\$ 10,118,498	\$ 10,113,691	\$ -	\$ 10,113,691
Volume of Business Taxes.....	9,600,000	10,261,845	10,266,649	-	10,266,649
Sales and Usage Taxes.....	1,400,000	1,050,002	1,030,904	-	1,030,904
Construction Excise Taxes.....	1,340,000	1,595,667	1,626,065	-	1,626,065
Intergovernmental Revenues.....	6,071,349	6,582,267	6,692,224	-	6,692,224
Interests.....	250,000	503,381	570,453	-	570,453
Miscellaneous.....	620,200	743,918	1,010,886	(B) 17,583	1,028,469
Total Revenues.....	28,337,076	30,855,618	31,310,872	17,583	31,328,455
EXPENDITURES:					
Current:					
Mayor and Municipal Legislature.....	1,736,996	1,836,011	1,765,188	(A) 43,636	1,721,552
General Government.....	14,932,185	14,727,866	14,789,650	(A) (155,178)	14,944,828
Public Safety.....	1,705,342	1,799,705	1,795,784	(A) 3,849	1,791,935
Public Works.....	2,146,071	2,016,019	2,013,246	(A) (457,699)	2,470,945
Culture and Recreation.....	722,504	830,647	808,163	(A)/(B) 39,447	768,716
Health and Sanitation.....	2,527,134	2,715,684	2,687,150	(A) 4,763	2,682,387
Landfill Post-Closure Care Costs.....	-	-	-	(B) (22,523)	22,523
Human Services and Welfare.....	3,259,350	3,222,370	3,131,770	(A) 22,560	3,109,210
Urban Development.....	444,324	433,528	426,791	(A) (14,189)	440,980
Capital Outlays.....	43,203	964,167	957,379	(A) 53,286	904,093
Total Expenditures.....	27,517,109	28,545,997	28,375,121	(482,048)	28,857,169
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	819,967	2,309,621	2,935,751	(464,465)	2,471,286
OTHER FINANCING SOURCES (USES):					
Transfers from Other Funds.....	-	-	-	(B) 27,658	27,658
Transfers to Other Funds.....	(819,967)	(2,309,621)	(2,309,621)	(B) -	(2,309,621)
Total Other Financing Sources (Uses).....	(819,967)	(2,309,621)	(2,309,621)	27,658	(2,281,963)
Net Change in Fund Balance.....	-	-	626,130	(436,807)	189,323
Budgetary Fund Balance, As Restated July 1, 2013.....	5,021,848	5,770,422	5,770,422	(C) 4,622,029	10,392,451
BUDGETARY FUND BALANCE, JUNE 30, 2014.....	\$ 5,021,848	\$ 5,770,422	\$ 6,396,552	\$ 4,185,222	\$ 10,581,774

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.

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



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	<u>BUSINESS-TYPE ACTIVITIES</u>
	<u>ENTERPRISE FUND</u>
ASSETS:	
Current Assets:	
Cash.....	\$ 3,031,771
Total Current Assets	<u>3,031,771</u>
Noncurrent Assets:	
Capital Assets:	
Buildings, Vehicles and Equipment.....	16,242,604
Less Accumulated Depreciation.....	<u>(5,351,334)</u>
Total Noncurrent Assets	<u>10,891,270</u>
TOTAL ASSETS	<u>13,923,041</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable and Accrued Expenses.....	216,210
Due to Other Funds.....	6,151
Compensated Absences.....	<u>3,247</u>
Total Current Liabilities	<u>225,608</u>
Noncurrent Liabilities	<u>-</u>
TOTAL LIABILITIES	<u>225,608</u>
NET POSITION:	
Net Invested in Capital Assets.....	10,891,270
Unrestricted.....	<u>2,806,163</u>
TOTAL NET POSITION	<u>\$ 13,697,433</u>



	<u>BUSINESS-TYPE ACTIVITIES</u>
	<u>ENTERPRISE FUND</u>
OPERATING REVENUES:	
Charges for Services.....	\$ 2,094,589
Sales.....	<u>337,059</u>
Total Operating Revenues.....	<u>2,431,648</u>
OPERATING EXPENSES:	
Contractual Services.....	108,615
Payroll Expenses.....	428,856
Fringes Benefits.....	85,443
Utilities.....	320,622
Repair and Maintenance.....	96,790
Supplies and Other Expenses.....	367,735
Depreciation.....	<u>401,829</u>
Total Operating Expenses.....	<u>1,809,890</u>
Operating Income.....	<u>621,758</u>
NONOPERATING REVENUES (EXPENSES):	
Income (Loss) Before Capital Contribution and Transfer.....	621,758
Capital Contributions.....	1,669,127
Transfer.....	<u>(19,071)</u>
Changes in Net Position	2,271,814
Net Position, Beginning.....	<u>11,425,619</u>
NET POSITION, ENDING	<u>\$ 13,697,433</u>



	<u>BUSINESS-TYPE ACTIVITIES</u>
	<u>ENTERPRISE FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers and Users	\$ 2,431,648
Payments to Suppliers	(838,991)
Payments to Employees	<u>(548,384)</u>
Net Cash Provided by Operating Activities.....	<u>1,044,273</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Internal Activities – Payments to Other Funds	90,318
Operating Subsidies and Transfers to Other Funds	<u>(19,071)</u>
Net Cash Provided by Noncapital Financing Activities.....	<u>71,247</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:	
Purchases of Capital Assets	<u>(15,554)</u>
Net Cash Used by Capital and Financing Activities	<u>(15,554)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
	<u>-</u>
Net Increase in Cash and Cash Equivalents.....	<u>1,099,966</u>
Cash, Beginning.....	<u>1,931,805</u>
Cash, Ending.....	<u>\$ 3,031,771</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income	\$ 621,758
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	401,829
(Increase) Decrease in Current Assets and Liabilities:	
Accounts and Others Payable	54,771
Compensated Absences.....	<u>(34,085)</u>
Net Cash Provided by Operating Activities.....	<u>\$ 1,044,273</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:	
Capital Contributions from Governmental Funds	<u>\$ 1,669,127</u>

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.

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, 2014, 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 this 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.

Construction & Improvement of Recreational Facilities 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.

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).

continue

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.

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, 2014 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, 2014.

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 2013 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

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, 2014, all revenues sources met this availability criterion.

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**.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

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, 2014, which are recorded as governmental fund liabilities of June 30, 2014 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.

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*.

continue

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

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continuation

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. 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 reserve 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, 2014. 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.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continuation

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.

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.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continuation

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, 2014, 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.

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) *Deferred Outflows/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. The **Municipality** has no items that qualify for reporting in this category.

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. The **Municipality** has no items that qualify for reporting in this category.

The **Municipality** has items, which arises only under a modified accrual basis of accounting that qualifies for reporting in deferred inflows of resources. Accordingly, the items, *unavailable revenue*, is reported only in the governmental funds *Balance Sheet*. The governmental funds report *unavailable revenues* from Property Taxes Liquidation from CRIM and Federal Grants. This amount is deferred and recognized as an inflow of resources in the period that the amount become available

6) *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.

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.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

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, 2014. 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.

10) *Accounting for Pension Costs*

The **Municipality** accounts for pension costs from the standpoint of a participant in a multiple-employer cost-sharing plan. Accordingly, pension costs recognized in the accompanying basic financial statements are equal to the statutorily required contributions, with a liability recorded for any unpaid required contributions.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

For the purpose of applying the requirements of GASBS No. 27, 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 multiemployer cost-sharing defined benefit pension plan and Defined Contribution Hybrid Program, in which the employees of the **Municipality** participate. The **Municipality** is considered a participant, and not a sponsor, 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).

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.

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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

- *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.

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

Capital Assets, Net of Accumulated Depreciation.....	\$210,261,974
Outstanding Balance on Related Debt.....	(89,703,926)
Unspent Capital Debt Proceeds.....	<u>8,010,535</u>
Total Net Investment in Capital Assets	<u>\$128,568,583</u>

For Business-Type Activities, net investment in capital assets is comprised only on Capital Assets, Net of Accumulated Depreciation (\$10,891,270). 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

The nonspendable classification contains amounts not in spendable form or legally or contractually required to be maintained intact. Restricted amounts contain restraints on their use externally imposed by creditors, grantors, contributors, or laws or regulation of other governments; or imposed by law through constitutional provisions or enabling legislation. Committed amounts can only be used for specific purposes imposed by formal action of the **Municipality's** highest level of decision-making authority. The highest level of decision-making authority is the Municipal Legislature and it takes a resolution to establish a fund balance commitment. Amounts intended to be used for specific purposes are assigned. Assignments should not cause deficits in the Unassigned Fund Balance. Unassigned Fund Balance is the residual classification for the General Fund.

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, 2014.

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	CONSTRUCTION & IMPROVEMENT OF RECREATIONAL FACILITIES FUND	REAL MARINA FUND	LAS CASCADAS HOTEL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Non-spendable:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted For:								
Improvement of Streets and Sidewalks	-	-	-	-	-	-	175,624	175,624
Improvement and Construction of Facilities	-	-	5,623,141	-	-	-	2,053,822	7,676,963
Aviation	-	-	-	-	-	-	621,974	621,974
Construction of Real Marina	-	-	-	5,294,309	-	-	-	5,294,309
Debt Repayment	-	-	-	-	-	7,623,529	-	7,623,529
Educational Activities	-	-	-	-	-	-	18,707	18,707
Total Restricted	-	-	5,623,141	5,294,309	-	7,623,529	3,070,337	21,611,308
Committed To:								
Improvement of Streets and Sidewalks	-	-	-	-	-	-	991,056	991,056
Improvement and Construction of Facilities	-	-	3,726	-	-	-	657,942	701,675
Construction of Real Marina	-	-	-	-	-	-	596,823	596,823
Solid Waste and Landfill	-	-	-	-	-	-	36,923	36,923
Sanitation - Post Closure Care Costs	-	-	-	-	-	-	1,077,429	1,077,429
Recreation	-	-	-	-	-	-	318,269	318,269
Debt Repayment	-	-	-	-	-	-	67,636	67,636
Cable Utility	-	-	-	-	-	-	47,010	47,010
General Government	247,991	-	-	-	-	-	-	247,991
Total Committed	247,991	-	3,726	-	-	-	3,988,385	4,236,112
Assigned To:								
General Government	308,747	-	-	-	-	-	-	308,747
Total Assigned	308,747	-	-	-	-	-	-	308,747
Unassigned:	10,054,036	-	-	-	(1,118,948)	-	(424,088)	8,491,100
Total Fund Balance	\$ 10,361,774	\$ -	\$ 5,623,167	\$ 5,294,309	\$ (1,118,948)	\$ 7,623,529	\$ 6,633,634	\$ 34,840,265

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.

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 no intra-entity transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

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, 2014 amounted to \$798,816, 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, 2014 amounted to \$712,744. In addition, MRCC deducted approximately \$867,867 for workers compensation insurance covering all municipal employees for the same period.

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, 2014, there are not investments or cash equivalents reported, only cash in commercial banks.

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.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation**J. Future Adoption of Accounting Pronouncements**

The Governmental Accounting Standards Board issued the following pronouncements that have effective dates after June 30, 2014:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. 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.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

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. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013 (FY 2014-2015), and should be applied on a prospective basis.

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. The provisions are effective simultaneously with the provisions of Statement 68, which is required to be applied in fiscal years beginning after June 15, 2014 (FY 2014-2015).

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*, **\$34,640,265**, differ from net position of Governmental Activities, **\$152,610,386**, 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	\$269,125,711
Accumulated Depreciation.....	<u>(58,863,737)</u>
Net adjustment to increase <i>Fund Balance – Governmental Funds</i> to arrive at <i>Net Position – Governmental Activities</i>	<u>\$210,261,974</u>

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by unavailable revenues in the governmental funds and thus are not included in fund balance.

Unavailable Revenues – Municipal Revenues Collection Center	\$ 487,903
Unavailable Revenues – Federal Grants.....	<u>4,063,364</u>
Unavailable Revenues.....	<u>\$ 4,551,267</u>

continue

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

	Balance Sheet/Statement of Net Position			
	Total Governmental Funds	Noncurrent Assets, Liabilities (A)	Reclassi- fications and Eliminations	Statement of Net Position Totals
Assets:				
Cash	\$ 30,897,335	\$ -	\$ -	\$ 30,897,335
Cash with Fiscal Agent	19,820,443	-	-	19,820,443
Amount to be Received	1,210,659	-	-	1,210,659
Receivables, net:				
Federal Grants	4,666,445	-	-	4,666,445
Sales and Usage Taxes	263,990	-	-	263,990
Due to Governmental Units - Municipal				
Revenues Collection Center	487,903	-	-	487,903
Due from Other Funds	4,192,980	-	(4,192,980)	-
Others Receivables	76,777	-	-	76,777
Internal Balances	6,151	-	-	6,151
Capital Assets, Net	-	210,261,974	-	210,261,974
Total Assets	\$ 61,622,683	\$ 210,261,974	\$ (4,192,980)	\$ 267,691,677
Liabilities:				
Accounts Payable	\$ 6,794,784	\$ (2,460,000)	\$ -	\$ 4,334,784
Accrued Interests	1,096,348	-	-	1,096,348
Due to Governmental Units	495,165	-	-	495,165
Deposits and Bonds	494,606	-	-	494,606
Due to Other Funds	4,192,980	-	(4,192,980)	-
Unearned Revenues	9,357,268	-	-	9,357,268
Noncurrent Liabilities	-	99,303,120	-	99,303,120
Total Liabilities	22,431,151	96,843,120	(4,192,980)	115,081,291
Deferred Inflows of Resources:				
Unavailable Revenues - Municipal				
Revenues Collection Center	487,903	-	(487,903)	-
Unavailable Revenues - Federal Grants	4,063,364	-	(4,063,364)	-
Total Deferred Inflows of Resources	4,551,267	-	(4,551,267)	-
Fund Balances/Net Position:				
Total Fund Balances/Net Position	34,640,265	113,418,854	4,551,267	152,610,386
Total Liabilities, Deferred Inflows of Resources and Fund Balances / Net Position	\$ 61,622,683	\$ 210,261,974	\$ (4,192,980)	\$ 267,691,677

continue

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

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	\$ 171,019
Claims and Judgments	23,985
Landfill Post-Closure Care Costs	3,002,276
Compensated Absences	4,951,914
Line of Credit	9,226,097
General Obligations Bonds.....	56,700,250
Special Obligations Bonds.....	<u>25,227,579</u>
	99,303,120
Escrow Funds for General Obligations Bonds (Short-Term)	<u>(2,460,000)</u>
 Net adjustment to increase <i>Fund Balance – Governmental Funds</i> to arrive at <i>Net Position – Governmental Activities</i>	 \$ 96,843,120

Also, an elimination of the Due from/to Other Funds of \$4,192,980 was excluded in the *Statement of Net Position*, maintaining an internal balance receivable with the Proprietary Funds of \$6,151.

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, **[((\$4,225,643)]**, differs from the change in net position for Governmental Activities **[\$5,938,160]**. 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.....	452,033
Intergovernmental Contributions	(788,595)
Miscellaneous.....	<u>(44,884)</u>
 Net adjustment to increase <i>Net Changes in Fund Balance – Total</i> <i>Governmental Funds</i> to arrive at <i>Changes in Net Position –</i> <i>Governmental Activities</i>	 \$ 106,457

(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.....	\$ 17,917,698
Depreciation Expenses.....	<u>(3,239,335)</u>
 Net adjustment to increase <i>Net Changes in Fund Balance – Total</i> <i>Governmental Funds</i> to arrive at <i>Changes in Net Position –</i> <i>Governmental Activities</i>	 \$ 14,678,363

continue

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
Revenues:					
Property Taxes	\$ 15,560,585	\$ 487,903	\$ -	\$ -	\$ 16,048,488
Volume of Business Taxes	10,266,649	-	-	-	10,266,649
Sales and Usage Taxes	4,300,571	-	-	-	4,300,571
Construction Excise Taxes	1,626,065	-	-	-	1,626,065
Intergovernmental	7,716,156	(788,595)	-	-	6,927,561
Federal Grants	10,408,513	452,033	-	-	10,860,546
Interests	613,672	-	-	-	613,672
Charges for Services	1,553,791	-	-	-	1,553,791
Rent	125,454	-	-	-	125,454
Miscellaneous	751,581	(44,884)	-	-	706,697
Total Revenues	<u>52,923,037</u>	<u>106,457</u>	<u>-</u>	<u>-</u>	<u>53,029,494</u>
Expenditures/Expenses:					
Current:					
Mayor and Municipal Legislature	1,721,552	-	129,574	-	1,851,126
General Government	15,667,241	-	2,091,535	(452,354)	17,306,422
Public Safety	1,888,538	-	149,009	-	2,037,547
Public Works	2,470,945	-	291,540	-	2,762,485
Culture and Recreation	933,919	-	64,786	-	998,705
Health and Sanitation	3,627,357	-	356,327	-	3,983,684
Landfill Post-Closure Care Costs	219,770	-	-	(219,770)	-
Public Instruction	6,278,042	-	-	(123,884)	6,154,158
Human Services and Welfare	6,021,510	-	80,686	-	6,102,196
Urban Development	2,115,548	-	75,878	(1,669,127)	522,299
Capital Outlay	17,917,698	-	(17,917,698)	-	-
Debt Service:					
Principal	3,976,500	-	-	(3,976,500)	-
Interest and Other Charges	3,555,228	-	-	167,468	3,722,696
Total Expenditures/Expenses	<u>66,393,848</u>	<u>-</u>	<u>(14,678,363)</u>	<u>(6,274,157)</u>	<u>45,441,318</u>
Other Financing Sources (Uses)					
Proceed of Interim Note	9,226,097	-	-	(9,226,097)	-
Capital Contributions	-	-	(1,669,127)	-	(1,669,127)
Net Transfers (to) from Other Funds	19,071	-	-	-	19,071
Total Other Financing Sources (Uses)	<u>9,245,168</u>	<u>-</u>	<u>(1,669,127)</u>	<u>(9,226,097)</u>	<u>(1,650,056)</u>
Net Change in Fund Balances /					
Change in Net Position	<u>\$ (4,225,643)</u>	<u>\$ 106,457</u>	<u>\$ 13,009,236</u>	<u>\$ (2,951,930)</u>	<u>\$ 5,938,120</u>

continue

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..... (\$ 3,976,500)

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 \$167,468).....	(52,302)
Deferred Charges	(36,819)
MRCC Liquidation	(905,074)
Claims and Judgments.....	(11,589)
Compensated Absences	<u>377,244</u>
	<u>(628,540)</u>

Net adjustment to decrease *Net Changes in Fund Balance – Total Governmental Funds* to arrive at *Changes in Net Position – Governmental Activities* (\$ 4,605,040)

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:

Line of Credit..... (\$ 9,226,097)

Net adjustment to decrease *Net Changes in Fund Balance – Total Governmental Funds* to arrive at *Changes in Net Position – Governmental Activities* (\$ 9,226,097)

Also, a reclassification of Urban Development expenditures in the amount of \$1,669,127 was excluded in the *Statement of Revenues, Expenditures, and Changes in Fund Balances*, which corresponded to Capital Contribution presented in the *Statement of Activities*.

4. CASH AND INVESTMENTS

Cash in Banks

Municipality's cash and investments at June 30, 2014 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 \$21.5 million are certificates of deposits and interest bearing account, and are recorded at cost, which approximates fair value. Of this amount, \$1.2 million correspond to Proprietary Fund.

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, 2014, the pool cash account in commercial banks had a balance of \$30.9 million of which \$16.6 million in the General Fund, \$89,028 in Head Start Fund, \$590,004 in Constructions & Improvement of Recreational Facilities Fund, \$5.3 million in Real Marina Fund, and \$8.3 million in Other Governmental Funds. For the Proprietary Funds, the Aguadilla's City Enterprises has cash in commercial bank in the amount of \$3.3 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 \$11.2 million that are restricted for the payment of the **Municipality's** debt service, as required by law. Cash with Fiscal Agent of \$22,211 in the Las Cascadas Hotel Fund are restricted for future expenditures, \$6.4 million in the Constructions & Improvement of Recreational Facilities Fund restricted to improvement of recreational facilities, and \$2.2 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, 2014:

Credit Risk

This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2014, the **Municipality** has invested only in cash equivalents of \$21.5 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 or equity securities were made during the Fiscal Year ended June 30, 2014. 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, 2014.

continue

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, 2014, the **Municipality** has balances deposited in commercial banks amounting to \$30.9 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 \$19.8 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, 2014. It is management's policy to only maintain deposits in banks affiliated to FDIC to minimize the custodial credit risk, except for GDB. Therefore, the **Municipality's** management has concluded that at June 30, 2014, the custodial credit risk associated with the **Municipality's** cash and cash equivalents is considered low.

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, 2014, (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, 2014, 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, 2014.

Amount to be Received from Loans

The amount of \$1,210,659 represents funds to be received in the next fiscal year (July) for Line of Credit approved before June 30, 2014 by the Government Development Bank for payment of certification of Las Cascadas Hotel construction project.

5. RECEIVABLES

As of June 30, 2014, 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	\$ 83,047
U.S. Department of Housing and Urban Development	376,207
Total	<u>\$ 459,254</u>

continue

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:

Governmental Funds:	
Volume of Business Taxes	\$ 9,030,863
Federal Grants	<u>326,406</u>
Total Unearned Revenues	\$ <u>9,357,268</u>

7. DEFERRED INFLOWS OF RESOURCES

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 inflows of resources* reported in the basic financial statements were as follows:

Governmental Funds:	
MRCC - Property Taxes Liquidation	\$ 487,903
Federal Grants	
Head Start Program	3,776,652
Other Governmental Funds	<u>286,712</u>
Total Deferred Inflows of Resources	\$ <u>4,551,267</u>

8. INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

A. Interfund Receivable and Payable Balances

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, 2014 are summarized as follows:

Due to	Due From							Total
	General Fund	Head Start Fund	Const. & Improv. of Recreational Facilities Fund	Real Marina Fund	Las Cascadas Hotel Funds	Other Governmental Funds	Aguadilla City Enterprises	
General Fund	\$ -	\$ 470,230	\$ 649,233	\$ 3,731	\$ 146,426	\$ 2,915,602	\$ 6,151	\$ 4,191,373
Head Start Fund	-	-	-	-	-	-	-	-
Const. & Improv. of Recreational Facilities Fund	-	-	-	-	-	3,000	-	3,000
Other Governmental Funds	4,758	-	-	-	-	-	-	4,758
Aguadilla City Enterprises *	6,151	-	-	-	-	-	-	6,151
Liability Total	\$ <u>10,909</u>	\$ <u>470,230</u>	\$ <u>649,233</u>	\$ <u>3,731</u>	\$ <u>146,426</u>	\$ <u>2,918,602</u>	\$ <u>6,151</u>	\$ <u>4,205,282</u>

[* Net Due from Local Government - \$6,151]

8. INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS – continuation

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. Principally, transfers are indicative of funding for capital projects or debt service, and subsidies of various operations.

Transfers In	Transfers Out						Total
	General Fund	Const. & Improv. of Recreational Facilities Fund	Real Marina Fund	Debt Service Fund	Other Governmental Funds	Aguadilla City Enterprises	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 27,658	\$ -	\$ 27,658
Const. & Improv. Of Recreational Facilities Fund	-	-	-	-	-	-	-
Real Marina Fund	-	-	-	-	990,835	-	990,835
Debt Service Fund	1,319,114	-	1,007,487	-	184,122	-	2,510,723
Other Governmental Funds	990,507	79,843	-	1,605,378	-	19,071	2,694,799
Aguadilla City Enterprises	-	-	-	-	-	-	-
Total	\$ 2,309,621	\$ 79,843	\$ 1,007,487	\$ 1,605,378	\$ 1,202,615	\$ 19,071	\$ 6,224,015

9. DUE TO GOVERNMENTAL UNITS

As of June 30, 2014, balance due to other governmental units of the General Fund for services rendered to the **Municipality**, consists of the following:

	AMOUNT
Retirement System Administration	\$ 174,972
AEELA	27,727
Puerto Rico Water and Sewer Authority	264,150
PR General Services Administration	28,316
Total Due to Governmental Units	\$ 495,165

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10. CAPITAL ASSETS

Capital Assets activities for the fiscal year ended June 30, 2014 was as follows:

DESCRIPTION	BALANCE			DECREASE	BALANCE JUNE 30, 2014
	JULY 1, 2013	ADJUSTMENT	INCREASE		
Governmental Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 60,700,758	\$ 832,643	\$ 331,180	\$ -	\$ 61,864,581
Construction in Progress	13,714,519	(81,116)	15,862,371	(6,482,206)	23,013,568
Total Non-Depreciable Capital Assets	<u>74,415,277</u>	<u>751,527</u>	<u>16,193,551</u>	<u>(6,482,206)</u>	<u>84,878,149</u>
Depreciable Capital Assets:					
Buildings	88,137,095	-	3,643,784	-	91,780,879
Infrastructure	73,643,909	-	3,228,197	-	76,872,106
Motor Vehicles	10,421,379	-	1,135,018	(1,611,654)	9,944,743
Machinery and Equipment	5,781,806	-	199,354	(331,326)	5,649,834
Total Depreciable Capital Assets	<u>177,984,189</u>	<u>-</u>	<u>8,206,353</u>	<u>(1,942,980)</u>	<u>184,247,562</u>
Less Accumulated Depreciation					
Buildings	(27,867,343)	-	(1,487,479)	-	(29,354,822)
Infrastructure	(16,186,217)	-	(1,134,523)	-	(17,320,740)
Motor Vehicles	(9,368,052)	-	(471,264)	1,611,654	(8,227,662)
Machinery and Equipment	(4,145,770)	-	(146,069)	331,326	(3,960,513)
Total Accumulated Depreciation	<u>(57,567,382)</u>	<u>-</u>	<u>(3,239,335)</u>	<u>1,942,980</u>	<u>(58,863,737)</u>
Total Depreciable Capital Assets (Net)	<u>120,416,807</u>	<u>-</u>	<u>4,967,018</u>	<u>-</u>	<u>125,383,825</u>
CAPITAL ASSETS, NET	<u>\$194,832,084</u>	<u>\$ 751,527</u>	<u>\$ 21,160,569</u>	<u>\$ (6,482,206)</u>	<u>\$ 210,261,974</u>

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continue

10. CAPITAL ASSETS – continuation

DESCRIPTION	BALANCE			DECREASE	BALANCE
	JULY 1, 2013	ADJUSTMENT	INCREASE		
Business-Type Activities:					
Non-Depreciable Capital Assets					
Construction in Progress	\$ 143,330	\$ -	\$ 496,127	\$ (639,457)	\$ -
Total Non-Depreciable Capital Assets	<u>143,330</u>	<u>-</u>	<u>496,127</u>	<u>(639,457)</u>	<u>-</u>
Depreciable Capital Assets:					
Buildings	13,303,133	-	1,812,457	-	15,115,590
Motor Vehicles	83,385	-	-	(10,000)	73,385
Equipment	<u>1,038,075</u>	<u>-</u>	<u>15,554</u>	<u>-</u>	<u>1,053,629</u>
Total Depreciable Capital Assets	<u>14,424,593</u>	<u>-</u>	<u>1,828,011</u>	<u>(10,000)</u>	<u>16,242,604</u>
Less Accumulated Depreciation:					
Buildings	(4,194,162)	-	(286,350)	-	(4,480,512)
Motor Vehicles	(76,037)	-	(3,149)	10,000	(69,186)
Equipment	<u>(689,306)</u>	<u>-</u>	<u>(112,330)</u>	<u>-</u>	<u>(801,636)</u>
Total Accumulated Depreciation	<u>(4,959,505)</u>	<u>-</u>	<u>(401,829)</u>	<u>10,000</u>	<u>(5,351,334)</u>
Total Depreciable Capital Assets (Net)	<u>9,465,088</u>	<u>-</u>	<u>1,426,182</u>	<u>-</u>	<u>10,891,270</u>
CAPITAL ASSETS, NET	<u>\$ 9,608,418</u>	<u>\$ -</u>	<u>\$ 1,922,309</u>	<u>\$ (639,457)</u>	<u>\$ 10,891,270</u>

Depreciation expenses were charged to governmental functions/programs for the fiscal year ended June 30, 2014 as follows:

	AMOUNT
Governmental Activities:	
Major and Municipal Legislature	\$ 129,574
General Government	2,091,535
Public Safety	149,009
Public Works	291,540
Culture and Recreation	356,327
Health and Sanitation	64,786
Human Services and Welfare	80,686
Urban Development	<u>75,878</u>
Total Depreciation Expenses	<u>\$ 3,239,335</u>
Business-Type Activities:	
Aguadilla City Enterprises	<u>\$ 401,829</u>

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).

The following is a summary of general and special obligation bonds of the **Municipality** as of June 30, 2014:

Type of Obligation and Purpose	Issue Date	Original Borrowing	Maturity Date	Interest Rate	Balance Amount
General Obligation Bonds:					
Property Taxes Income:					
General Construction	1999	5,065,000	2023	4.86 to 6.56%	\$ 3,120,000
General Construction	1999	3,210,000	2023	2.70 to 5.60%	1,975,000
General Construction	1999	805,000	2023	2.70 to 5.60%	495,000
General Construction	2000	3,520,000	2014	2.70 to 4.73%	370,000
General Construction	2000	1,340,000	2024	2.70 to 5.60%	905,000
General Construction	2000	3,015,000	2020	2.70 to 5.29%	1,605,000
General Construction	2001	2,165,000	2025	2.70 to 5.60%	1,535,000
General Construction	2003	1,255,000	2029	4.37 to 6.00%	955,000
General Construction	2005	1,795,000	2029	4.37 to 5.00%	1,380,000
General Construction	2005	1,795,000	2029	3.27 to 5.00%	1,380,000
General Construction	2005	1,935,000	2029	4.27 to 6.50%	1,500,000
General Construction	2005	1,010,000	2019	4.27 to 5.00%	500,000
General Construction	2006	3,130,000	2030	6.00 to 6.50%	2,590,000
General Construction	2006	3,286,000	2036	3.75%	3,044,000
General Construction	2006	690,000	2036	3.75%	639,000
General Construction	2007	2,330,000	2032	3.93 to 7.50%	2,080,000
General Construction	2008	4,385,000	2032	3.93 to 7.50%	3,920,000
General Construction	2008	1,160,000	2033	7.00%	1,055,000
General Construction	2008	1,000,000	2036	3.75%	928,000
General Construction	2009	260,000	2033	5.40 to 7.50%	235,000
General Construction	2009	185,000	2033	5.40 to 7.50%	160,000
General Construction	2009	1,475,000	2033	4.75 to 7.50%	1,350,000
General Construction	2009	220,000	2033	4.75 to 7.50%	195,000
General Construction	2009	1,100,000	2036	3.75%	1,025,000
General Construction	2010	3,040,000	2034	6.00 to 7.50%	2,840,000
General Construction	2010	725,000	2034	6.00 to 7.30%	675,000
General Construction	2011	1,705,000	2035	6.00 to 7.50%	1,625,000
Interest Expenditure	2012	1,570,000	2026	6.00 to 7.50%	1,450,000
General Construction	2013	8,530,000	2037	6.00 to 7.50%	8,410,000
General Construction (Refinancing)	2013	1,859,250	2024	3.9527 to 5.00%	1,759,250
Subtotal					<u>49,700,250</u>
Rentel Income:					
General Construction	2004	9,340,000	2028	5.00%	<u>7,000,000</u>
Total General Obligations Bonds					<u>56,700,250</u>
continue					

11. NONCURRENT LIABILITIES – continuation

Type of Obligation and Purpose	Issue Date	Original Borrowing	Maturity Date	Interest Rate	Amount
Special Obligations Bonds:					
General Revenues:					
General Construction	2003	\$ 4,795,000	2027	5.00 to 6.00%	\$ 3,385,000
Purchase of Equipment	2005	250,000	2029	5.00%	190,000
General Construction	2006	1,940,000	2036	3.75%	1,805,000
General Construction	2006	2,105,000	2036	3.75%	1,951,000
General Construction	2006	3,180,000	2036	3.75%	2,946,000
General Construction	2006	1,080,628	Undetermined*	4.25%	<u>980,929</u>
Subtotal					<u>11,257,929</u>
Community Development Block Grant:					
General Construction	2002	12,996,000	2022	5.00%	<u>5,845,000</u>
Sales & Usage Taxes:					
General Construction	2008	555,000	2032	7.50%	505,000
General Construction	2008	6,410,000	2032	7.50%	5,865,000
General Construction (Refinancing)	2013	1,939,650	2020	3.9527 to 5.00%	<u>1,754,650</u>
Subtotal					<u>8,124,650</u>
Total Special Obligations Bonds					<u>25,227,579</u>
Total General and Special Obligations Bonds					<u>\$ 81,927,829</u>

*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 17 acres land parcel adjacent to Las Cascadas Water Park. The construction begins on June 2013. 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.

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, 2014, 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.

11. NONCURRENT LIABILITIES – continuation

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, 2014, the **Municipality** debt limits (10% of valuation of property subject to taxation) increase to \$353,437,818, 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 \$51,494,596, net of certain assets in the Debt Service Fund. After considered the payments of July 1, 2014, the resulting legal debt margin was \$301,943,222. 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. Other Noncurrent Liabilities

Following are the other noncurrent liabilities as of June 30, 2014 and corresponding change during the fiscal year:

DESCRIPTION	BALANCE JULY 1, 2013	NEW ISSUES	RETIREMENTS AND ADJUSTMENTS	BALANCE JUNE 30, 2014	AMOUNTS DUE WITHIN ONE YEAR	AMOUNTS DUE AFTER ONE YEAR
Governmental Funds:						
Law Number 146-MRCC	\$ 180,519	\$ -	\$ (9,500)	\$ 171,019	\$ 9,500	\$ 161,519
Deferred Credits	36,819	-	(36,819)	-	-	-
Landfill Obligation	3,054,578	-	(52,302)	3,002,276	54,417	2,947,859
MRCC Liquidation	905,074	-	(905,074)	-	-	-
Claims and Judgments	35,574	-	(11,589)	23,985	15,000	8,985
Compensated Absences	4,574,670	1,086,990	(709,746)	4,951,914	3,692,475	1,259,439
TOTAL	\$ 8,787,234	\$ 1,086,990	\$ (1,725,030)	\$ 8,149,194	\$ 3,771,392	\$ 4,377,802
Proprietary Funds:						
Compensated Absences	\$ 37,332	\$ -	\$ (34,085)	\$ 3,247	\$ 3,247	\$ -

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.

continue

11. NONCURRENT LIABILITIES - continuation

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 28 years at \$3,002,276 as of June 30, 2014 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, 2014. The **Municipality** has demonstrates 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 \$5.0 million in the governmental funds and \$3,247 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.

D. Changes in Noncurrent Liabilities

The following is a summary of changes in noncurrent liabilities for the year ended June 30, 2014:

DESCRIPTION	BALANCE JULY 1, 2013	NEW ISSUES	RETIREMENTS AND ADJUSTMENTS	BALANCE JUNE 30, 2014	AMOUNTS DUE WITHIN ONE YEAR	AMOUNTS DUE AFTER ONE YEAR
Governmental Funds:						
General Obligations Bonds	\$ 59,539,250	\$ -	\$ (2,839,000)	\$ 56,700,250	\$ 2,635,000	\$ 54,065,250
Special Obligations Bonds	26,555,579	-	(1,328,000)	25,227,579	1,371,000	23,856,579
Line of Credit	-	9,226,097	-	9,226,097	-	9,226,097
Other Obligations	8,787,234	1,086,990	(1,725,030)	8,149,194	3,771,392	4,377,802
TOTAL	\$ 94,882,063	\$ 10,313,087	\$ (5,892,030)	\$ 99,303,120	\$ 7,777,392	\$ 91,525,728
Proprietary Funds:						
Other Obligations	\$ 37,332	\$ -	\$ (34,085)	\$ 3,247	\$ 3,247	\$ -

11. NONCURRENT LIABILITIES – continuation

E. 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, 2014 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
Governmental Funds:								
2015	\$ 2,635,000	\$ 2,637,400	\$ 1,371,000	\$ 936,961	\$ 3,771,392	\$ 4,282	\$ 7,777,392	\$ 3,578,643
2016	2,396,000	2,989,189	1,433,000	1,125,958	9,500	4,044	3,838,500	4,119,191
2017	2,554,000	2,983,571	1,477,000	1,105,414	9,500	3,806	4,040,500	4,092,791
2018	2,742,000	2,855,476	1,531,000	1,040,346	9,500	3,568	4,282,500	3,899,390
2019	2,904,000	2,708,793	1,585,000	954,970	9,500	3,330	4,498,500	3,667,093
2020-2024	16,280,000	11,105,022	7,246,650	3,521,309	47,500	13,080	23,574,150	14,639,411
2025-2029	13,498,250	6,608,833	4,628,000	1,893,997	47,500	7,140	18,173,750	8,509,970
2030-2034	9,784,000	2,888,655	4,084,000	670,872	28,519	1,426	13,896,519	3,560,953
2035-2039	3,907,000	476,601	891,000	46,448	-	-	4,798,000	525,049
Unmatured	-	-	980,929	-	13,442,380	-	14,423,309	-
TOTAL	\$ 56,700,250	\$ 35,253,540	\$ 25,227,579	\$ 11,298,275	\$ 17,375,291	\$ 40,676	\$ 99,303,120	\$ 46,582,491
Proprietary Funds:								
2015	\$ -	\$ -	\$ -	\$ -	\$ 3,247	\$ -	\$ 3,247	\$ -
2016	-	-	-	-	-	-	-	-
TOTAL	\$ -	\$ -	\$ -	\$ -	\$ 3,247	\$ -	\$ 3,247	\$ -

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 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.

continue

12. DEBT RETIREMENT – continuation

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 1st 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 1st of each year.

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 result on receivable of \$97,208 in the General Fund and \$390,695 in the Debt Service Fund.

The tax rate for fiscal year 2014 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.

continue

13. PROPERTY TAXES – continuation

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.

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 million or more must include audited financial statements together with the tax return. During the fiscal year ended June 30, 2014, 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, 2014. 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.

continue

14. VOLUME OF BUSINESS TAXES - continuation

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 20th 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, 2014, 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.

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.

15. SALES AND USAGE TAXES – continuation

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.

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

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 federal financial assistance received from federal and state governments.

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 is recorded in the Special Revenue Fund.

18. PENSION PLANS

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. The ERS is a pension trust of the Commonwealth. ERS covers all regular employees of the Commonwealth and its instrumentalities and of certain municipalities and components units not covered by their own retirement systems. The ERS, as a governmental retirement plan, is excluded from the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

As of June 30, 2013, the ERS has an unfunded actuarial accrued liability (UAAL) of approximately \$22,981 million, representing a 3.1% 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 annually, 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 from the Commonwealth General Fund beginning in fiscal year 2014 and up to the fiscal year 2033. This additional contribution will be determined annually based on actuarial studies to be performed by the ERS's actuaries. An appropriation for such additional contribution of approximately \$120 million was included in the Commonwealth's budget for the fiscal year 2014. However, as a result of budgetary constraints at the present time management believes that approximately \$90 million of this amount will not be 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 2015.

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 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.

continue

18. PENSION PLANS - continuation

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 to Chapter 5 of the ERS. The System 2000 applied to employees joining the ERS on or after January 1, 2000.

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.

Retirement age for participants who joined public service after June 30, 2013 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.

continue

18. PENSION PLANS – continuation

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).

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.

continue

18. PENSION PLANS – continuation

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.

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
- (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:

continue

18. PENSION PLANS – continuation

- (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.
- (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.

continue

18. PENSION PLANS – continuation

- (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.

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.

continue

18. PENSION PLANS – continuation

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:

- \$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.

continue

18. PENSION PLANS – continuation

- (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.

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 System 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

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.

18. PENSION PLANS – continuation**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.

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.

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.

continue

18. PENSION PLANS – continuation

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.

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.

Annual Contribution

The **Municipality's** contributions during those years are recognized as total pension expenditures/expenses in the category of administration as follow:

FISCAL YEAR	DEFINED BENEFIT	HYBRID PROGRAM	ACT NO. 3
2014	\$ -	\$ -	\$ 836,026
2013	323,227	605,438	-
2012	352,339	531,309	-

Total employee contributions to the above-mentioned plans during the year ended June 30, 2014, 2013 and 2012 amounted to approximately \$2,418,100.

These amounts represented the 100% of the required contribution for the corresponding year. Additionally, changes made in the types and amounts of benefits offered by special laws and costs of living adjustments, led to a one-time recommended contribution to fund the retroactive adjustment related to the changes.

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

continue

18. PENSION PLANS – continuation

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 \$1,385,500 for the fiscal year ended June 30, 2014.

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 \$23,985 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, 2014, amounted to approximately \$73,000. 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.

continue

21. COMMITMENTS – continuation

B. Construction and Improvement Commitments

The **Municipality** had encumbrances at June 30, 2014 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	\$ 161,115	Committed to General Government
Construction & Improvement of Recreational Facilities Fund	Improvement of Plácido Aoevedo Plaza	\$ 831,169	Restricted to Improvement and Construction of Facilities
	Historic Archive	4,429,165	Restricted to Improvement and Construction of Facilities
	Construction of Facilities	79,711	Restricted to Improvement and Construction of Facilities
Real Marina Fund	Construction of Real Marina	\$ 5,190,119	Restricted to Construction of Real Marina
Las Cascadas Hotel Fund	Construction of Hotel Las Cascadas	\$ 7,020,880	Restricted to Construction of Las Cascadas Hotel
Non Major Funds	Construction of Arts Center	\$ 200,000	Restricted to Improvement and Construction of Facilities
	Resurfacing of Streets	50,000	Restricted to Improvement of Streets and Sidewalks
	Construction of Real Marina	900,000	Restricted to Construction of Real Marina
	Construction of Facilities	268,000	Committed to Improvement and Construction of Facilities
	Construction of Real Marina	686,823	Committed to Construction of Real Marina
	Post-Closure Care Costs	100,000	Committed to Sanitation

C. Solid Waste Disposal Contract

The **Municipality** has a solid waste disposition contract with Moca ECO-PARK Corp. until June 30, 2014, 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, 2014 for this service amounts to \$529,656.

Future commitments are scheduled as follows:

<u>Year</u>	<u>Amount</u>
2015	<u>\$ 720,000</u>

D. Other Commitments

At June 30, 2014, the non-major Special Revenue Funds had a deficit of \$179,688 as follows: Municipal Police Fund \$30,986, State Department of Labor Fund \$107,869, and Child Care Fund \$40,833; and non-major Capital Projects Funds had a deficit of \$244,400 belonging to Vehicles and Property Acquisition Fund \$219,631, and Road Construction and Improvement Fund \$24,769. 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. The following schedule reconciles the June 30, 2013 Net Position, as previously reported to Beginning Net Position, as Restated, July 1, 2013, for Governmental Activities.

	GOVERNMENTAL ACTIVITIES
Net Position, as Previously Reported, At June 30, 2013	\$ 145,920,739
Adjustments to Capital Assets	<u>751,527</u>
Beginning Net Position, as Restated, At July 1, 2013	<u>\$ 146,672,266</u>

B. Fund Balances

The following reconciles the June 30, 2013 Fund Balance, as previously reported to Beginning Fund Balance, as restated, July 1, 2013 for the following funds:

	GENERAL FUND	LAS CASCADAS HOTEL FUND	OTHER GOVERNMENTAL FUNDS
Fund Balance, as Previously Reported, At June 30, 2013	\$ 10,371,553	\$ -	\$ 3,315,622
Reclassification of Fund Balances	<u>20,898</u>	<u>(1,609,411)</u>	<u>1,588,513</u>
Beginning Fund Balance, as Restated, At July 1, 2013	<u>\$ 10,392,451</u>	<u>\$ (1,609,411)</u>	<u>\$ 4,904,135</u>

23. NEW ACCOUNTING STANDARDS

The provisions of the following Governmental Accounting Standards Board (GASB) Statement have been implemented for the year ended June 30, 2014:

GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement, and to defined contribution plans that provide postemployment benefits other than pensions.

23. NEW ACCOUNTING STANDARDS – continuation

The major fundamental change, among others related to the application and determination of certain measurement assumptions in valuing pension plans, is switching from the existing “funding-based” accounting model, where currently the Annual Required Contribution (ARC) is compared to the actual payments made and that difference determines the Net Pension Obligation; to an “accrual basis” model similar to current FASB standards, where the Total Pension Obligation (Actuarially determined) is compared to the Net Plan Position (or assets) and the difference represents the Net Pension Liability. This particular Statement will be applicable to the three Retirement Systems of the Commonwealth of Puerto Rico, not to the rest of the Commonwealth’s agencies or any of the Commonwealth’s component units. The impact of this Statement will be establishing its new net pension liability as of June 30, 2014 for the Commonwealth to an amount resembling the existing actuarial deficiency in the aforementioned Retirement Systems which at June 30, 2013 amounted to approximately \$34 billion.

GASB Statement No. 70 (“GASB 70”), *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement.

A nonexchange financial guarantee is a credit enhancement or assurance offered by a guarantor without receiving equal or approximately equal value in exchange. The guarantor agrees to pay an obligation holder in the event that the issuer of the obligation is not able to make its required payments to the obligation holder. Nonexchange financial guarantees can include guarantees by a state for bonds issued by local governments within that state or guarantees of mortgage loans to individuals, if equal or approximately equal value is not received in exchange.

GASB 70 does not have any impact on the **Municipality’s** financial statements.

24. SUBSEQUENT EVENTS

On September 2014, the **Municipality** issued general obligation bond of 2014 in the amount of \$5,745,000 for the construction of the Second Phase of Real Marina Project and bond issue costs. The principal and variable interest of Prime Rate plus 1.50%, minimum of 6.00%, are payable annually ranging from \$85,000 to \$480,000 through 2038.

Municipality has evaluated subsequent events through December 5, 2014, 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

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COMBINING FINANCIAL STATEMENTS AND SCHEDULES



Patio BBQ & Grill



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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.

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.

Ramey Skate Park Gazebo Rent Income Fund – Accounts for construction of a Gazebo in the Ramey Skate Park. This project was completed during the year. The income from the rent of this Gazebo will be used to finance the maintenance of it.

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.

Anthropologic Museum 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 \$1,100,000.



	<u>SPECIAL REVENUES FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL NON-MAJOR FUNDS</u>
ASSETS:			
Cash and Investments	\$ 5,411,787	\$ 2,873,339	\$ 8,285,126
Cash with Fiscal Agent.....	-	2,200,594	2,200,594
Amount to be Received.....	-	-	-
Receivables:			
Sales and Usage Taxes.....	176,490	-	176,490
Federal Grants.....	459,254	-	459,254
Due from Other Governmental Units – Municipal Revenues Collection Center	-	-	-
Due from Other Funds	4,758	-	4,758
Others Receivables.....	<u>76,777</u>	<u>-</u>	<u>76,777</u>
TOTAL ASSETS.....	<u>\$ 6,129,066</u>	<u>\$ 5,073,933</u>	<u>\$ 11,202,999</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ 624,378	\$ 414,268	\$ 1,038,646
Accrued Interest.....	-	-	-
Due to Governmental Units.....	-	-	-
Due to Other Funds.....	1,834,033	1,084,569	2,918,602
Deposits and Bonds.....	-	-	-
Unearned Revenues	<u>326,405</u>	<u>-</u>	<u>326,405</u>
Total Liabilities.....	<u>2,784,816</u>	<u>1,498,837</u>	<u>4,283,653</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable Revenues – Municipal Revenues Collection Center.....	-	-	-
Unavailable Revenues – Federal Grants.....	<u>286,712</u>	<u>-</u>	<u>286,712</u>
Total Deferred Inflows of Resources.....	<u>286,712</u>	<u>-</u>	<u>286,712</u>
FUND BALANCES:			
Restricted	840,681	2,229,646	3,070,327
Committed.....	2,396,545	1,589,850	3,986,395
Assigned	-	-	-
Unassigned (Deficit).....	<u>(179,688)</u>	<u>(244,400)</u>	<u>(424,088)</u>
Total Fund Balances.....	<u>3,057,538</u>	<u>3,575,096</u>	<u>6,632,634</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	<u>\$ 6,129,066</u>	<u>\$ 5,073,933</u>	<u>\$ 11,202,999</u>



	SPECIAL REVENUES FUND	CAPITAL PROJECTS FUND	TOTAL NON-MAJOR FUNDS
REVENUES:			
Property Taxes	\$ -	\$ -	\$ -
Volume of Business Taxes	-	-	-
Sales and Usage Taxes	2,294,371	-	2,294,371
Construction Excise Taxes	-	-	-
Intergovernmental	269,407	754,525	1,023,932
Federal Grants	4,706,445	-	4,706,445
Charges for Services	1,353,792	-	1,353,792
Interests	265	812	1,077
Rent	-	-	-
Miscellaneous	45,087	-	45,087
Total Revenues	<u>8,669,367</u>	<u>755,337</u>	<u>9,424,704</u>
EXPENDITURES:			
Current:			
Mayor and Municipal Legislature	-	-	-
General Government	692,900	20,035	712,935
Public Safety	96,603	-	96,603
Public Works	-	-	-
Culture and Recreation	165,203	-	165,203
Health and Sanitation	944,970	-	944,970
Public Instruction	587,882	-	587,882
Landfill Post-Closure Care Costs	197,247	-	197,247
Human Services and Welfare	2,912,300	-	2,912,300
Urban Development	1,665,788	-	1,665,788
Capital Outlay	1,018,917	886,544	1,905,461
Debt Service:			
Principal	-	-	-
Interest and Other Charges	-	-	-
Total Expenditures	<u>8,281,810</u>	<u>906,579</u>	<u>9,188,389</u>
Excess of Revenues Over (Under) Expenditures	<u>387,557</u>	<u>(151,242)</u>	<u>236,315</u>
OTHER FINANCING SOURCES (USES):			
Proceed of Interim Note	-	-	-
Transfers – In	1,624,449	1,070,350	2,694,799
Transfers – Out	(1,174,957)	(27,658)	(1,202,615)
Total Other Financing Sources and (Uses)	<u>449,492</u>	<u>1,042,692</u>	<u>1,492,184</u>
Net Change in Fund Balances	837,049	891,450	1,728,499
Fund Balance – Beginning, as Restated	<u>2,220,489</u>	<u>2,683,646</u>	<u>4,904,135</u>
FUND BALANCES – ENDING	<u>\$ 3,057,538</u>	<u>\$ 3,575,096</u>	<u>\$ 6,632,634</u>



	STATE ASSIGNMENTS FUND	BUILDING RENT FUND	MUNICIPAL POLICE FUND	STATE DEPARTMENT OF LABOR FUND	SCRAP REMOVAL & RECYCLING FUND
ASSETS:					
Cash and Investments.....	\$ 611,634	\$ 951,527	\$ 327,501	\$ 2,727	\$ 384,862
Cash with Fiscal Agent.....	-	-	-	-	-
Amount to be Received.....	-	-	-	-	-
Receivables:					
Sales and Usage Taxes.....	-	-	-	-	-
Federal Grants.....	-	-	-	-	-
Due from Other Governmental Units – Municipal Revenues Collection Center	-	-	-	-	-
Due from Other Funds.....	-	4,758	-	-	-
Others Receivables.....	-	-	-	-	-
TOTAL ASSETS.....	\$ 611,634	\$ 956,285	\$ 327,501	\$ 2,727	\$ 384,862
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
LIABILITIES:					
Accounts Payable.....	\$ 45,462	\$ 45,708	\$ -	\$ 54,240	\$ 34,848
Accrued Interest.....	-	-	-	-	-
Due to Governmental Units.....	-	-	-	-	-
Due to Other Funds.....	37,212	524,372	358,487	56,356	2,874
Deposits and Bonds.....	-	-	-	-	-
Unearned Revenues.....	-	-	-	-	-
Total Liabilities.....	82,674	570,080	358,487	110,596	37,722
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenues – Municipal Revenues Collection Center.....	-	-	-	-	-
Unavailable Revenues – Federal Grants.....	-	-	-	-	-
Total Deferred Inflows of Resources.....	-	-	-	-	-
FUND BALANCES:					
Restricted.....	528,960	-	-	-	-
Committed.....	-	386,205	-	-	347,140
Assigned.....	-	-	-	-	-
Unassigned (Deficits).....	-	-	(30,986)	(107,869)	-
Total Fund Balances (Deficits).....	528,960	386,205	(30,986)	(107,869)	347,140
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 611,634	\$ 956,285	\$ 327,501	\$ 2,727	\$ 384,862



	LITERACY ACTIVITIES FUND	URBAN DEVELOPMENT ACTION GRANT FUND	HOME PROGRAM FUND	CENTER FOR THE ELDERLY FUND	CHILD CARE FUND
ASSETS:					
Cash and Investments	\$ 47,971	\$ 2,527	\$ 260	\$ 326,748	\$ 333,577
Cash with Fiscal Agent	-	-	-	-	-
Amount to be Received	-	-	-	-	-
Receivables:					
Sales and Usage Taxes	-	-	-	-	-
Federal Grants	-	-	16,335	83,047	-
Due from Other Governmental Units – Municipal Revenues Collection Center	-	-	-	-	-
Due from Other Funds	-	-	-	-	-
Others Receivables	-	-	-	76,777	-
TOTAL ASSETS.....	\$ 47,971	\$ 2,527	\$ 16,595	\$ 486,572	\$ 333,577
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
LIABILITIES:					
Accounts Payable	\$ 6,285	\$ 2,527	\$ 16,595	\$ 54,413	\$ 148,769
Accrued Interest	-	-	-	-	-
Due to Governmental Units	-	-	-	-	-
Due to Other Funds	22,979	-	-	287,340	44,055
Deposits and Bonds	-	-	-	-	-
Unearned Revenues	-	-	-	144,819	181,586
Total Liabilities	29,264	2,527	16,595	486,572	374,410
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenues – Municipal Revenues Collection Center	-	-	-	-	-
Unavailable Revenues – Federal Grants	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-
FUND BALANCES:					
Restricted	18,707	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned (Deficits)	-	-	-	-	(40,833)
Total Fund Balances (Deficits)	18,707	-	-	-	(40,833)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 47,971	\$ 2,527	\$ 16,595	\$ 486,572	\$ 333,577



	SALES TAX REVENUE FUND	SECTION 8 FUND	CDBG FUND	EMERGENCY SHELTER GRANT FUND	TOTAL NON-MAJOR GOVERNMENTAL FUND
ASSETS:					
Cash and Investments.....	\$ 2,147,054	\$ 272,932	\$ 115	\$ 2,352	\$ 5,411,787
Cash with Fiscal Agent.....	-	-	-	-	-
Amount to be Received.....	-	-	-	-	-
Receivables:					
Sales and Usage Taxes.....	176,490	-	-	-	176,490
Federal Grants.....	-	-	317,692	42,180	459,254
Due from Other Governmental Units – Municipal Revenues Collection Center..	-	-	-	-	-
Due from Other Funds.....	-	-	-	-	4,758
Others Receivables.....	-	-	-	-	76,777
TOTAL ASSETS.....	\$ 2,323,544	\$ 272,932	\$ 317,807	\$ 44,532	\$ 6,129,066
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
LIABILITIES:					
Accounts Payable.....	\$ 207,236	\$ 4,737	\$ 1,223	\$ 2,335	\$ 624,378
Accrued Interest.....	-	-	-	-	-
Due to Governmental Units.....	-	-	-	-	-
Due to Other Funds.....	453,108	9,037	29,872	8,341	1,834,033
Deposits and Bonds.....	-	-	-	-	-
Unearned Revenues.....	-	-	-	-	326,405
Total Liabilities.....	660,344	13,774	31,095	10,676	2,784,816
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenues – Municipal Revenues Collection Center.....	-	-	-	-	-
Unavailable Revenues – Federal Grants ...	-	-	286,712	-	286,712
Total Deferred Inflows of Resources ...	-	-	286,712	-	286,712
FUND BALANCES:					
Restricted.....	-	259,158	-	33,856	840,681
Committed.....	1,663,200	-	-	-	2,396,645
Assigned.....	-	-	-	-	-
Unassigned (Deficits).....	-	-	-	-	(179,688)
Total Fund Balances (Deficits).....	1,663,200	259,158	-	33,856	3,057,538
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 2,323,544	\$ 272,932	\$ 317,807	\$ 44,532	\$ 6,129,066



COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – NON-MAJOR
GOVERNMENTAL FUNDS – SPECIAL REVENUES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	STATE ASSIGNMENTS FUND	BUILDING RENT FUND	MUNICIPAL POLICE FUND	STATE DEPARTMENT OF LABOR FUND	SCRAP REMOVAL & RECYCLING FUND
REVENUES:					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes	-	-	-	-	-
Sales and Usage Taxes	-	-	-	-	-
Construction Excise Taxes	-	-	-	-	-
Intergovernmental	59,650	-	-	175,687	-
Federal Grants	-	-	77,752	-	-
Charges for Services	-	853,516	-	-	500,276
Interests	-	148	-	74	-
Rent	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenues ...	59,650	853,664	77,752	175,761	500,276
EXPENDITURES:					
Current:					
Mayor and Municipal Legislature	-	-	-	-	-
General Government	-	232,163	-	125,630	-
Public Safety	-	-	96,603	-	-
Public Works	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Health and Sanitation	-	-	-	-	415,314
Public Instruction	-	-	-	-	-
Landfill Post-Closure Care Costs	-	-	-	-	-
Human Services and Welfare	17,431	10,000	-	-	-
Urban Development	-	-	-	-	-
Capital Outlay	5,588	32,159	-	-	12,605
Debt Service:					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
Total Expenditures	23,019	274,322	96,603	125,630	427,919
Excess of Revenues Over (Under) Expenditures ...	36,631	579,342	(18,851)	50,131	72,357
OTHER FINANCING SOURCES (USES):					
Proceed of Intern Note	-	-	-	-	-
Transfers – In	-	-	-	-	-
Transfers – Out	-	(184,122)	-	-	-
Total Other Financing Sources and (Uses)	-	(184,122)	-	-	-
Net Change in Fund Balances	36,631	395,220	(18,851)	50,131	72,357
Fund Balance (Deficits) – Beginning, as Restated ...	492,329	(9,015)	(12,135)	(158,000)	274,783
FUND BALANCES (DEFICITS) – ENDING	\$ 528,960	\$ 386,205	(\$ 30,986)	(\$ 107,869)	\$ 347,140



	LITERACY ACTIVITIES FUND	URBAN DEVELOPMENT ACTION GRANT FUND	HOME PROGRAM FUND	CENTER FOR THE ELDERLY FUND	CHILD CARE FUND
REVENUES:					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes	-	-	-	-	-
Sales and Usage Taxes	-	-	-	-	-
Construction Excise Taxes	-	-	-	-	-
Intergovernmental	-	-	-	34,070	-
Federal Grants	268,416	5,210	602,151	359,217	587,882
Charges for Services	-	-	-	-	-
Interests	43	-	-	-	-
Rent	-	-	-	-	-
Miscellaneous	-	-	-	44,884	203
Total Revenues	268,459	5,210	602,151	438,171	588,085
EXPENDITURES:					
Current:					
Mayor and Municipal Legislature	-	-	-	-	-
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Culture and Recreation	165,203	-	-	-	-
Health and Sanitation	-	-	-	-	-
Public Instruction	-	-	-	-	587,882
Landfill Post-Closure Care Costs	-	-	-	-	-
Human Services and Welfare	-	5,210	602,151	438,171	-
Urban Development	-	-	-	-	-
Capital Outlay	26,640	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
Total Expenditures	191,843	5,210	602,151	438,171	587,882
Excess of Revenues Over (Under) Expenditures	76,616	-	-	-	203
OTHER FINANCING SOURCES (USES):					
Proceed of Interim Note	-	-	-	-	-
Transfers – In	-	-	-	-	-
Transfers – Out	-	-	-	-	-
Total Other Financing Sources and (Uses)	-	-	-	-	-
Net Change in Fund Balances	76,616	-	-	-	203
Fund Balance (Deficits) – Beginning, as Restated	(57,909)	-	-	-	(41,036)
FUND BALANCES (DEFICITS) – ENDING	\$ 18,707	\$ -	\$ -	\$ -	(\$ 40,833)



	SALES TAX REVENUE FUND	SECTION 8 FUND	CDBG FUND	EMERGENCY SHELTER GRANT FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES:					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes	-	-	-	-	-
Sales and Usage Taxes	2,294,371	-	-	-	2,294,371
Construction Excise Taxes	-	-	-	-	-
Intergovernmental	-	-	-	-	269,407
Federal Grants	-	1,287,904	1,422,862	95,051	4,706,445
Charges for Services	-	-	-	-	1,353,792
Interests	-	-	-	-	265
Rent	-	-	-	-	-
Miscellaneous	-	-	-	-	45,087
Total Revenues	2,294,371	1,287,904	1,422,862	95,051	8,669,367
EXPENDITURES:					
Current:					
Mayor and Municipal Legislature	-	-	-	-	-
General Government	335,107	-	-	-	692,900
Public Safety	-	-	-	-	96,603
Public Works	-	-	-	-	-
Culture and Recreation	-	-	-	-	165,203
Health and Sanitation	529,656	-	-	-	944,970
Public Instruction	-	-	-	-	587,882
Landfill Post-Closure Care Costs	197,247	-	-	-	197,247
Human Services and Welfare	-	1,286,342	451,098	101,897	2,912,300
Urban Development	1,665,788	-	-	-	1,665,788
Capital Outlay	941,925	-	-	-	1,018,917
Debt Service:					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
Total Expenditures	3,669,723	1,286,342	451,098	101,897	8,281,810
Excess of Revenues Over (Under) Expenditures	(1,375,352)	1,562	971,764	(6,846)	387,557
OTHER FINANCING SOURCES (USES):					
Proceed of Interim Note	-	-	-	-	-
Transfers – In	1,605,378	-	19,071	-	1,624,449
Transfers – Out	-	-	(990,835)	-	(1,174,957)
Total Other Financing Sources and (Uses)	1,605,378	-	(971,764)	-	449,492
Net Change in Fund Balances	230,026	1,562	-	(6,846)	837,049
Fund Balance (Deficits) – Beginning, as Related	1,433,174	257,596	-	40,702	2,220,489
FUND BALANCES (DEFICITS) – ENDING	\$ 1,663,200	\$ 259,158	\$ -	\$ 33,856	\$ 3,057,538



	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
ASSETS:						
Cash and Investments	\$ 544,732	\$ 50,479	\$ 9,033	\$ -	\$ -	\$ 1,251,081
Cash with Fiscal Agent.....	-	1,256	34,651	527,095	20,389	400,066
Amount to be Received.....	-	-	-	-	-	-
Receivables:						
Property Taxes	-	-	-	-	-	-
Sales and Usage Taxes	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-
Due from Other Governmental Units – Municipal Revenues Collection Center	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-
Others Receivables	-	-	-	-	-	-
TOTAL ASSETS.....	\$ 544,732	\$ 51,735	\$ 43,684	\$ 527,095	\$ 20,389	\$ 1,651,147
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:						
LIABILITIES:						
Accounts Payable	\$ -	\$ 796	\$ 21	\$ 12,774	\$ 2,280	\$ 3,295
Accrued Interest	-	-	-	-	-	-
Due to Governmental Units	-	-	-	-	-	-
Due to Other Funds	-	3,500	2,003	103,279	237,740	480,972
Deposits and Bonds	-	-	-	-	-	-
Unearned Revenues	-	-	-	-	-	-
Total Liabilities	-	4,296	2,024	116,053	240,020	484,267
DEFERRED INFLOWS OF RESOURCES:						
Unavailable Revenues – Municipal Revenues Collection Center	-	-	-	-	-	-
Unearned Revenues – Federal Grants	-	-	-	-	-	-
Total Deferred Inflows of Resources.....	-	-	-	-	-	-
FUND BALANCES:						
Restricted	-	-	35,037	411,042	-	175,824
Committed	544,732	47,439	6,623	-	-	991,056
Assigned	-	-	-	-	-	-
Unassigned (Deficit)	-	-	-	-	(219,631)	-
Total Fund Balances (Deficit)	544,732	47,439	41,660	411,042	(219,631)	1,166,880
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 544,732	\$ 51,735	\$ 43,684	\$ 527,095	\$ 20,389	\$ 1,651,147



	MUNICIPAL COURTHOUSE CONSTRUCTION FUND	CLOCK TOWER CONSTRUCTION FUND	ACTIVITY CENTER CONSTRUCTION FUND	COMMERCIAL PROPERTY ACQUISITION FUND	ROADS CONSTRUCTION & IMPROVEMENT FUND	RAMEY SKATE PARK GAZEBO RENT INCOME FUND
ASSETS:						
Cash and Investments.....	\$ -	\$ -	\$ -	\$ -	\$ 118,014	\$ -
Cash with Fiscal Agent.....	5,132	76,670	212,967	6,208	19,300	-
Amount to be Received.....	-	-	-	-	-	-
Receivables:						
Property Taxes.....	-	-	-	-	-	-
Sales and Usage Taxes.....	-	-	-	-	-	-
Federal Grants.....	-	-	-	-	-	-
Due from Other Governmental Units – Municipal Revenues Collection Center.....	-	-	-	-	-	-
Due from Other Funds.....	-	-	-	-	-	-
Others Receivables.....	-	-	-	-	-	-
TOTAL ASSETS.....	\$ 5,132	\$ 76,670	\$ 212,967	\$ 6,208	\$ 137,314	\$ -
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:						
LIABILITIES:						
Accounts Payable.....	\$ -	\$ -	\$ -	\$ -	\$ 2,046	\$ -
Accrued Interest.....	-	-	-	-	-	-
Due to Governmental Units.....	-	-	-	-	-	-
Due to Other Funds.....	-	-	-	-	160,037	-
Deposits and Bonds.....	-	-	-	-	-	-
Unearned Revenues.....	-	-	-	-	-	-
Total Liabilities.....	-	-	-	-	162,083	-
DEFERRED INFLOWS OF RESOURCES:						
Unavailable Revenues – Municipal Revenues Collection Center.....	-	-	-	-	-	-
Unearned Revenues – Federal Grants.....	-	-	-	-	-	-
Total Deferred Inflows of Resources.....	-	-	-	-	-	-
FUND BALANCES:						
Restricted.....	5,132	76,670	212,967	6,208	-	-
Committed.....	-	-	-	-	-	-
Assigned.....	-	-	-	-	-	-
Unassigned (Deficit).....	-	-	-	-	(24,769)	-
Total Fund Balances (Deficit).....	5,132	76,670	212,967	6,208	(24,769)	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 5,132	\$ 76,670	\$ 212,967	\$ 6,208	\$ 137,314	\$ -



	CITY HALL ANNEX CONSTRUCTION FUND	CONVENTION CENTER CONSTRUCTION FUND	ART CENTER CONSTRUCTION FUND	ANTHROPOLOGIC MUSEUM CONSTRUCTION FUND	TOTAL NON-MAJOR GOVERNMENTAL FUND
ASSETS:					
Cash and Investments.....	\$ -	\$ -	\$ 900,000	\$ -	\$ 2,873,339
Cash with Fiscal Agent.....	888,646	3,655	4,559	-	2,200,594
Amount to be Received	-	-	-	-	-
Receivables					
Property Taxes.....	-	-	-	-	-
Sales and Usage Taxes	-	-	-	-	-
Federal Grants	-	-	-	-	-
Due from Other Governmental Units – Municipal Revenues Collection Center	-	-	-	-	-
Due from Other Funds	-	-	-	-	-
Others Receivables.....	-	-	-	-	-
TOTAL ASSETS.....	\$ 888,646	\$ 3,655	\$ 904,559	\$ -	\$ 5,071,933
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
LIABILITIES:					
Accounts Payable.....	\$ 393,056	\$ -	\$ -	\$ -	\$ 414,268
Accrued Interest.....	-	-	-	-	-
Due to Governmental Units	-	-	-	-	-
Due to Other Funds	97,038	-	-	-	1,084,569
Deposits and Bonds	-	-	-	-	-
Unearned Revenues	-	-	-	-	-
Total Liabilities.....	490,094	-	-	-	1,498,837
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenues – Municipal Revenues Collection Center	-	-	-	-	-
Unearned Revenues – Federal Grants	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-
FUND BALANCES:					
Restricted	398,552	3,655	904,559	-	2,229,646
Committed	-	-	-	-	1,589,850
Assigned.....	-	-	-	-	-
Unassigned (Deficit).....	-	-	-	-	(244,400)
Total Fund Balances (Deficit)	398,552	3,655	904,559	-	3,575,096
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 888,646	\$ 3,655	\$ 904,559	\$ -	\$ 5,071,933



	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
REVENUES:						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes	-	-	-	-	-	-
Sales and Usage Taxes	-	-	-	-	-	-
Construction Excise Taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	50,000
Federal Grants	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Interests	184	-	-	-	-	628
Rent	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total Revenues	184	-	-	-	-	50,628
EXPENDITURES:						
Current:						
Mayor and Municipal Legislature	-	-	-	-	-	-
General Government	-	-	165	-	-	-
Public Safety	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Health and Sanitation	-	-	-	-	-	-
Public Instruction	-	-	-	-	-	-
Landfill Post-Closure Care Costs	-	-	-	-	-	-
Human Services and Welfare	-	-	-	-	-	-
Urban Development	-	-	-	-	-	-
Capital Outlay	4,673	-	-	-	233,420	87,825
Debt Service:						
Principal	-	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-	-
Total Expenditures	4,673	-	165	-	233,420	87,825
Excess of Revenues Over (Under)						
Expenditures	(4,489)	-	(165)	-	(233,420)	(37,197)
OTHER FINANCING SOURCES (USES):						
Proceed of Interim Note	-	-	-	-	-	-
Transfers – In	-	-	-	-	-	990,507
Transfers – Out	-	-	-	-	-	(27,658)
Total Other Financing Sources and (Uses)	-	-	-	-	-	962,849
Net Change in Fund Balances	(4,489)	-	(165)	-	(233,420)	925,652
Fund Balance (Deficits) – Beginning, as Restated	549,221	47,439	41,825	411,042	13,789	241,228
FUND BALANCES (DEFICITS) – ENDING	\$ 544,732	\$ 47,439	\$ 41,660	\$ 411,042	(\$ 219,631)	\$ 1,166,880



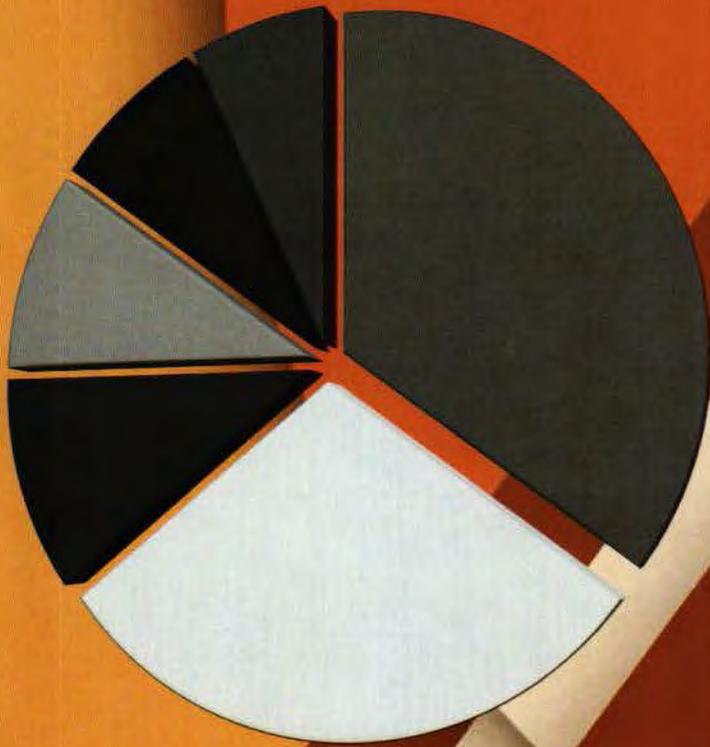
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – NON-MAJOR
GOVERNMENTAL FUNDS – CAPITAL PROJECTS – CONTINUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	MUNICIPAL COURTHOUSE CONSTRUCTION FUND	CLOCK TOWER CONSTRUCTION FUND	ACTIVITY CENTER CONSTRUCTION FUND	COMMERCIAL PROPERTY ACQUISITION FUND	ROADS CONSTRUCTION & IMPROVEMENT FUND	RAMEY SKATE PARK GAZEBO RENT INCOME FUND
REVENUES:						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes	-	-	-	-	-	-
Sales and Usage Taxes	-	-	-	-	-	-
Construction Excise Taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	-	704,525	-
Federal Grants	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Interests	-	-	-	-	-	-
Rent	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total Revenues	-	-	-	-	704,525	-
EXPENDITURES:						
Current:						
Mayor and Municipal Legislature	-	-	-	-	-	-
General Government	-	-	-	1,801	-	18,069
Public Safety	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Health and Sanitation	-	-	-	-	-	-
Public Instruction	-	-	-	-	-	-
Landfill Post-Closure Care Costs	-	-	-	-	-	-
Human Services and Welfare	-	-	-	-	-	-
Urban Development	-	-	-	-	-	-
Capital Outlay	-	-	-	-	560,113	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-	-
Total Expenditures	-	-	-	1,801	560,113	18,069
Excess of Revenues Over (Under) Expenditures	-	-	-	(1,801)	144,412	(18,069)
OTHER FINANCING SOURCES (USES):						
Proceed of Interim Note	-	-	-	-	-	-
Transfers – In	-	-	-	-	-	-
Transfers – Out	-	-	-	-	-	-
Total Other Financing Sources and (Uses)	-	-	-	-	-	-
Net Change in Fund Balances	-	-	-	(1,801)	144,412	(18,069)
Fund Balance (Deficits) – Beginning, as Restated	5,132	76,670	212,967	8,009	(169,181)	18,069
FUND BALANCES (DEFICITS) – ENDING	\$ 5,132	\$ 76,670	\$ 212,967	\$ 6,208	(\$ 24,769)	\$ -



	CITY HALL ANNEX CONSTRUCTION FUND	CONVENTION CENTER CONSTRUCTION FUND	ART CENTER CONSTRUCTION FUND	ANTHROPOLOGIC MUSEUM CONSTRUCTION FUND	TOTAL NON-MAJOR GOVERNMENTAL FUND
REVENUES:					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes	-	-	-	-	-
Sales and Usage Taxes	-	-	-	-	-
Construction Excise Taxes	-	-	-	-	-
Intergovernmental	-	-	-	-	754,525
Federal Grants	-	-	-	-	-
Charges for Services	-	-	-	-	-
Interests	-	-	-	-	812
Rent	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenues	-	-	-	-	755,337
EXPENDITURES:					
Current:					
Mayor and Municipal Legislature	-	-	-	-	-
General Government	-	-	-	-	20,035
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Health and Sanitation	-	-	-	-	-
Public Instruction	-	-	-	-	-
Landfill Post-Closure Care Costs	-	-	-	-	-
Human Services and Welfare	-	-	-	-	-
Urban Development	-	-	-	-	-
Capital Outlay	513	-	-	-	886,544
Debt Service:					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
Total Expenditures	513	-	-	-	906,579
Excess of Revenues Over (Under) Expenditures	(513)	-	-	-	(151,242)
OTHER FINANCING SOURCES (USES):					
Proceed of Interim Note	-	-	-	-	-
Transfers – In	-	-	-	79,843	1,070,350
Transfers – Out	-	-	-	-	(27,658)
Total Other Financing Sources and (Uses)	-	-	-	79,843	1,042,692
Net Change in Fund Balances	(513)	*	*	79,843	891,450
Fund Balance (Deficits) – Beginning, as Restated	399,065	3,655	904,559	(79,843)	2,683,646
FUND BALANCES (DEFICITS) – ENDING	\$ 398,552	\$ 3,655	\$ 904,559	\$ -	\$ 3,575,096

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. New pronouncements in fiscal years 2013-2014 does not have any impact on the **Municipality's** financial statements. 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:

	PAGE
Entity Wide Perspective	
Net Position Trend by Component for the Last Ten Fiscal Years (Primary Government).....	106
Net Position Trend by Component for the Last Ten Fiscal Years (Governmental Activities).....	107
Net Position Trend by Component for the Last Nine Fiscal Years (Business-Type Activities).....	108
Net Position Change Trend for the Last Ten Fiscal Years (Primary Government)	109-110
Fund Perspective	
Fund Balance for the Last Ten Fiscal Years (Governmental Activities).....	111
Changes in Fund Balance for the Last Ten Fiscal Years (Governmental Activities).....	112-113

REVENUE CAPACITY

This schedule contains information to help the reader assess the **Municipality's** most significant revenue sources: property tax and volume and business tax. Schedules included are:

Assessed Value of Taxable Property for the Last Ten Fiscal Years.....	114-115
Property Taxes Rates for the Last Ten Fiscal Years	116
Property Taxes – Largest Tax Payers Current Year and Nine Years Ago.....	117
Property Taxes Levied and Collections for the Last Ten Fiscal Years.....	118
Volume of Business Taxpayers by Income Level for the Last Ten Fiscal Years	119-122
Volume of Business Taxes Rates for the Last Ten Fiscal Years	123

DEBT CAPACITY

PAGE

This schedule presents information to help the reader assess the affordability of the **Municipality's** current levels of outstanding debt and the **Municipality's** ability to issue additional debt in the future. Schedule included is:

Outstanding Debts by Type for the Last Ten Fiscal Years.....	124
Debt Ratios for the Last Ten Fiscal Years	125-127
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures for the Last Ten Fiscal Years	128
Ratios of Net Bonded Debt Outstanding for the Last Ten Fiscal Years	129
Computation of Legal Debt Margin for the Fiscal Year Ended June 30, 2014	130
Legal Debt Margin Information for the Last Ten Fiscal Years.....	131

DEMOGRAPHIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment in which the **Municipality's** financial activities take place. Schedules included are:

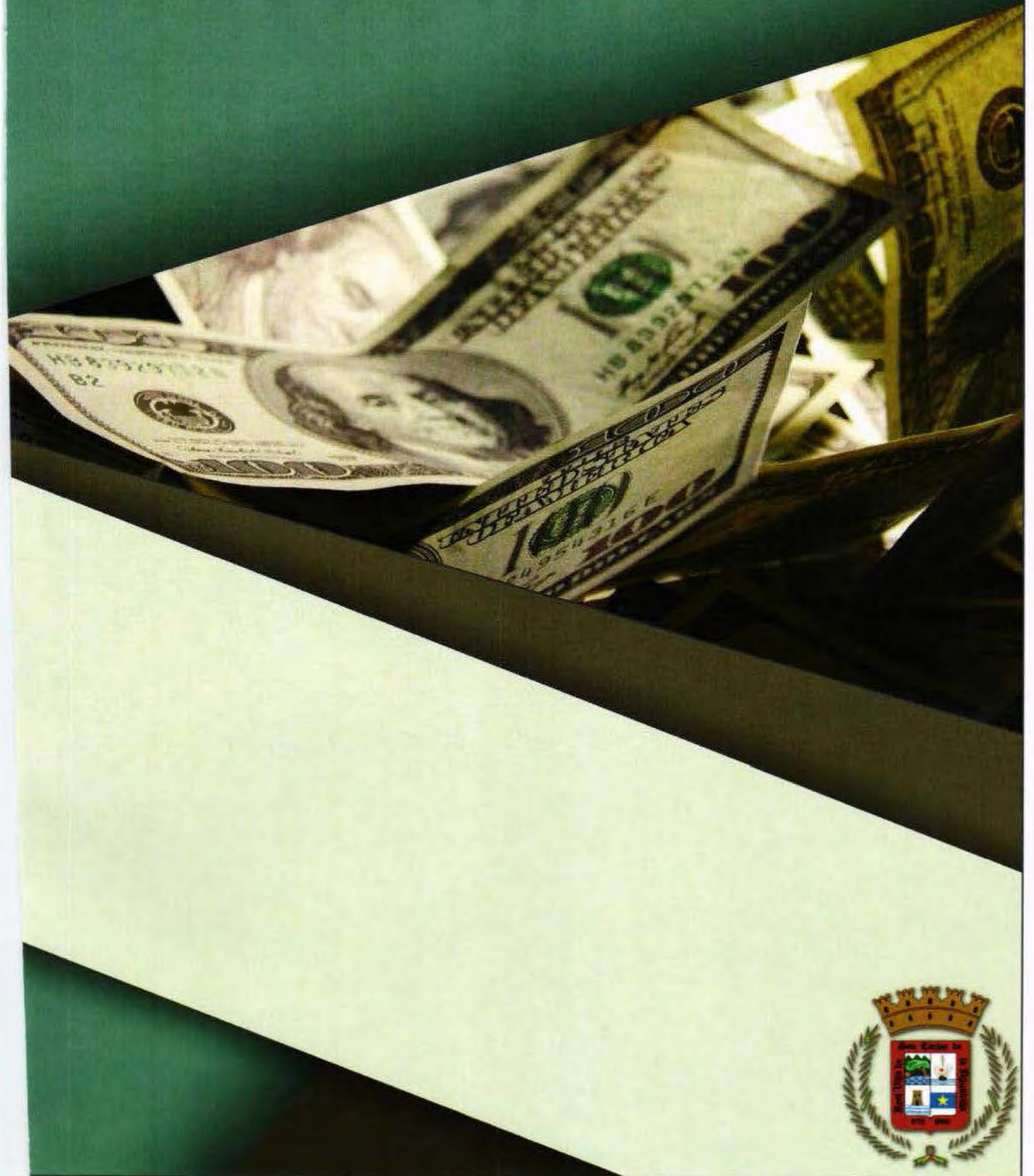
Demographic and Economic Statistics for the Last Ten Fiscal Years.....	132
Principal Employers Current Year and Nine Years Ago.....	133

OPERATING INFORMATION

These schedules offer operating data to help the reader understand how the information in the **Municipality's** financial report relates to the services it provides and the activities it performs. Schedules included are:

Number of Regular Employees by Function for the Last Ten Fiscal Years	134
Capital Assets Statistics by Function for the Last Eight Fiscal Years	135
Operating Indicators by Function for the Last Five Fiscal Years ..	136

FINANCIAL TRENDS



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	2014	2013	2012 ^(a)	2011	2010	2009 ^(b)	2008 ^(b)	2007 ^(b)	2006	2005
NET POSITION:										
Net Investment in Capital Assets	\$ 139,459,853	\$ 133,496,303	\$ 129,488,689	\$ 113,415,490	\$ 108,650,733	\$ 108,994,704	\$ 99,290,451	\$ 105,675,025	\$ 80,151,494	\$ 45,180,649
Restricted	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	42,823,268
Unrestricted	5,749,414	3,938,867	4,952,646	5,166,838	7,807,493	1,974,089	7,400,958	6,010,803	5,251,097	1,965,950
TOTAL NET POSITION	\$ 166,307,819	\$ 158,097,885	\$ 160,105,197	\$ 137,799,696	\$ 137,183,519	\$ 134,252,587	\$ 132,248,689	\$ 129,617,990	\$ 103,664,327	\$ 89,968,867

Note: In fiscal year 2012-2013, the Municipality implemented GASB Statement 63

^(a) Increase in Total Net Position due to recognition of infrastructure, and the construction in progress of new projects.

^(b) Decrease in Unrestricted Net Position due to the recognition of Landfill Closure and Post-Closure Costs Liability

^(c) 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.



NET POSITION TREND BY COMPONENT FOR THE LAST TEN FISCAL YEARS
GOVERNMENTAL ACTIVITIES

	2014	2013	2012 ^(a)	2011	2010	2009 ^(b)	2008 ^(a)	2007 ^(b)	2006	2005
NET POSITION:										
Net Investment in Capital Assets	\$ 128,568,583	\$ 123,887,885	\$ 119,836,889	\$ 103,675,911	\$ 98,761,484	\$ 98,858,466	\$ 89,487,550	\$ 95,839,734	\$ 70,068,980	\$ 45,180,649
Restricted	21,098,552	20,662,715	25,663,862	19,217,366	20,725,293	23,283,794	25,557,280	17,932,162	18,251,736	42,823,258
Unrestricted	2,943,251	2,121,666	3,577,163	3,645,589	6,918,122	1,514,047	5,845,906	5,090,366	3,766,767	1,955,950
TOTAL NET POSITION	\$ 152,610,386	\$ 146,672,266	\$ 149,077,914	\$ 126,538,866	\$ 126,404,899	\$ 123,656,307	\$ 120,890,736	\$ 118,862,262	\$ 92,087,483	\$ 89,969,867

Note: In fiscal year 2012-2013, the Municipality implemented GASB Statement 63.

^(a) Increase in Total Net Assets due to recognition of infrastructure, and the construction in progress of new projects.

^(b) Decrease in Unrestricted Net Assets due to the recognition of Landfill Closure and Post-Closure Costs Liability.

^(c) 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.



	2014	2013 ⁽¹⁾	2012			2011			2010		2009		2008		2007		2006	
	AGUADILLA CITY ENTERPRISES	AGUADILLA CITY ENTERPRISES	AGUADILLA CITY WATERFALLS	AGUADILLA CITY ICE SKATING	AGUADILLA CITY PROPRIETARY	AGUADILLA CITY WATERFALLS	AGUADILLA CITY ICE SKATING	AGUADILLA CITY PROPRIETARY	AGUADILLA CITY WATERFALLS	AGUADILLA CITY ICE SKATING	AGUADILLA CITY WATERFALLS	AGUADILLA CITY ICE SKATING	AGUADILLA CITY WATERFALLS	AGUADILLA CITY ICE SKATING	AGUADILLA CITY WATERFALLS	AGUADILLA CITY ICE SKATING	AGUADILLA CITY WATERFALLS	AGUADILLA CITY ICE SKATING
			AQUATIC PARK	ARENA	FUNDS	AQUATIC PARK	ARENA	FUNDS ⁽¹⁾	AQUATIC PARK	ARENA	AQUATIC PARK ⁽¹⁾	ARENA	AQUATIC PARK	ARENA	AQUATIC PARK ⁽¹⁾	ARENA	AQUATIC PARK	ARENA
NET POSITION																		
Net Investment in Capital Assets	\$ 10,851,270	\$ 9,638,418	\$ 3,385,324	\$ 5,777,741	\$ 4,249,116	\$ 3,321,330	\$ 5,925,921	\$ 492,358	\$ 3,838,942	\$ 5,089,487	\$ 3,943,826	\$ 6,152,410	\$ 4,052,196	\$ 5,250,705	\$ 4,080,048	\$ 5,245,243	\$ 4,211,713	\$ 5,870,801
Unrestricted	2,806,162	1,817,201	860,289	782,374	232,820	891,345	198,562	427,342	643,657	245,714	360,765	43,277	1,448,284	109,789	623,139	81,318	1,413,133	81,168
TOTAL NET POSITION	\$ 13,657,432	\$ 11,455,619	\$ 4,245,613	\$ 6,560,115	\$ 4,481,936	\$ 4,212,675	\$ 6,124,483	\$ 919,700	\$ 4,482,599	\$ 5,335,201	\$ 4,304,591	\$ 6,195,687	\$ 5,500,480	\$ 5,360,414	\$ 4,703,187	\$ 5,326,561	\$ 5,624,846	\$ 5,951,969

Note: The Municipality created the Enterprise Funds for Fiscal Year 2006. In fiscal year 2012-2013, the Municipality implemented GASB Statement 63.

⁽¹⁾ Decrease in Unrestricted Net Assets due to an Operating Equity Transfer made to the General Fund

⁽²⁾ 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

⁽³⁾ During Fiscal Year 2012-2013, the Municipality created the Aguadilla City Enterprises to account for all Business-Type Activities



	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses										
Governmental Activities										
Mayor and Municipal Legislature	\$ 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	\$ 1,572,271
General Government	17,306,472	18,240,673	17,811,106	16,991,843	17,319,708	17,416,165	18,759,422	18,433,566	17,639,130	18,691,822
Public Safety	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	1,712,299
Public Works	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	1,858,805
Culture and Recreation	998,705	1,327,961	1,322,936	998,967	1,260,932	1,063,943	1,105,616	979,368	1,361,111	3,214,666 ^(H)
Health and Sanitation	3,983,684	4,520,704	4,610,810	4,309,372	4,387,430	7,517,663 ^(E)	4,046,193	3,057,282	2,135,784	3,434,862
Public Instruction	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	5,509,806
Landfill Post-Closure Care Costs	-	1,675,885	-	-	-	-	-	-	-	-
Human Services and Welfare	6,102,196	7,743,953	7,087,321	6,724,421	7,259,936	5,090,701	4,752,500	5,582,451	4,780,771	4,991,088
Urban Development	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	1,897,109
Reimbursement to Grantor Agency	-	124,148	230,542	-	-	-	-	-	-	-
Loss on disposition of Asset	-	21,249	50,034	-	-	57,393	-	135,122	-	-
Interest on Long-Term Debt	3,722,696	3,755,996	5,446,920	2,634,339	2,812,231	3,804,291	2,572,880	2,544,588	2,359,767	2,065,212
Total Governmental Activities	45,441,318	55,645,663	56,624,536	51,980,756	48,056,737	59,264,066	46,682,055	46,030,892	45,271,722	44,948,860
Business-Type Activities										
Aguadilla City Enterprises ^(I)	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	760,857	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	1,809,890	2,075,427	3,245,424	3,087,212	2,036,496	2,742,788	2,129,681	2,446,637	2,346,397	-
Total primary government expenses	47,251,208	57,721,090	59,869,960	55,067,968	50,093,233	62,006,854	48,811,736	48,477,529	47,618,119	44,948,860
Program Revenues										
Governmental Activities										
Charges for Services										
General Government	1,053,515	1,112,638	223,638	52,030	248,430	127,598	228,803	228,940	176,743	160,444
Culture and Recreation	-	17,641	-	-	-	-	-	-	-	-
Health and Sanitation	500,276	724,414	880,178	1,796,421	1,275,358	919,991	547,949	362,794	236,586	258,976
Operating Grants and Contributions	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	10,655,352
Capital Grants and Contributions	-	72,305	102,123	137,956	143,179	108,064	114,567	124,280	280,850	144,868
Total Governmental Activities	12,414,337	10,958,845	15,277,778	12,005,409	14,019,961	13,203,054	11,319,967	11,151,761	10,615,521	11,219,640



	2014	2013	2012	2012	2011	2010	2009	2008	2007	2006
Business Type Activities										
Charges for Services										
Aguadilla City Enterprises ^(a)	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	<u>2,431,648</u>	<u>2,179,690</u>	<u>3,033,329</u>	<u>2,791,459</u>	<u>2,264,308</u>	<u>2,411,656</u>	<u>2,953,500</u>	<u>3,075,350</u>	<u>3,268,417</u>	<u>-</u>
Total primary government program revenues	<u>14,845,085</u>	<u>13,138,535</u>	<u>18,311,107</u>	<u>14,706,868</u>	<u>16,284,289</u>	<u>15,514,710</u>	<u>14,273,407</u>	<u>14,227,111</u>	<u>13,883,938</u>	<u>11,219,640</u>
Net (Expense)/Revenue										
Governmental Activities	(33,026,981)	(44,686,818)	(41,346,758)	(39,975,347)	(34,036,776)	(46,061,012)	(35,362,188)	(34,879,131)	(34,656,201)	(33,729,220)
Business-Type Activities	621,758	104,263	(212,095)	(295,753)	227,812	(331,132)	823,819	628,713	922,020	-
Total primary government net expense	<u>(32,405,223)</u>	<u>(44,582,555)</u>	<u>(41,558,853)</u>	<u>(40,271,100)</u>	<u>(33,808,964)</u>	<u>(46,392,144)</u>	<u>(34,538,369)</u>	<u>(34,250,418)</u>	<u>(33,734,181)</u>	<u>(33,729,220)</u>
General Revenues										
Governmental Activities										
Taxes										
Property Taxes, levied for General Purposes	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	9,567,779
Property Taxes, levied for Debt Service	5,837,689	4,660,281	4,655,199	4,945,665	3,872,149	2,844,609	3,745,245	3,794,815	3,633,617	2,617,520
Volume of Business Taxes	10,266,549	10,816,480	7,802,098	7,272,001	8,335,598	9,486,385	9,490,510	9,132,473	10,016,589	7,567,843
Sales and Usage Taxes	4,300,571	4,408,603	3,508,085	3,044,714	3,670,110	3,360,924	2,611,633 ^(b)	-	-	-
Construction Excise Taxes	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	1,382,664
Intergovernmental	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	4,873,731
Interests	613,672	405,120	638,139	517,942	565,888	1,288,893	2,407,359	2,319,098	1,469,993	659,993
Miscellaneous	832,151	409,439	776,279	816,445	1,004,529	1,248,887	877,000	865,837	1,255,593	1,342,439
Special Item	-	-	16,430,840 ^(c)	-	-	-	-	-	869,000 ^(d)	-
Transfers	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 ^(e)	(570,481)	(91,933)	-	-	-
Total Governmental Activities	<u>38,965,101</u>	<u>42,281,170</u>	<u>63,885,804</u>	<u>40,109,226</u>	<u>38,268,325</u>	<u>43,456,288</u>	<u>37,629,205</u>	<u>37,776,885</u>	<u>37,187,902</u>	<u>28,001,969</u>
Business-Type Activities										
Miscellaneous								49,591	-	-
Transfers	(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	<u>1,650,056</u>	<u>357,892</u>	<u>42,369</u>	<u>636,627</u>	<u>(45,472)</u>	<u>(430,541)</u>	<u>(221,594)</u>	<u>(1,449,829)</u>	<u>(216,785)</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>40,615,157</u>	<u>42,639,062</u>	<u>63,928,173</u>	<u>40,745,853</u>	<u>38,222,853</u>	<u>43,025,747</u>	<u>37,407,611</u>	<u>36,327,056</u>	<u>36,971,117</u>	<u>28,001,969</u>
CHANGE IN NET POSITION										
Governmental Activities	5,938,120	(2,405,648)	22,539,046	133,879	4,231,549	(2,604,724)	2,267,017	2,897,754	2,531,701	(5,727,261)
Business-Type Activities	2,271,814	462,156	(169,726)	340,874	182,340	(761,673)	602,225	(821,116)	705,235	-
CHANGE IN NET POSITION	<u>\$ 8,209,934</u>	<u>\$ (1,943,492)</u>	<u>\$ 22,369,320</u>	<u>\$ 474,753</u>	<u>\$ 4,413,889</u>	<u>\$ (3,366,397)</u>	<u>\$ 2,869,242</u>	<u>\$ 2,076,638</u>	<u>\$ 3,236,936</u>	<u>\$ (5,727,261)</u>

^(a) These amounts included the Funds that on Fiscal Year 2006 were reclassified as Enterprise Funds

^(b) A Sales and Usage Taxes was enacted effective Fiscal Year 2008

^(c) Increase in Health and Sanitation due to the recognition of Landfill Closure and Post-Closure Costs Liability

^(d) This was a contribution made by the Puerto Rico Infrastructure Financing Authority for improvements made to buildings property of the Municipality

^(e) This was a transfer of an infrastructure project made by the US Army Corps of Engineers and US Department of Defense to the Municipality

^(f) Special Item corresponded to Sale of a Building

^(g) During Fiscal Year 2012-2013, the Municipality created the Aguadilla City Enterprises to account for all Business-Type Activities



	2014	2013	2012	2011 ^(a)	2010 ^(a)	2009	2008	2007	2006	2005
General Fund										
Reserved						\$ 645,059	\$ 5,352,209	\$ 1,183,645	\$ 3,856,857	\$ 2,249,745
Unreserved (Deficit)						<u>9,854,931</u>	<u>5,130,875</u>	<u>8,409,827</u>	<u>4,630,366</u>	<u>1,706,644</u>
Restricted	\$ -	\$ 181	\$ 192,978	\$ 387,953	\$ 1,015,996					
Committed	247,991	728,714	517,621	1,052,576	481,080					
Assigned	309,747	359,594	259,667	553,787	70,755					
Unassigned (Deficit)	<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>					
Total General Fund	<u>\$ 10,581,774</u>	<u>\$ 10,392,451</u>	<u>\$ 10,220,728</u>	<u>\$ 10,893,801</u>	<u>\$ 11,638,415</u>	<u>\$ 10,499,990</u>	<u>\$ 10,483,084</u>	<u>\$ 9,593,472</u>	<u>\$ 8,287,223</u>	<u>\$ 3,956,369</u>
All Other Governmental Funds										
Reserved						\$ 36,518,175	\$ 39,363,319	\$ 32,722,895	\$ 38,307,420	\$ 37,382,909
Unreserved (Deficit):										
Special Revenue Fund						(27,438)	(56,517)	-	-	-
Capital Project Fund						<u>(252,785)</u>	<u>(146,426)</u>	-	-	-
Restricted	\$ 21,611,306	\$ 28,276,403	\$ 26,612,151	\$ 27,031,598	\$ 27,265,468					
Committed	3,990,121	2,333,584	2,619,013	3,287,843 ^(b)	4,114,734					
Assigned	-	-	-	-	-					
Unassigned (Deficit)	<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>					
Total All Other Governmental Funds	<u>\$ 24,058,491</u>	<u>\$ 28,473,457</u>	<u>\$ 28,222,313</u>	<u>\$ 28,889,420</u>	<u>\$ 29,165,954</u>	<u>\$ 36,237,952</u>	<u>\$ 39,160,376</u>	<u>\$ 32,722,895</u>	<u>\$ 38,307,420</u>	<u>\$ 37,382,909</u>

^(a) The Municipality implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, in fiscal year 2010-2011.

^(b) 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.



	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
REVENUES										
Property Taxes	\$ 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	\$ 14,916,518
Volume of Business Taxes	10,266,649	10,816,480	7,802,098	7,272,001	8,335,588	9,486,385	9,490,510	9,132,473	10,016,549	7,557,643
Sales and Usage Taxes	4,300,571	4,408,503	3,508,085	3,044,714	3,670,110	3,360,924	2,611,633			
Federal Grants	10,408,513	11,572,569	11,634,274	11,814,442	12,342,379	12,209,978	10,950,356	11,148,041	10,392,610	10,556,191
Intragovernmental	7,716,156	10,873,228	18,599,336 ^(*)	12,378,779 ^(*)	7,474,784	13,761,021	6,825,969	9,641,505	8,470,360	3,575,404
Construction Excise Taxes	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	1,382,664
Interest	613,672	405,120	538,139	517,942	565,888	1,288,693	2,407,359	2,269,507	1,432,080	989,435
Charges for Services	1,553,791	1,854,693	1,103,816	1,848,451	1,523,788	1,047,589	776,752	591,734	413,579	954,235
Miscellaneous	877,035	409,439	776,279	816,445	1,004,529	1,248,887	877,000	915,428	1,293,256	475,994
Total Revenues	52,923,037	56,166,324	60,235,423	54,408,746	50,417,438	56,283,314	49,376,382	47,775,577	46,908,056	40,408,284
EXPENDITURES										
Current										
Mayor and Municipal Legislature	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	1,498,901
General Government	15,667,241	16,252,522	14,367,301	14,852,662	15,382,208	15,399,642	16,734,299	16,449,942	15,253,685	16,553,913
Public Safety	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	1,633,078
Public Works	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	1,617,941
Culture and Recreation	933,919	1,258,711	1,258,623	937,697	887,764	3,822,624	1,043,183	897,258	1,303,340	1,127,415
Health and Sanitation	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	3,167,894
Public Instruction	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	5,509,806
Landfill Closure/Post Closure Care Costs	219,770	192,797	194,102	628,043	1,084,877					
Human Service and Welfare	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	4,942,160
Urban Development	2,115,548	6,170,814	7,867,174 ^(*)	9,092,172 ^(*)	4,306,118	12,832,305	4,077,698	4,183,065	4,747,862	2,588,779
Reimbursement to Grantor Agency		124,148	230,542							
Capital Outlay	17,917,698	8,080,465	7,331,016	6,541,192	11,852,805	11,517,613	11,918,942	9,749,437	5,351,016	1,147,440



	<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>	<u>2005</u>
Debt Service:										
Principal Retirement	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	2,520,000
Interest and Other Charges	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	2,065,212
Bond Issue Costs	-	50,480	11,595	28,123	28,615	16,201	51,269	-	35,135	-
Total Expenditures	<u>66,393,848</u>	<u>63,934,475</u>	<u>63,828,600</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>	<u>44,372,539</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<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>	<u>(3,964,255)</u>
OTHER FINANCING SOURCES (USES)										
Proceed of Bonds	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	12,060,000
Refinancing Debt	-	(3,780,000)	-	-	-	-	-	-	-	-
Transfer-In	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	559,168
Transfer-Out	<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>(2,126,389)</u>	<u>(2,035,476)</u>	<u>(2,777,972)</u>	<u>(559,168)</u>
Total Other Financing Sources and Uses	<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>	<u>12,060,000</u>
SPECIAL ITEM										
Proceeds from Sale	-	-	-	-	-	-	-	-	919,000	-
NET CHANGE IN FUND BALANCES	<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>	<u>\$ 8,095,745</u>
Debt service as a percentage of non capital expenditures ^(a)	18.40%	16.19%	21.03%	12.66%	22.03%	14.79%	13.30%	12.92%	12.25%	11.87%

^(a) This calculation was made based on Total Expenditures less Capital Outlay Expenditures divided by Total Debt Service Expenditures.

^(b) 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

FISCAL YEAR	TAXABLE VALUE	EXEMPT VALUE	GROSS VALUE	EXONERATED VALUE	NET ASSESSED VALUE
2014	\$2,161,792,998	\$1,366,442,101	\$ 795,350,898	\$ 551,139,795	\$ 244,211,103
2013	2,160,536,077	1,366,372,101	794,163,977	551,139,795	243,024,182
2012	2,146,141,915	1,385,242,618	760,899,297	547,847,494	213,051,803
2011	2,109,256,902	1,361,434,923	747,821,979	568,825,693	178,996,286
2010 ^(a)	1,621,210,746	1,046,422,048	574,788,698	437,209,107	137,579,591
2009 ^(b)	182,728,361	11,505,871	171,222,490	83,408,949	87,813,541
2008	182,728,361	11,505,871	171,222,490	83,408,949	87,813,541
2007	175,521,030	12,259,645	163,261,385	82,680,798	80,580,587
2006	172,942,348	14,539,269	158,403,079	79,778,120	78,624,959
2005	171,568,818	12,956,380	158,612,438	79,406,918	79,205,520

PERSONAL PROPERTY TAX VALUATION

FISCAL YEAR	TAXABLE VALUE	EXEMPT VALUE	GROSS VALUE	EXONERATED VALUE	NET ASSESSED VALUE
2014	\$ 792,578,891	\$ 435,918,390	\$ 356,660,501	\$ 219,547,881	\$ 137,112,620
2013	792,578,891	435,918,390	356,660,501	219,547,881	137,112,620
2012	766,754,023	436,357,873	330,396,150	221,470,182	108,925,968
2011	753,576,081	431,502,106	322,073,975	231,368,998	90,704,977
2010 ^(a)	579,211,399	331,659,861	247,551,538	177,834,149	69,717,389
2009 ^(b)	237,181,937	155,645,466	81,536,471	3,456,438	78,080,033
2008	237,181,937	155,645,466	81,536,471	3,456,438	78,080,033
2007	251,403,170	174,123,584	77,279,586	3,534,443	73,745,143
2006	338,127,158	255,890,622	82,236,536	3,857,992	78,378,544
2005	287,529,031	212,548,173	74,980,858	3,548,164	71,432,694



TOTAL PROPERTY TAX VALUATION

FISCAL YEAR	TAXABLE VALUE	EXEMPT VALUE	GROSS VALUE	EXONERATED VALUE	NET ASSESSED VALUE	TAX EFFECTIVE RATE
2014	\$2,954,371,889	\$1,802,360,491	\$1,152,011,398	\$ 770,687,676	\$ 381,323,723	7.66
2013	2,953,114,968	1,802,290,491	1,150,824,477	770,687,676	380,136,802	7.66
2012	2,912,895,938	1,821,600,491	1,091,295,447	769,317,676	321,977,771	7.66
2011	2,862,832,983	1,792,937,029	1,069,895,954	800,194,691	269,701,263	7.66
2010^(a)	2,200,422,145	1,378,081,909	822,340,236	615,043,256	207,296,980	7.66
2009^(b)	419,910,298	167,151,337	252,758,961	86,865,387	165,893,574	7.66
2008	419,910,298	167,151,337	252,758,961	86,865,387	165,893,574	7.66
2007	426,924,200	186,383,229	240,540,971	86,215,241	154,325,730	7.66
2006	511,069,506	270,429,891	240,639,615	83,636,112	157,003,503	7.66
2005	459,097,849	225,504,553	233,593,296	82,955,082	150,638,214	7.66

^a 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.

^b 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

FISCAL YEAR	MUNICIPALITY		TOTAL	COMMONWEALTH OF PUERTO RICO	DISCOUNT	TOTAL
	GENERAL PURPOSES	DEBT SERVICES				
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%
2005	6.00%	1.50%	7.50%	1.03%	0.20%	8.33%

PERSONAL PROPERTY

FISCAL YEAR	MUNICIPALITY		TOTAL	COMMONWEALTH OF PUERTO RICO	DISCOUNT	TOTAL
	GENERAL PURPOSES	DEBT SERVICES				
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%
2005	4.00%	1.50%	5.50%	1.03%	0.20%	6.33%



<u>Taxpayer</u>	<u>2014</u>		<u>2005</u>	
	<u>Total Business</u>	<u>Percentage of Total Business</u>	<u>Total Business</u>	<u>Percentage of Total Business</u>
PR Telephone Co	\$ 90,798,440	0.238	N/AV	N/AV
AT&T Mobility Puerto Rico, Inc	67,285,452	0.176	N/AV	N/AV
Fomento Industrial	60,929,216	0.160	N/AV	N/AV
PR Wireless, Inc	52,628,000	0.138	N/AV	N/AV
Liescan Products, LLC	33,257,639	0.087	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	356,165,751	0.934		
All other taxpayers	25,157,972	0.066		
Total assessed valuation-all taxpayers	<u>\$ 381,323,723</u>	<u>1.000</u>		

Note: Information for the Fiscal Year 2005 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		
2014	\$	15,187,249	\$	14,975,562	98.61%	-	\$	14,975,562	98.61%
2013		13,358,413		12,579,047	94.17%	1,035,452		13,614,499	101.92%
2012		13,502,638		12,649,814	93.68%	591,903		13,241,717	98.07%
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%	773,232		15,188,687	100.54%
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%
2005		14,243,801		13,601,173	95.49%	545,659		14,146,832	99.32%

SOURCE: Department of Finance of the Municipality.

2014

<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	1,689	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%
	1,857	100%	\$ 2,329,844	100%

2013

<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	1,722	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%
	1,890	100%	\$ 2,355,848	100%

2012

<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	1,700	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%
	1,755	100%	\$ 2,735,342	100%



2011

<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	1,720	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%
	1,775	100%	\$ 2,867,084	100%

2010

<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	1,563	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%
	1,625	100%	\$ 2,808,033	100%

2009

<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	1,458	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%
	1,537	100%	\$ 2,808,033	100%



2008

<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	1,354	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%
	1,413	100%	\$ 2,503,953	100%

2007

<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	1,458	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%
	1,496	100%	\$ 2,283,805	100%

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%
	1,630	100%	\$ 2,525,681	100%



2005

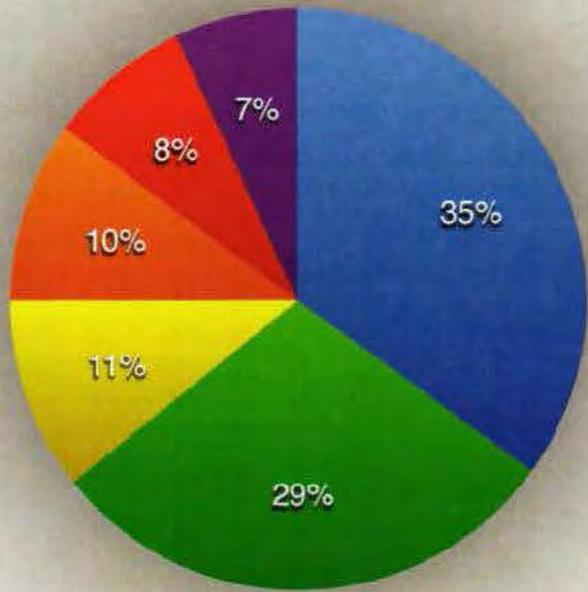
<i>INCOME (IN HUNDREDS)</i>	<i>NUMBER OF FILERS</i>	<i>PERCENTAGE OF TOTAL</i>	<i>TOTAL INCOME (IN HUNDREDS)</i>	<i>PERCENTAGE OF TOTAL</i>
\$5 - \$1,000	1,325	95.05%	189,514	15.31%
\$1,000 - \$100,000	68	4.88%	25,470	2.06%
Over \$100,000	1	0.07%	1,023,103	82.64%
	1,394	100%	\$ 1,238,087	100%



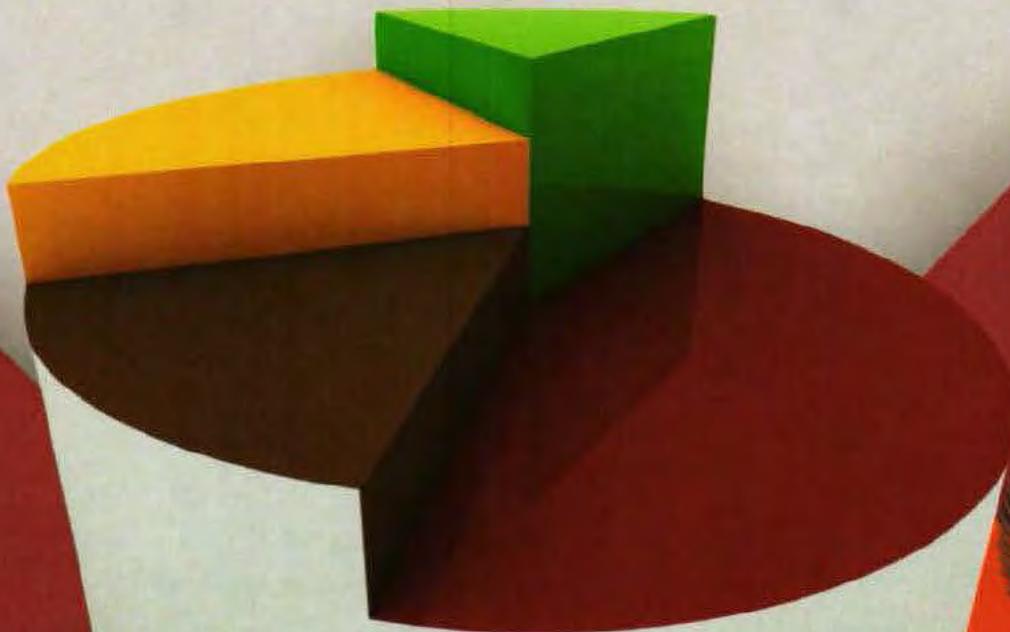
<i>FISCAL YEAR</i>	<i>FINANCIAL INSTITUTIONS ^(a)</i>		<i>OTHER ORGANIZATIONS</i>	
	<i>RATE</i>	<i>DISCOUNT ^(b)</i>	<i>RATE</i>	<i>DISCOUNT ^(b)</i>
2014	1.50%	5.00%	0.40%	5.00%
2013	1.50%	5.00%	0.40%	5.00%
2012	1.50%	5.00%	0.40%	5.00%
2011	1.50%	5.00%	0.40%	5.00%
2010	1.50%	5.00%	0.40%	5.00%
2009	1.50%	5.00%	0.40%	5.00%
2008	1.50%	5.00%	0.40%	5.00%
2007	1.50%	5.00%	0.40%	5.00%
2006	1.50%	5.00%	0.40%	5.00%
2005	1.50%	5.00%	0.40%	5.00%

^(a) This rate applies to Financial Institutions and Savings and Loan Associations

^(b) See Notes to the Basic Financial Statements



DEBT CAPACITY



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FISCAL YEAR	SPECIAL OBLIGATION BONDS	GENERAL OBLIGATION BONDS	TOTAL OBLIGATION BONDS
2014	\$ 25,227,579	\$ 56,700,250	\$ 81,927,829
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
2005	27,320,000	29,850,000	57,170,000

Note: Detail regarding the Municipality outstanding debt can be found in Note 11 of the Basic Financial Statements.

OUTSTANDING DEBT RATIO - PER PERSONAL INCOME

FISCAL YEAR	TOTAL OUTSTANDING DEBT	PERSONAL INCOME ¹	OUTSTANDING DEBT RATIO
2014	\$ 81,927,829	\$ 1,458,662,400	5.617%
2013	86,094,829	1,246,907,769	6.905%
2012	81,345,929	1,291,556,159	6.298%
2011	83,155,353	1,208,435,823	6.881%
2010	79,859,291	1,198,883,265	6.661%
2009	78,177,216	1,087,710,000	7.187%
2008	73,715,143	952,254,992	7.741%
2007	60,108,158	834,405,389	7.204%
2006	60,995,446	732,521,130	8.327%
2005	57,170,000	702,746,721	8.135%

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

FISCAL YEAR	TOTAL OUTSTANDING DEBT	PER CAPITA ¹	OUTSTANDING DEBT RATIO
2014	\$ 81,927,829	58,440	\$ 1,401.91
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
2005	57,170,000	69,920	817.65

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

FISCAL YEAR	TOTAL OUTSTANDING DEBT	NET ASSESSED VALUE ¹	OUTSTANDING DEBT RATIO
2014	\$ 81,927,829	\$ 381,323,723	21.49%
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%
2005	57,170,000	150,638,214	37.95%

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.



RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
FOR THE LAST TEN FISCAL YEARS

<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>
2014	\$ 2,269,000	\$ 2,242,875	\$ 4,511,875	\$ 28,857,169	15.64%
2013	2,487,000	2,098,053	4,585,053	29,428,918	15.58%
2012	2,184,000	1,743,836	3,927,836	27,363,916	14.35%
2011	1,865,000	1,879,173	3,744,173	26,096,888	14.35%
2010	2,475,000	1,782,747	4,257,747	27,278,859	15.61%
2009	2,260,000	2,644,379	4,904,379	27,460,267	17.86%
2008	1,825,000	1,642,131	3,467,131	29,126,672	11.90%
2007	1,595,000	1,558,753	3,153,753	29,125,072	10.83%
2006	1,500,000	1,476,931	2,976,931	25,870,304	11.51%
2005	1,775,000	1,543,582	3,318,582	24,692,725	13.44%

Source: Department of Finance of the Municipality.



FISCAL YEAR	POPULATION ²	NET ASSESSED VALUE ¹	GENERAL OBLIGATION BONDS	LESS: AMOUNTS AVAILABLE IN DEBT SERVICE FUND	NET GENERAL OBLIGATION BONDS	PERCENTAGE OF PERSONAL INCOME ²	PERCENTAGE OF NET ASSESSED	
							VALUE OF TAXABLE PROPERTY	BONDED DEBT PER CAPITA
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
2005	69,920	150,638,214	29,850,000	1,900,561	27,949,439	6.40%	18.55%	399.73

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		\$	3,534,378,176
Percentage of Legal Margin			<u>0.10</u>
Legal Margin		\$	353,437,818
Debt Outstanding and/or Authorized:			
Principal		\$	49,700,250
Authorized			7,175,000
Less: Fund Balance of Debt Service			
Fund Balance at June 30, 2014	\$	7,623,529	
Accrued Interests 2013 - 2014	<u>(2,242,875)</u>	<u>5,380,654</u>	
Net Debt			<u>51,494,596</u>
Legal Debt Margin		\$	<u>301,943,222</u>

Source: Governmental Development Bank of the Commonwealth of Puerto Rico



<i>FISCAL YEAR</i>	<i>LEGAL DEBT LIMIT</i>	<i>TOTAL NET DEBT APPLICABLE TO LIMIT</i>	<i>LEGAL DEBT MARGIN ⁽¹⁾</i>	<i>TOTAL NET DEBT APPLICABLE TO THE LIMIT AS A PERCENTAGE OF DEBT LIMIT</i>
2014	\$ 301,943,222	\$ 51,494,596	\$ 250,448,626	17.05%
2013	353,437,818	58,791,972	294,645,846	16.63%
2012	342,095,875	53,557,025	288,538,850	15.66%
2011	336,216,389	51,368,248	284,848,141	15.28%
2010	220,042,215	44,102,579	175,939,636	20.04%
2009	41,991,030	41,546,765	444,265	98.94%
2008	41,991,030	40,445,123	1,545,907	96.32%
2007	42,692,420	27,932,778	14,759,642	65.43%
2006	51,106,951	35,899,446	15,207,505	70.24%
2005	45,909,785	24,600,721	21,309,064	53.58%

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

<i>FISCAL YEAR</i>	<i>POPULATION</i>	<i>PERSONAL INCOME</i>	<i>PER CAPITA¹</i>	<i>INFLATION RATE</i>	<i>LABOR FORCE²</i>	<i>EMPLOYMENT²</i>	<i>UNEMPLOYMENT RATE</i>
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%
2005	69,920	702,746,721	10,051	4.31%	23,362	20,395	12.70%

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>2014</u>		<u>2005</u>	
	<u>Number of Employments</u>	<u>Percentage of Total Employment</u>	<u>Number of Employments</u>	<u>Percentage of Total Employment</u>
Professional Technical Services	719	5%	N/AV	N/AV
Real State	380	2%	N/AV	N/AV
Manufacturing	2,499	16%	N/AV	N/AV
Retail	1,308	8%	N/AV	N/AV
Wholesale	260	2%	N/AV	N/AV
Construction	1,123	7%	N/AV	N/AV
Educative Services	2,125	14%	N/AV	N/AV
Transportation & Warehousing	608	4%	N/AV	N/AV
Hotels and Restaurants	891	6%	N/AV	N/AV
Government	2,436	16%	N/AV	N/AV
Ten largest industries	12,349	79%		
All other industries	3,314	21%		
Total employments by industries	15,663	100%		

Note: Information for the Fiscal Year 2005 was not available.

OPERATING INFORMATION



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FUNCTIONS	FISCAL YEARS									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Mayor and Municipal Legislature	51	51	53	45	64	60	69	50	65	71
General Government	172	178	181	176	183	167	177	143	184	203
Public Safety	57	60	68	64	66	63	66	62	64	61
Public Works	43	58	59	52	56	82	44	34	39	36
Culture and Recreation	36	45	46	46	43	37	36	58	31	30
Health and Sanitation	121	124	124	112	124	136	162	138	139	122
Human Services and Welfare	92	102	109	113	115	100	101	88	90	60
Urban Development	29	43	45	44	53	49	64	55	51	62
TOTAL	601	661	685	652	704	694	719	628	663	645

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							
	2014	2013	2012	2011	2010	2009	2008	2007
Public Safety								
Patrol Units	31	32	31	33	32	33	30	29
Motorcycle	4	4	10	9	9	9	9	9
Public Works								
Bridges	15	15	15	15	15	15	15	15
Vehicles	50	56	56	57	55	57	57	57
Equipment	2,278	2,146	2,591	2,508	2,418	2,433	2,407	2,420
Culture and Recreation								
Parks	59	58	58	58	58	58	58	58
Community Centers	15	14	14	14	14	14	14	13
Public Instruction								
Head Start Centers	5	6	6	6	6	6	6	6
Health and Sanitation								
Buildings	2	2	2	2	2	2	2	2
Human Services and Welfare								
Cemeteries	3	3	3	3	3	3	3	3
Geriatrics Centers	7	6	6	6	6	6	5	4
Urban Development								
Buildings	6	6	6	6	6	6	5	4

Note: Information from prior years was not available. In addition, no capital assets statistics are available for the General Government and Mayor and Municipal Assembly functions.



FUNCTIONS	FISCAL YEARS				
	2014	2013	2012	2011	2010
Public Safety					
Police Officers	45	46	68	64	66
Public Works					
Collection of Debris - Worked Cases	420	551	533	670	889
Culture and Recreation					
Rentals of Community Centers	655	724	375	375	375
Health and Sanitation					
Collected Stray Dogs and Cats	373	274	320	298	426
Human Services and Welfare					
Donations Made	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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