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

MUNICIPIO DE CIDRA
AUDITORÍA 2013-2014
30 DE JUNIO DE 2014

COMMONWEALTH OF PUERTO RICO

AUTONOMOUS MUNICIPALITY OF CIDRA

BASIC FINANCIAL STATEMENTS WITH
ADDITIONAL REPORTS AND INFORMATION
REQUIRED BY THE SINGLE AUDIT ACT

YEAR ENDED JUNE 30, 2014

Autonomous Municipality of Cidra
P.O. Box 729 Cidra, P.R. 00739-0729

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Autonomous Municipality of Cidra**, **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 State 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 United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 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.

Calle Paraná #1686, El Cerezal, San Juan, P.R. 00926-3144 – Tel. (787) 777-8044 / Fax (787) 764-9377

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the **Autonomous Municipality of Cidra, Puerto Rico**, as of June 30, 2014, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages **4** through **13** and **59** 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 of 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 Cidra's** basic financial statements. The accompanying supplementary information – Financial Data Schedule shown in pages **61** and **62** are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The accompanying supplementary information – Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The Financial Data Schedule and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 Financial Data Schedule and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2015, on our consideration of the **Municipality's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 considering the **Municipality's** internal control over financial reporting and compliance.

López-Vega CPA, PSC

LOPEZ-VEGA, CPA, PSC

San Juan, Puerto Rico
February 6, 2015

Stamp No. 2675866 of the Puerto Rico
Society of Certified Public Accountants
was affixed to the record copy of this report.

This discussion and analysis of the **Municipality of Cidra** (the Municipality) financial performance provides an overview of the Municipality's financial activities for the fiscal year ended on June 30, 2014. This Management Discussion and Analysis (MD&A) should be read in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements. Also, this document includes comparative data with the prior year as this information was available for the fiscal year ended on June 30, 2013. This MD&A is prepared in order to comply with such pronouncement and, among other purposes, to provide the financial statements users with the following major information:

1. a broader basis in focusing important issues;
2. acknowledgement of an overview of the Municipality's financial activities;
3. provides for an evaluation of its financial condition as of the end of fiscal year 2013-2014 compared with prior year results;
4. identification of uses of funds in the financing of the Municipality's variety of activities and;
5. assess management's ability to handle budgetary functions.

FINANCIAL HIGHLIGHTS

The financial condition and results of operations as reflected in the financial statements prepared for the fiscal year 2014 constitute factual evidence of the Municipality's economic situation by the end of such year. The following comments deserve special mention:

1. Total assets of the Municipality amounted to $105,074,609 which represents an increase of 3% compared to the prior fiscal year, as restated.
2. At the end of fiscal year 2014, total liabilities amounted to $49,972,168. Of this amount, $38,924,891 corresponds to long-term liabilities of which $33,502,000 represent the outstanding balance of bonds and notes issued. The Municipality continued to meet all debt service requirements, most of which was paid from self-generated revenues.
3. Total net position of the Municipality amounted to $55,102,441, which represents an increase of .1% when compared to the prior fiscal year, as restated.
4. Total revenues available for the financing of activities as reflected in the Statement of Activities amounted to $31,686,091 derived from the following sources: $356,213 from charges for services; $3,914,751 from operating grants and contributions; $1,344,041 from capital grants and contributions obtained from other sources, and $26,071,086 from general revenues available.

FINANCIAL HIGHLIGHTS (CONTINUED)

5. Total expenses incurred to afford the cost of all functions and programs as reflected in the Statement of Activities amounted to $31,199,308.

6. As reflected in the Statement of Activities, the current fiscal year operations contributed to an increase in the Net Position figure of $486,783.

7. As of the close of the current fiscal year, the Municipality's Governmental Funds reported combined ending fund balances of $11,755,936.

8. In the fund financial statements, the governmental activities revenue increased $2,777,324 (or 10%); nevertheless governmental activities expenditures increased $2,625,837 (or 9%).

9. At the end of the current fiscal year, the Municipality's general fund balance reflects a deficit of ($1,787,662), compared to a fund balance of ($1,818,741) in the prior fiscal year, as restated.

10. The actual General Fund budgetary activities resulted in a favorable balance of $19,650.

FUNDAMENTALS OF FINANCIAL STATEMENTS PRESENTATION

The new approach used in the presentation of the financial statements of the Municipality is based on a government-wide view of such statements as well as a presentation of individual funds behavior during the fiscal year 2014. The combination of these two perspectives provide the user the opportunity to address significant questions concerning the content of said financial statements, and provide the basis for a comparable analysis of future years performance. The comparative analysis is a meaningful and useful management tool for municipal management in the decision making process.

Under the aforementioned approach, assets and liabilities are recognized using the accrual basis of accounting which is similar to the method used by most private enterprises. This means that current year's revenues and expenses are accounted for regardless of when cash is received or paid.

FINANCIAL STATEMENTS COMPONENTS

The basic financial statements consist of the government-wide financial statements, the major funds financial statements and the notes to the financial statements which provide details, disclosure and description of the most important items included in said statements.

FINANCIAL STATEMENTS COMPONENTS (CONTINUED)

The Statement of Net Position reflects information of the Municipality as a whole of a consolidated basis and provides relevant information about its financial strength as reflected at the end of the fiscal year. Such financial level is measured as the difference between total assets and liabilities, with the difference between both items reported as net position. It is important to note that although municipalities as governmental public entities were not created to operate under a profit motive framework, the return on assets performance plays an important role in their financial operations. The higher the increments achieved in net revenues, the higher the capacity to increase the net position figure either through additional borrowings or through internally generated funds. This in turn will benefit the welfare of the Municipality's constituents.

The Statement of Activities is focused on both gross and net cost of the various activities of the Municipality. It presents information which shows the changes in the Municipality's net position at the most recent fiscal year. Based on the use of the accrual basis of accounting, changes are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. Under said approach, revenues and expenses are reported in the Statement of Activities based on the theory that it will result in cash flows to be realized in future periods.

The Fund Financial Statements are another important component of the Municipality's financial statements. A fund is a grouping of related accounts that are used to maintain accountability and controls over economic resources of the Municipality that have been segregated for specific activities. The municipal fund type of accounting is used to demonstrate compliance with related legal requirements. Information offered through this Statement is limited to the Municipality's most significant funds and is particularly related to the local government only, instead of the government as a whole. Government funds are used to account for essentially the same functions as those reported as governmental activities. The funds are reported using an accounting method known as modified-accrual accounting, which measures cash and all other financial assets that can be readily converted into cash.

The fund financial statement approach gives the user a short-term view of the Municipality's government operations and the basic services it provides. Since the focus of government funds is narrower than that of the financial statements as a whole, it also helps the user with comparable information presented in the governmental activities report. By doing so, readers of the basic financial statements may understand better the long-term effect of the Municipality's short-term financial decisions.

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

INFRASTRUCTURE ASSETS

Historically, a government's largest group of assets (infrastructure-roads, bridges, underground pipes [unless associated with a utility], etc.) have not been reported nor depreciated in the government financial statements. GASB 34 requires that these assets be valued and reported within the Governmental column of the Government-Wide Statements. Additionally, the government must elect to either (a) depreciate these assets over their estimated useful life or (b) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government develops the asset management system (the modified approach) which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation. In this particular respect, the Municipality has elected the use of recognizing depreciation under the useful life method and it contemplates to continue this treatment on the said basis.

FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE

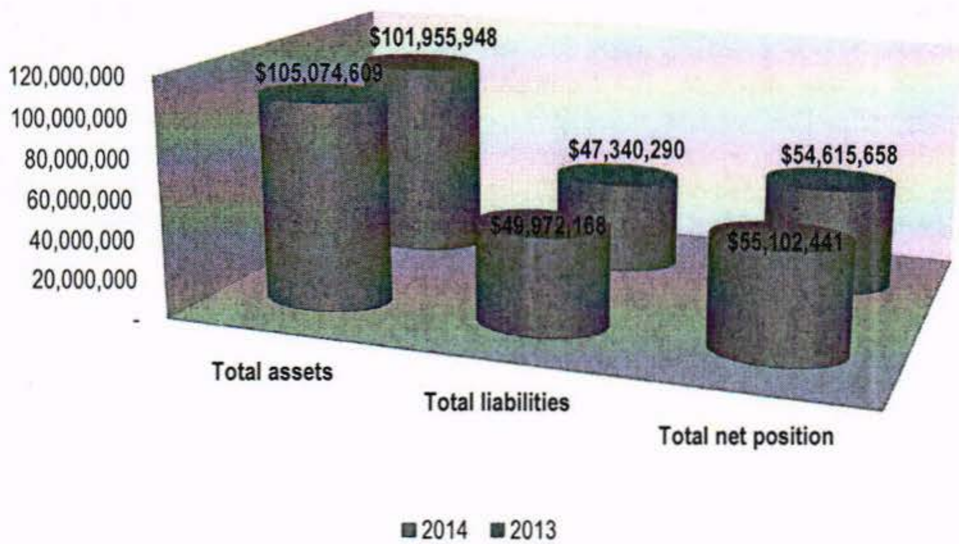
Net Position

The Statement of Net Position serves as an important indicator of the Municipality's financial position at the end of the fiscal year. In the case of the Municipality of Cidra, primary government assets exceeded total liabilities by $55,102,441 at the end of 2014, as compared with $54,615,658, as restated, which reflects an increase of $486,783 over the previous fiscal year. The following condensed Statement of Net Position of the Primary Government shows on a comparative basis, the most important components of the $486,783 increase reflected in the Net Position figure.

Condensed Statements of Net Position	2014	2013, as restated	Change	%
Current and other assets	$ 24,665,472	$ 22,225,648	2,439,824	11%
Capital assets, net of depreciation	80,409,137	79,730,300	678,837	1%
Total assets	105,074,609	101,955,948	3,118,661	3%
Current and other liabilities	11,047,277	10,012,341	1,034,936	10%
Long-term liabilities	38,924,891	37,327,949	1,596,942	4%
Total liabilities	49,972,168	47,340,290	2,631,878	6%
Net investment in capital assets	49,892,137	50,072,300	(180,163)	.4%
Restricted	13,543,598	14,108,321	(564,723)	(4%)
Unrestricted deficit	(8,333,294)	(9,564,963)	1,231,669	(13%)
Total net position	$ 55,102,441	$ 54,615,658	486,783	1%

FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE (CONTINUED)

Statement of Net Position



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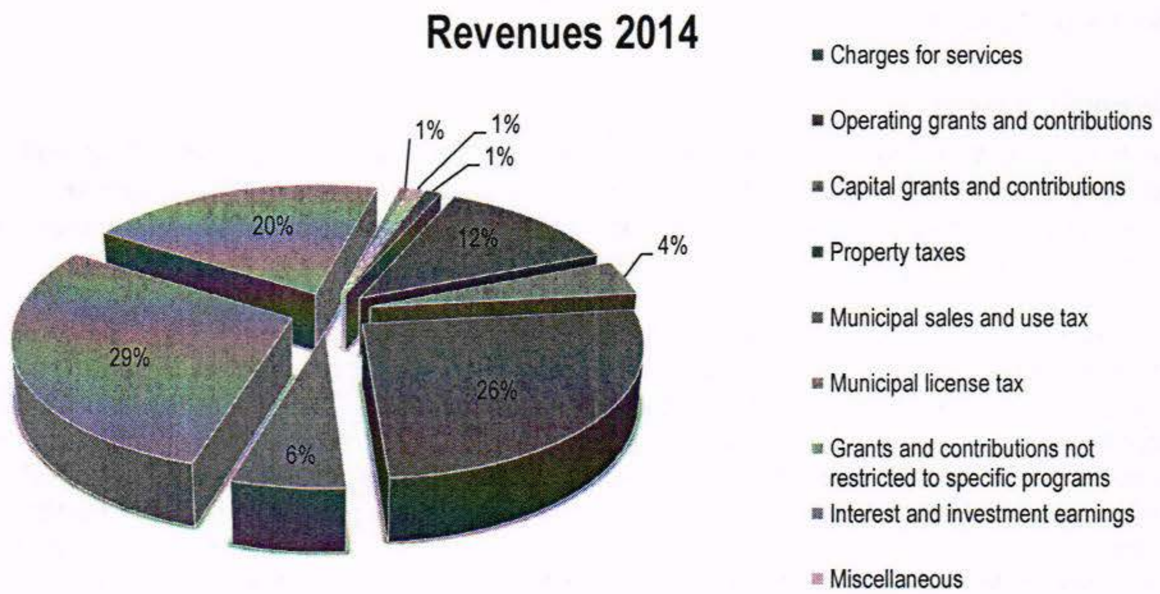
FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE (CONTINUED)

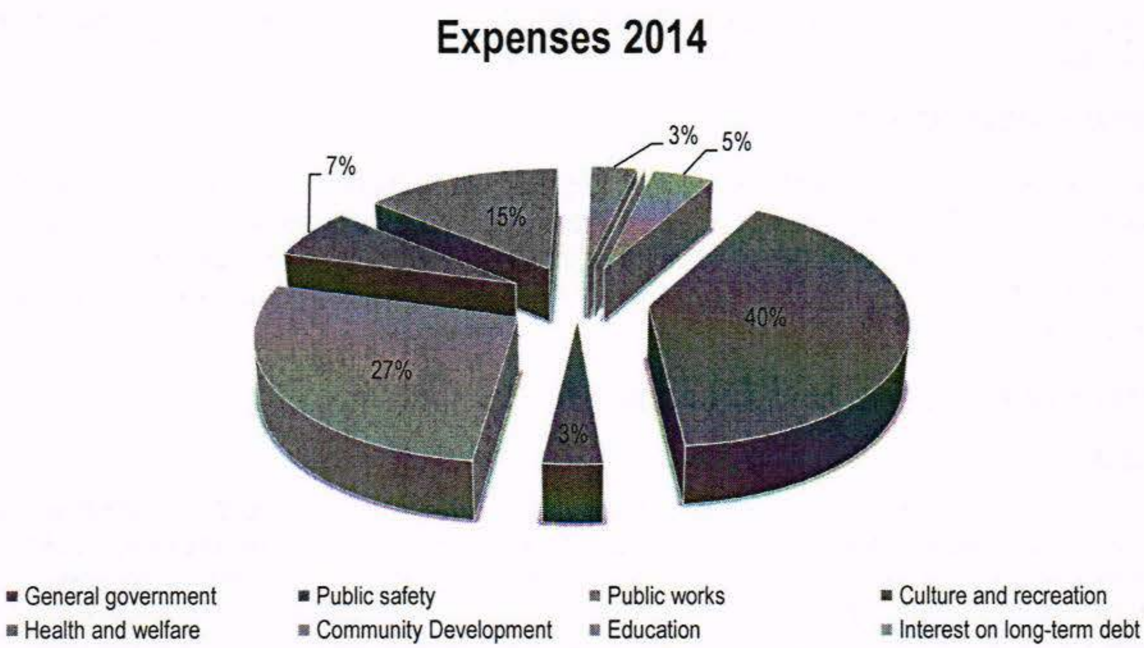
Changes in Net Position

The Municipality's net position increased by $486,783. Approximately sixty-one percent (61%) of the Municipality's total revenue came from taxes, while thirty-six one percent (36%) resulted from grants and contributions, including federal aid. Charges for services provided one percent (1%), interest (1%) and miscellaneous (1%) of total revenues. The Municipality's largest expenses included items such as general government, health and welfare services, public works, community development and public safety. The following table and graphic presentation includes in absolute and relative terms, the composition of revenues and expenses for the fiscal years ended on June 30, 2014 and 2013. Such analysis helps the reader to evaluate the municipal management's performance in the administration of its current financial operations.

Condensed Statement of Activities	2014	2013, as restated	Change	%
Program revenues:				
Charges for services	$ 356,213	$ 259,085	$ 97,128	37%
Operating grants and contributions	3,914,751	4,324,049	(409,298)	(9%)
Capital grants and contributions	1,344,041	1,180,501	163,540	(9%)
General revenues:				
Property taxes	8,132,861	7,644,373	488,488	6%
Municipal sales and use tax	1,819,065	1,829,548	(10,483)	(1%)
Municipal license tax	9,239,663	7,347,140	1,892,523	26
Grants and contributions not restricted to specific programs	6,408,656	6,349,261	59,395	19%
Interest	221,626	163,494	58,132	36%
Miscellaneous	249,215	222,989	26,226	12%
Total revenues	31,686,091	29,320,440	2,365,651	8%
Expenses:				
General government	12,564,450	11,776,533	(721,754)	(6%)
Public safety	1,031,457	1,032,793	1,336	.1%
Public works	5,368,268	2,972,362	(2,602,848)	(44%)
Culture and recreation	2,074,220	2,024,597	(49,623)	(2%)
Health and welfare	4,515,256	3,918,771	(596,485)	(15%)
Community development	1,049,337	1,335,152	285,815	21%
Education	31,474	31,030	(444)	(1%)
Interest on long-term debt	1,401,781	1,435,471	33,690	2%
Total expenses	31,199,308	27,548,995	$ (3,650,313)	(13%)
Change in net position	486,783	1,771,445	(1,284,662)	(73%)
Net position, beginning of year as restated	54,615,658	52,844,213	2,418,879	3%
Net position, end of year	$ 55,102,441	$ 54,615,658	2,202,474	1%

FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE (CONTINUED)





FINANCIAL ANALYSIS OF THE MUNICIPALITY'S INDIVIDUAL FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the Municipality's governmental funds reported combined ending fund balances of $11,755,936, an increase of $174,570 in comparison with the prior year, as restated. The combined fund balances include restricted fund balances amounting to $13,541,990. This is the portion of fund balance that reflects resources that are subject to externally enforceable legal restrictions 1) to pay for specific program purposes ($3,681,932); 2) to pay for capital projects ($2,724,581); 3) to pay debt services ($7,135,477). There are committed fund balance amounting to $1,608 that can only be used pursuant to constraint formally imposed by the Municipal Legislature by ordinances and resolutions to pay for specific programs purpose. Consequently, since there is an excess of restricted and committed fund balances over total fund balances, a negative unassigned fund balance of ($1,787,662) was reported in the governmental funds at June 30, 2014.

Governmental funds include the General Fund, which is the operating fund of the Municipality. As of June 30, 2014, the General Fund has an accumulated deficit of ($1,787,662), which reflects a decrease when compared to the prior fiscal years, as restated, deficit balance of ($1,818,741).

GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2013-2014, the Municipal Legislature approved revisions to the operational budget that was prepared in accordance to the analysis of previous year's results. Despite of the balance budget, the expected amounts of revenues were not collected, as reflected in the exhibit. Budgetary Comparison Schedule-General Fund attached here to. The **Municipality of Cidra** current year operation had an excess of revenues over expenses of $19,650.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Municipality's investment in capital assets as of June 30, 2014, amounted to $117,902,398 which upon deduction of accumulated depreciation in the amount of $37,493,261 produced a net book value attributable to capital assets in the amount of $80,409,137. Said investment includes land, construction in progress, buildings, improvements, equipment, infrastructure, furnishing, computers and vehicles. Infrastructure assets are composed of items such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets (continued)

The total increase in the Municipality's investment in capital assets for the current fiscal year represented approximately one percent (1%) of net book value. Depreciation charges for the year totaled $2,461,797.

The Municipality finances a significant portion of its construction activities through bond or notes issuances. The proceeds from bond and notes issuances designated for construction activities are committed in its entirety for such purposes and cannot be used for any other purposes. As of June 30, 2014, the Municipality has $2,294,926 of proceeds from bond and notes issuances and other restricted assignments that are mainly committed to future construction activities in the Capital Project Fund- Local, State and Federal Grants.

Debt Administration

The Commonwealth of Puerto Rico's legislature has established a limitation for the issuance of general obligation municipal bonds and notes for the payment of which the good faith, credit and taxing power of each municipality may be pledged. The applicable law also requires that in order for a Municipality to be able to issue additional general obligation bonds and notes, such Municipality must have sufficient "payment capacity" as defined in Act No. 64. Such Act requires a Municipality must has sufficient "payment capacity" to incur additional general obligation debt if its deposits in the Redemption Fund and the annual amounts collected with respect to such Municipality's Special Additional Tax (as defined below), as projected by GDB, is sufficient to service to maturity the Municipality's outstanding general obligation debt and the additional proposed general obligation debt.

The Municipality is required under prevailing applicable law to levy a Special Additional Tax in such amounts as shall be required for the payment of its general obligation municipal bonds and notes. In addition, principal of and interest on all general obligation municipal bonds and notes and on all municipal notes issued in anticipation of the issuance of general obligation bonds issued by the Municipality constitute a first lien on the Municipality's Basic Tax revenues. Accordingly, the Municipality's Basic Tax revenues would be available to make debt service payments on general obligation municipal bonds and notes to the extent that the Special Additional Tax levied by the Municipality, together with moneys on deposit in the Municipality's Redemption Fund, are not sufficient to cover such debt service. In the particular case of the Municipality of Cidra, it has never been necessary to apply Basic Taxes to pay debt service on general obligation debt of the Municipality.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Municipality relies primarily on property and municipal taxes as well as federal and state grants to carry out the governmental activities. Historically, property and municipal taxes have been very predictable with increases of approximately five percent. Federal and State grant revenues may vary if new grants are available, but the revenue can be also predictable. Those factors were considered when preparing the Municipality's budget for the fiscal year 2014-2015.

FINANCIAL CONTACT

The Municipality's financial statements are designed to present users (citizens, taxpayer, customers, investors and creditors) with a general overview of the Municipality's finances and to demonstrate the Municipality's accountability. If you have questions about the report or need additional financial information, contact the Municipality's Chief Financial Officer.

		Governmental Activities
Assets		
Cash and cash equivalents	$	11,522,050
Cash with fiscal agents		10,978,150
Accounts receivable:		
Municipal license taxes		2,524
Other		74,117
Due from:		
Commonwealth Government		2,088,631
Capital assets:		
Land, improvements and construction in progress		26,375,407
Buildings, infrastruture and other capital assets, net of depreciation		54,033,730
Total capital assets		80,409,137
Total assets		105,074,609
Liabilities		
Accounts payable and accrued liabilities		2,192,432
Due to:		
Commonwealth Government		268,018
Unearned revenues:		
Municipal license tax		8,547,705
Federal grant revenues		39,122
Noncurrent liabilities:		
Due within one year		4,205,670
Due in more than one year		34,719,221
Total liabilities		49,972,168
Net Position		
Net investment in capital assets		49,892,137
Restricted for:		
Capital projects		2,724,581
Debt service		7,135,477
Other purposes		3,683,540
Unrestricted (deficit)		(8,333,294)
Total net position	$	55,102,441

The notes to the financial statements are an integral part of this statement.

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
			Operating	Capital	Primary Government
Functions/Programs	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities
General government	$ 12,564,450	$ 224,125	$ 996,039	$ -	$ (11,344,286)
Public safety	1,031,457	22,904	43,369		(965,184)
Public works	8,531,333		1,817,292	1,344,041	(5,370,000)
Health and welfare	4,515,256		1,021,911		(3,493,345)
Culture and recreation	2,074,220	109,184	36,140		(1,928,896)
Community development	1,049,337				(1,049,337)
Education	31,474				(31,474)
Interest on long-term debt	1,401,781				(1,401,781)
Total governmental activities	$ 31,199,308	$ 356,213	$ 3,914,751	$ 1,344,041	(25,584,303)
	General revenues:				
	Property taxes				8,132,861
	Municipal license taxes				9,239,663
	Municipal sales and use taxes				1,819,065
	Grants and contributions not restricted to specific programs				6,408,656
	Interest and investment earnings				221,626
	Miscellaneous				249,215
	Total general revenues				26,071,086
	Change in net position				486,783
	Net Position - beginning, as restated				54,615,658
	Net Position - ending				$ 55,102,441

The notes to the financial statements are an integral part of this statement.

	Major Funds					
	General Fund	Special Revenue Fund - State & Federal Grants	Debt Service Fund	Capital Projects Fund - State & Federal Grants	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 7,396,797	$ 3,258,656	$ -	$ 691,380	$ 175,217	$ 11,522,050
Cash with fiscal agents		1,444,753	7,135,477	2,397,920		10,978,150
Accounts receivable:						
Municipal licenses tax	2,524					2,524
Other	45,304			26,266	2,547	74,117
Due from:						
Commonwealth Government	1,760,537	328,094				2,088,631
Other funds	534,322					534,322
Total assets	$ 9,739,484	$ 5,031,503	$ 7,135,477	$ 3,115,566	$ 177,764	$ 25,199,794
Liabilities, Deferred Inflows of Resources and Fund balances (deficit)						
Liabilities						
Accounts payable and accrued liabilities	$ 950,886	$ 880,454	$ -	$ 210,927	$ 150,165	$ 2,192,432
Due to:						
Commonwealth Government	268,018					268,018
Other funds		327,277		180,058	26,987	534,322
Unearned revenues:						
Municipal license taxes	8,547,705					8,547,705
Federal grant revenues		39,122				39,122
Total liabilities	9,766,609	1,246,853	-	390,985	177,152	11,581,599
Deferred Inflows of Resources						
Unavailable revenues - Property taxes	237,037					237,037
Unavailable revenues - Commonwealth Government	1,523,500					1,523,500
Unavailable revenues - Federal grants		101,722				101,722
Total deferred inflows of resources	1,760,537	101,722	-	-	-	1,862,259
Fund Balances (deficit)						
Restricted		3,681,320	7,135,477	2,724,581	612	13,541,990
Committed		1,608				1,608
Unassigned	(1,787,662)					(1,787,662)
Total fund balances (deficit)	(1,787,662)	3,682,928	7,135,477	2,724,581	612	11,755,936
Total liabilities, deferred inflows of resources and fund balances (deficit)	$ 9,739,484	$ 5,031,503	$ 7,135,477	$ 3,115,566	$ 177,764	$ 25,199,794

The notes to the financial statements are an integral part of this statement.

	Major Funds					
	General Fund	Special Revenue Fund - State & Federal Grants	Debt Service Fund	Capital Projects Fund - State & Federal Grants	Other Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	$ 5,150,372	$ -	$ 2,982,489	$ -	$ -	$ 8,132,861
Municipal sales and use taxes		1,213,856	605,209			1,819,065
Municipal license taxes	9,239,663					9,239,663
Licenses, permits and other local taxes	377,145					377,145
Charges for services	24,040	200,085				224,125
Intergovernmental	6,031,511	1,744,189				7,775,700
Fines and forfeitures	109,184					109,184
Rent of property	22,904					22,904
Interest	221,626					221,626
Federal grants		109,414			2,103,084	2,212,498
Miscellaneous	249,215	213,247			54,421	516,883
Total revenues	21,425,660	3,480,791	3,587,698	-	2,157,505	30,651,654
Expenditures						
Current:						
General government	10,887,950	2,536,485			3,000	13,427,435
Public safety	1,068,109					1,068,109
Public works	4,394,318	243,854				4,638,172
Health and welfare	3,094,497	400,587			1,198,281	4,693,365
Culture and recreation	1,569,527	367,404				1,936,931
Community development		113,556			333,989	447,545
Education	260,511	801			46,126	307,438
Capital outlays				3,392,533		3,392,533
Debt service:						
Principal			2,291,000			2,291,000
Interest			1,401,781			1,401,781
Total expenditures	21,274,912	3,662,687	3,692,781	3,392,533	1,581,396	33,604,309
Excess (deficiency) of revenues over (under) expenditures	150,748	(181,896)	(105,083)	(3,392,533)	576,109	(2,952,655)
Other financing sources (uses)						
Transfers in	940,000	479,142	1,178,893			2,598,035
Transfers out	(1,059,669)	(55,675)	(940,000)		(542,691)	(2,598,035)
Long-term debt issued				3,150,000		3,150,000
Bond issuance costs				(22,775)		(22,775)
Total other financing sources (uses)	(119,669)	423,467	238,893	3,127,225	(542,691)	3,127,225
Net change in fund balances (deficit)	31,079	241,571	133,810	(265,308)	33,418	174,570
Fund balance (deficit), beginning, as restated	(1,818,741)	3,441,357	7,001,667	2,989,889	(32,806)	11,581,366
Fund balance (deficit), at end year	$ (1,787,662)	$ 3,682,928	$ 7,135,477	$ 2,724,581	$ 612	$ 11,755,936

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Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
For the Year Ended June 30, 2014

Total Fund Balances - Governmental Funds		$ 11,755,936
Amounts reported for Governmental Activities in the Statement of Net Position 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	$ 26,375,407	
Depreciable capital assets	91,526,991	
Accumulated depreciation	(37,493,261)	
Total Capital Assets		80,409,137
Other assets are not available to pay current-period expenditures and, therefore, are reported as deferred inflows of resources in the funds:		
Due from Commonwealth Government:		
Property taxes - General Fund	237,037	
P.R. Electric Power Authority (PREPA)	1,376,709	
Christmas bonus reimbursement	146,791	
Others	101,722	
		1,862,259
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
General obligation bonds and notes	(28,620,000)	
Section 108 Loan Guarantee notes payable	(4,882,000)	
Compensated Absences	(3,200,141)	
Landfill Obligation	(530,000)	
Payable to PREPA	(1,376,709)	
Christmas Bonus	(316,041)	
Total Long-Term Liabilities		(38,924,891)
Total Net Position of Governmental Activities		$ 55,102,441

The notes to the financial statements are an integral part of this statement.

Net Change in Fund Balances - Total Governmental Funds		$ 174,570
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position, the cost of those assets is allocated over their estimated useful lives as depreciation expense:		
Expenditures for capital assets	$ 2,639,117	
Less: current-year depreciation	(2,461,797)	177,320
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Property taxes - General Fund (current year)	237,037	
P.R. Electric Power Authority (PREPA)	1,122,883	
Christmas bonus reimbursement (current year)	146,791	
Donated capital assets	508,224	
Federal grants	101,722	2,116,657
Revenues reported in the funds that are not reported as revenues in the Statement of Activities:		
P.R. Electric Power Authority (PREPA) (prior year)	(580,368)	
Christmas bonus reimbursement (prior year)	(139,777)	
Property taxes (prior year)	(362,075)	(1,082,220)
Disposal of capital assets require removal of cost of the capital assets from the capital asset account on the Government-Wide Statement of Net Position, resulting in a loss on disposal of capital assets on the Government-Wide Statement of Activities.		(6,707)
Proceeds from general obligation bonds is an other financing source in the governmental funds, but increase long-term liabilities in the Statement of Net Position		(3,150,000)
Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position:		
General obligation bonds and notes	2,291,000	
Other long-term liabilities	2,095,841	4,386,841
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures:		
Compensated absences	(129,313)	
Payable to PREPA	(1,684,324)	
Christmas Bonus	(316,041)	(2,129,678)
Change in Net Position of Governmental Activities		$ 486,783

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The **Autonomous Municipality of Cidra** (the Municipality) was founded in the year 1809. The Municipality's government system consists of an executive and legislature body. It is governed by a Mayor and a sixteen member Municipal Legislature who are elected for a four-year term.

The Municipality provides public safety, public works, culture and recreation, health and welfare, urban development, education, economic development, and other miscellaneous services.

The basic financial statements of the Municipality have been prepared in conformity with Generally Accepted Accounting Principles as applied to local governmental units in the United States of America (US GAAP).

A. Financial reporting entity

The financial reporting entity included in this report consists of the financial statements of the Autonomous Municipality of Cidra (primary government) and organizations for which the primary government is financially accountable. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. Other entities should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government. It is a matter of professional judgment to determine whether the nature and the significance of a potential component unit's relationship with the primary government warrant inclusion in the reporting entity. An entity should be considered a component unit if meets any of the following three conditions:

1. The primary government appoints a voting majority of the entity's governing body, and either:
    - A financial benefit/ burden exist between the primary government and the entity or
    - The primary government can impose its will on the entity.
2. The entity is fiscally dependent on the primary government and there is a financial benefit/burden between the primary government and the entity.
3. It would be necessary to include the entity as a component unit since the primary government's financial statements would be misleading without it.

In addition, "special criteria" applies when evaluating a legally separate, tax-exempt organization as potential component unit. Specifically, such entities must be treated as component units if they meet all of the following criteria:

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.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial reporting entity (continued)

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.

Legally separate, tax-exempt organizations that do not meet the above special criteria should still be included as a component unit if the financial statements of the primary government would be misleading without them.

There are two methods of presentation of the component unit in the financial statements: (a) *blending* the financial data of the component units' balances and transactions and (b) *discrete* presentation of the component unit's financial data. When a component unit functions as an integral part of the primary government, its data is *blended* with those of the primary government (*"blended component units"*). That is, the component unit's funds are treated just as though they were funds of the primary government with one exception: the general fund. Component units should be reported as blended if meets any of the following criteria:

1. The component unit's governing body is substantively the same as the governing body of the primary government and there is either:

   - A financial benefit/ burden exist between the primary government and the entity or
   - Management of the primary government has operational responsibility for the primary government.

2. The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government.

3. The component unit's debt is expected to be paid by the primary government.

Otherwise, the component unit should be presented as discrete. Those component units does not function as an integral part of the primary government and its data is presented discretely (separately) from the data of the primary government (*"discretely component units"*). Legally separate, tax-exempt organizations that meet the special criteria should be included as *discretely component units.*

Based on the above criteria, there are no potential component units which should be included as part of the financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial statement presentation, measurement focus and basis of accounting

The financial report of the Municipality consists of the Management's Discussion and Analysis (MD&A), basic financial statements and required supplementary information other than the MD&A. Following is a summary presentation of each, including the measurement focus and basis of accounting. Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus:

Management's Discussion and Analysis

It provides a narrative introduction and analytical overview of the Municipality's financial activities.

Basic financial statements

The basis financial statements include both the government-wide and fund financial statements. Both sets of statements categorize primary activities as governmental type, which are primarily supported by taxes and intergovernmental revenues.

Government-wide Financial Statements (GWFS)

The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These statements are prepared using the *economic resources* measurement focus, which refers to the reporting of all of the net position available to the governmental unit for the purpose of providing goods and services to the public. The statements are reported on the *accrual basis of accounting*. Revenues are recognized in the period earned and expenses in the period in which the associated liability is incurred, regardless of the timing of related cash flows. Fiduciary activities, if any, whose resources are not available to finance government programs, are excluded from the government-wide statements. The effect of inter-fund activities is eliminated.

The Statement of Net Position presents all of the reporting entity's non-fiduciary assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. The Statement of Activities reports revenues and expenses in a format that focus on the net cost of each function of the Municipality. Both the gross and net cost of the function, which is otherwise being supported by the general government revenues, is compared to the revenues generated directly by the function. This Statement reduces gross direct expenses, including depreciation, by related program revenues, operating and capital grants, and contributions. Direct expenses are those that are clearly identifiable with a specific function. As a policy, indirect expenses are not allocated in the Statement of Activities. Program revenues must be directly associated with the function.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial statement presentation, measurement focus and basis of accounting (continued)

The types of transactions included as program revenues are: charges for services, fees, rent, licenses and permits; operating grants which include operating-specific and discretionary (either operating or capital) grants; and capital grants which are capital-specific grants. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. Property taxes (imposed nonexchange transactions) are recognized as revenues in the year for which they are levied and municipal license taxes and sales and use taxes (derived tax revenues) when the underlying exchange has occurred and time requirements are met. Revenues on both operating and capital grants are recognized when all eligibility requirements (including time requirements) imposed by the provider have been met. For certain expenditure-driven grants, revenue is recognized after allowable expenditures are incurred.

The Municipality reports unearned revenues in the government-wide statements. Unearned revenues arise when resources are received before the Municipality has a legal claim to them (such as advances of derived tax revenues) or before applicable eligibility requirements are met (in case of certain federal expenditure-driven grants if resources are received before allowable expenditures are incurred).

In subsequent periods, when the Municipality has a legal claim to the resources, the liability for unearned revenues is removed from the statement of net position and the revenue is recognized.

<u>Fund Financial Statements (FFS)</u>

The financial transactions of the Municipality are recorded in individual funds, each of which are considered an independent fiscal entity. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues and expenditures. Funds are segregated according to their intended purpose which helps management in demonstrating compliance with legal, financial and contractual provisions. Governmental Funds are those through which most governmental functions of the Municipality are financed. The governmental fund statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances with one column for the general fund, one for each major fund and one column combining all non-major governmental funds. Major funds are determined based on a minimum criteria, that is, a percentage of the assets and deferred outflows; liabilities and deferred inflows; revenues or expenditures or based on the Municipality's official's criteria if the fund is particularly important to financial statement users.

The Municipality reports the following major governmental funds:

<u>General Fund</u> – is the Municipality main operating fund used to account for and report all financial and reported resources and governmental activities, except for those required to be accounted for in another fund. It is presumed that the Municipality's governmental activities have been reported in the general fund except for transactions for which one of the following compelling reasons has required the use of another fund: (1) legal requirements, (2) USGAAP requirements or (3) the demands of

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial statement presentation, measurement focus and basis of accounting (continued)

sound financial administration requiring the use of a governmental fund other than the general fund. Its revenues consist mainly of taxes, licenses and permits, intergovernmental, charges for services and other.

Special Revenue Funds - State and Federal Grants – is a major governmental fund used to account for and report the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted or committed to expenditure for specified purposes other than debt service or capital projects. Resources restricted or committed to expenditure for purposes normally financed from the general fund are generally accounted for in the general fund provided that all applicable legal requirements can be appropriately satisfied and the use of special revenue funds is not required unless they are legally mandated.

Debt Service Fund – is a major governmental fund used to account for and report for the accumulation of financial resources that are restricted for, and the payment of, principal and interest for: (1) bonds payable for which debt service payments are legally mandated to be accounted for in a debt service fund and (2) certain special long-term obligations for which the Municipality is been accumulating financial resources in advance to pay principal and interest payments maturing in future years.

Capital Projects Funds – State and Federal Grants – is a major governmental fund used to account for and report financial resources that are restricted or committed to expenditure for capital outlays, including the acquisition or construction of major capital facilities, including those outlays financed by the general obligation bond proceeds (other than those financed by proprietary funds or in trust funds for individuals, private organizations, or other governments). The use of the capital projects funds has been limited to only for major capital acquisitions, construction or improvement activities that would distort financial resources trend data if not reported separately from the other Municipality's operating activities. The routine purchases of minor capitalizable assets (such as furniture, office equipment, vehicles and other minor capital assets or improvements) have been reported in the governmental fund from which financial resources were used for the payment.

The other governmental funds of the Municipality account for grants and other resources whose use is restricted to a particular purpose.

The FFS are accounted for using the *current financial resources* measurement focus and the *modified-accrual basis of accounting*. Under this method of accounting, revenues are recognized when they are susceptible to accrual (i.e. both *measurable* and *available*).

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Municipality considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial statement presentation, measurement focus and basis of accounting (continued)

Revenues susceptible to accrual include property taxes, recognized as revenue in the year for which they are levied; municipal license taxes and sales and use taxes, recognized when the underlying exchange has occurred and time requirements are met; and interest. In applying the susceptible to accrual concept to intergovernmental revenues, revenues are recognized when all eligibility requirements (including time requirements) imposed by the provider have been met and revenue becomes available. There are, however, essentially two types of these revenues. In the first case, on expenditure-driven grants, monies must be expended on the specific project or purpose (eligibility requirement), before any amounts are paid to the Municipality. Revenue is, therefore, recognized as expenditures are incurred to the extent available. In the other cases, monies are virtually unrestricted and are generally revocable only for failure to comply with prescribed compliance requirements. In these cases, revenues are recognized at the time of receipt or earlier, if the susceptible-to-accrual criterion is met. Licenses and permits, charges for services, rent, fines and miscellaneous revenues are generally recorded as revenues when received or are recognized earlier if the susceptible-to-accrual criterion is met.

The Municipality reports unearned revenues in the governmental funds statements. Unearned revenues arise when resources are received before the Municipality has a legal claim to them (such as advances of derived tax revenues) or before applicable eligibility requirements are met (in case of certain federal expenditure-driven grants, if resources are received before allowable expenditures are incurred). In subsequent periods, when the Municipality has a legal claim to the resources, the liability for unearned revenues is removed from the balance sheet and the revenue is recognized.

Expenditures are generally recognized when the related liability is incurred as under accrual basis of accounting. Certain exceptions to this fundamental concept include the following: (1) payments of principal and interest on general long-term debt, which are recorded as expenditures when due and (2) vested compensated absences, claims and judgments and special termination benefits, which are recorded as expenditures only to the extent that they are expected to be liquidated with expendable financial resources (in the GWFS, the expense and related accrual liability for long-term portions of debt must be included).

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 of the FFS. Likewise, long-term liabilities (generally, those unmatured that will not require the use of current financial resources to pay them) are also not accounted for in the FFS.

Since the FFS are presented on a different measurement focus and basis of accounting than the GWFS, reconciliation is necessary to explain the adjustments needed to transform the FFS into the GWFS. This reconciliation is part of the financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial statement presentation, measurement focus and basis of accounting (continued)

Notes to financial statements

The notes to financial statements provide information that is essential to an user's understanding of the basic financial statements.

Required Supplementary Information (RSI)

The Required Supplementary Information consists of the Budgetary Comparison Schedule – General Fund as required by GASB.

C. Financial reporting presentation

The accounts of the Municipality are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Fund types are as follows:

General Fund – Is the Municipality main operating fund used to account for and report all financial and reported resources and governmental activities, except for those required to be accounted for in another fund. It is presumed that the Municipality's governmental activities have been reported in the general fund except for transactions for which one of the following compelling reasons has required the use of another fund: (1) legal requirements, (2) USGAAP requirements or (3) the demands of sound financial administration requiring the use of a governmental fund other than the general fund. Its revenues consist mainly of taxes, licenses and permits, intergovernmental, charges for services and other.

Special Revenue Funds – Is a governmental fund used to account for and report the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted or committed to expenditure for specified purposes other than debt service or capital projects. Resources restricted or committed to expenditure for purposes normally financed from the general fund are generally accounted for in the general fund provided that all applicable legal requirements can be appropriately satisfied and the use of special revenue funds is not required unless they are legally mandated.

Capital Projects Fund – is a governmental fund used to account for and report financial resources that are restricted or committed to expenditure for capital outlays, including the acquisition or construction of major capital facilities, including those outlays financed by the general obligation bond proceeds (other than those financed by proprietary funds or in trust funds for individuals, private organizations, or other governments).

The use of the capital projects funds has been limited to only for major capital acquisitions, construction or improvement activities that would distort financial resources trend data if not reported separately from the other Municipality's operating activities. The routine purchases of minor capitalizable assets (such as furniture, office equipment, vehicles and other minor capital assets or improvements) have been reported in the governmental fund from which financial resources were used for the payment.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial reporting presentation

Debt Service Fund – is a major governmental fund used to account for and report for the accumulation of financial resources that are restricted for, and the payment of, principal and interest for: (1) bonds payable for which debt service payments are legally mandated to be accounted for in a debt service fund and (2) certain special long-term obligations for which the Municipality is been accumulating financial resources in advance to pay principal and interest payments maturing in future years.

D. Deposits and investments

The Municipality's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Nonnegotiable certificates of deposits with original maturity of more than three months are considered time deposits as required by current standards. The Municipality follows the practice of pooling cash of all funds except for certain Commonwealth's grants, restricted funds generally held by outside custodians and federal grants. Available pooled cash balance beyond immediate needs is invested in certificates of deposits. Cash and cash equivalents related to Commonwealth and Federal grants (including Commonwealth Legislature Resolutions) are restricted since their use is limited by applicable agreements or required by law.

The laws and regulations of the Commonwealth of Puerto Rico authorize the Municipality to invest only in obligations of the Commonwealth, obligations of the United States of America, certificates of deposits, commercial paper, bankers' acceptances, or in pools of obligations of the municipalities of Puerto Rico, which are managed by the GDB.

E. Restricted assets

Restricted assets are liquid assets which have third-party limitations on their use. Cash and cash equivalents related to Commonwealth and Federal grants (including Commonwealth Legislature Resolutions) are restricted since their use is limited by applicable agreements or required by law.

Restricted cash with fiscal agent in the debt service fund consists of the undisbursed balance of property and sales tax collections retained by the Commonwealth of Puerto Rico which are restricted for the repayment of the Municipality's general and special obligation bonds and notes as established by law. Restricted cash with fiscal agent of the other governmental funds represent the undisbursed proceeds of certain bonds, loans or grants which are maintained in a cash custodian account by the GDB or a federal government agency.

F. Receivables and due from governmental entities

Receivables are stated net of estimated allowances for uncollectible accounts, which are determined upon past collection experience and current economic conditions. Amounts due from Commonwealth government in the general and debt service funds represent property tax revenues of the current fiscal year collected by the CRIM on the subsequent fiscal year. Amounts due from Commonwealth and federal governments reported in the special revenue or capital project funds represent amounts owed to the Municipality for the reimbursement of expenditures incurred pursuant to federally funded or state funded programs.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Interfund receivables and payables

Activities among funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to 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 among funds are reported as "due from/to other funds".

Advances between funds, as reported in the fund financial statements, if any, are reported as "nonspendable" in the fund balance section of the Balance Sheet to indicate that they are not available for appropriation and are not expendable available financial resources.

H. Inventories

The Municipality purchases gasoline, oil and other expendable supplies held for consumption. The cost of those purchases is recorded as expenditure when incurred in the appropriate fund but the year-end inventory is not recorded in the Statement of Net Position, as management believes is not significant.

I. Capital assets

Capital assets reported in the governmental activities in the Statement of Net Position include property, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items. The Municipality defines capital assets (except infrastructure assets) as assets with an individual cost of more than $100 and an estimated useful life in excess of one year. Infrastructure assets are capitalized based on a percentage of the estimated useful life. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are capitalized at historical cost or estimated historical cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following useful lives:

Description	Useful Life
Buildings and site improvements	40 years
Infrastructure	40 years
Works of art	10 years
Vehicles	5 years
Furniture and fixtures	5 years
Machinery and equipment	3 to 5 years

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. 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 (expense/ expenditure) until then.

In addition to liabilities, the Statement of Financial 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 government has two items that qualify for reporting in this category:

1. **Government-mandated or voluntary non-exchange transactions received before the time requirements have been met –** Federal and state grants received before the beginning of the fiscal year to which they pertain are recognized as deferred inflows of resources on both the Balance Sheet of the governmental funds and in the government-wide Statement of Net Position. The amounts deferred would be recognized as an inflow of resources (revenue) in the period in which the time requirements are fulfilled.

2. **Unavailable revenue reported under the modified-basis of accounting –** Amounts collected or to be collected after the availability period are recognized as *unavailable revenue* in the governmental funds Balance Sheet. The amounts are deferred and recognized as an inflow of resources (revenue) in the period that the amounts become available. Since this deferred inflow of resources is the result of the modified-accrual basis of accounting, it is only reported in the governmental fund financial statements.

K. Long-term obligations

The liabilities reported in the government-wide financial statements included general and special obligation bonds and notes, and other long-term liabilities, such as vacation, sick leave, litigation, long-term liabilities to other governmental entities and landfill closure and post closure care costs.

In the fund financial statements, governmental fund types recognize bond issuances cost, during the current period. The face amount of debt issued is reported as other financing sources, while bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures in the general fund.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Compensated absences

The Municipality's employees accumulate vacation, sick leave and compensatory time based on continuous service. Compensated absences are recorded as a liability if (1)are earned on the basis of services already performed by employees, (2) it is probable that will be paid (in the form of paid time off, cash payments at termination or retirement, or some other means) and (3) are not contingent on a specific event (such as illness).The compensated absences are accumulated on the basis of 2½ days per month of vacation and 1½ days per month of sick pay and compensatory time up to a maximum of 60 days of vacations and 90 days of sick leave.

Upon separation from employment the accumulated vacations are liquidated up to the maximum number of days. Accumulated sick leave, which is accrued based on all vesting amounts for which payment is probable, is liquidated to employees with 10 years or more service up to the maximum number of days.

The accrual of compensated absences includes estimated payments that are related to payroll. The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. The non-current portion of the liability is not reported.

Pursuant to Law No. 152 of August 20, 1996 effective July 1, 1997 the Municipality is required to pay any excess of vacations and sick leave accumulated over 90 days as of December 31 of each year. Payments should be made on or before March 31 of the following year.

M. Claims and judgments

The estimated amount of the liability for claims and judgments, which is due on demand, such as from adjudicated or settled claims, is recorded in the general fund when the liability is incurred.

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Net position

In the government-wide statements, assets plus deferred outflows of resources less liabilities and deferred inflows of resources equal net position, and should be displayed in three components: net investment in capital assets, restricted, and unrestricted, as follows:

Net investment in capital assets: Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. The portion of the debt or deferred inflows of resources attributable to the unspent debt proceeds is not included in the calculation of net investment in capital assets. Instead, the portion of the debt or deferred inflows of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.

Restricted net position: The restricted component of net position consists of restricted assets (subject to restrictions beyond the Municipality's control) reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Restrictions are externally imposed (by creditors, grantors, contributors, or laws and regulations of other governments) or imposed by the law through constitutional provisions or enabling legislation.

Unrestricted net position: Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted net position is often designated to indicate that management does not consider them to be available for general operations. These types of constraints are internal and management can remove or modify them.

O. Net position flow assumption

Sometimes, the government will fund outlays for a particular purpose from both restricted (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 financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund balances

The GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB No. 54") establish accounting and reporting standards for all governments that report governmental funds. It also establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. These classifications comprise a hierarchy based primarily on the extent to which the Municipality is bound to observe constraints upon the use of the resources reported. The classifications are as follows:

Nonspendable: Amounts that cannot be spent because are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted: Amounts constrained by external parties (creditors, grantors, contributors, or laws and regulations of other governments), imposed by law through constitutional provisions or by enabling legislation. Enabling legislation authorizes the Municipality to assess, levy, charge or otherwise mandate payment or resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legally enforceability means that the Municipality can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed: Amounts that can be used only for the specific purposes pursuant to constraints imposed through formal action (ordinance or resolution) by consent of the government's highest level of decision-making authority, which in the case of the Municipality is the Mayor and the Municipal Legislature. Those committed amounts cannot be used for any other purposes unless the Mayor and the Municipal Legislature removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to commit those amounts. Formal action to commits fund balance to a specific purpose should occur prior to the end of the fiscal year, but the amount, if any, which will be subject to the constraint, may be determined in the subsequent period.

Assigned: Amounts that are constrained by the Municipality's intent to be used for specific purposes, but are neither restricted nor committed. In distinction to committed balances, the authority for making an assignment is not required to be the government's highest level of decision-making authority, (both the Mayor and the Municipal Legislature). It is the Municipality's policy that intent can be expressed by the Mayor, the Finance Director (the official to which the Mayor has also delegated the authority to assign amounts) or by any other official or body to which the Mayor delegates. Furthermore, the nature of the actions necessary to remove or modify an assignment is not as prescriptive as it is with committed fund balances. With the exception of the general fund, this is the residual fund balance of the classification of all governmental funds with positive fund balances. Action taken to assign fund balance may be made after year-end.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund balances (continued)

Unassigned: Is the residual classification for the general fund and includes all spendable amounts not restricted, committed or assigned. The general fund is the only fund that reports a positive unassigned fund balance amount. For all other governmental funds the unassigned classification is used only to report a deficit balance resulting for the overspending for specific purposes for which amounts had been restricted, committed or assigned.

The Municipality reports resources constrained to stabilization as a specified purpose (restricted or committed fund balance in the general fund) only if: 1) such resources meet the other criteria for those classifications, as described above and 2) the circumstances or conditions that signal the need for stabilization are identified in sufficient detail and are not expected to occur routinely. However, the Municipality has not entered into any stabilization-like arrangements, nor has set aside material financial resources for emergencies and has not established formal minimum fund balances amounts as of for the fiscal year ended June 30, 2014.

Q. Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of 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.

R. Accounting for pension costs

The Municipality adopted the provisions of GASBS No. 50, *Pension Disclosure*, which amended GASBS No.27, *Accounting for Pensions by State and Local Government Employers*, by requiring disclosure of how the contractually required contribution rate is determined by governments participating in multi-employer cost-sharing pension plans.

The Municipality accounts for pension costs from the standpoint of a participant in a multi-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.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Accounting for pension costs (continued)

For the purpose of applying the requirements of GASBS No. 27, the Commonwealth of Puerto Rico is considered to be the sponsor of the Employees' Retirement System of the Government of Puerto Rico and its Instrumentalities (ERS) and System 2000, a multi-employer cost-sharing define benefit pension plan and a hybrid defined contribution plan, respectively, 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 of Puerto Rico and the basic financial statements of such retirement systems are part of the Commonwealth's financial reporting entity.

S. Interfund and intra-entity transactions

The Municipality has the following types of transactions among funds:

a. **Operating transfers -** Legally required transfers that are reported when incurred as "Transfers-in" by the recipient fund and as "Transfers-out" by the disbursing fund.

b. **Intra-entity transactions -** Transfers between the funds of the primary government are reported as interfund transfers with receivables and payables presented as amounts due to and due from other funds.

T. Risk financing

The Municipality carries commercial insurance that consists of professional, public responsibility, property and theft, auto and fidelity bond coverage. Under Law Num. 63 of June 21, 2010, the Legislature of the Commonwealth of Puerto Rico authorized the municipalities to procure and manage, at their own discretion, all insurance policies, including those related to the health plans provided to the municipal employees. The Municipality's commercial insurance and health plan coverages are procured and negotiated through a single insurance broker. The broker obtains quotes from the different insurance companies and the Municipality's management makes the selection based on coverage and price. The total cost of the annual premiums is financed through a payment plan made with an insurance financing company, and the monthly payments are deducted from the advances of property tax and amounts of the municipal equalization fund sent to the Municipality by the CRIM.

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. The annual premium is also deducted from the monthly advances by the CRIM.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Risk financing (continued)

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

The unemployment and non-occupational disability insurance premiums are paid directly to DOL on a cost- reimbursement basis; the drivers' insurance premiums are paid based on the number of workweeks by each employee covered by law.

U. Use of Estimates

The preparation of the basic financial statements in conformity with USGAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual amounts could differ from those estimates.

V. Future adoption of accounting pronouncements

The GASB has issued the following statements, which the Municipality has not yet adopted:

1. **<u>GASB Statement No. 68 "Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27."</u>** The provisions of this Statement are effective for fiscal years beginning after June 15, 2014 (fiscal year ended June 30, 2015).

2. **<u>GASB Statement No. 69 "Government Combinations and Disposals of Government Operations."</u>** The provisions of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis (fiscal year ended June 30, 2015).

3. **<u>GASB Statement No. 70 "Accounting and Financial Reporting for Nonexchange Financial Guarantees."</u>** The provisions of Statement 70 are effective for financial statements for reporting beginning after June 15, 2013 (fiscal year ended June 30, 2015).

4. **<u>GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date."</u>** The provisions of this Statement should be applied simultaneously with the provisions of Statement 68 (fiscal year ended June 30, 2015).

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

2. CASH AND CASH EQUIVALENTS

The Municipality maintains its deposits in various commercial banks located in Puerto Rico and in the Government Development Bank for Puerto Rico (GDB). Proceeds from bonds and funds related to certain grant awards are required by law to be held with GDB.

The Municipality adopted the provisions of GASB Statement No. 40 (GASB No. 40), *Deposit and Investment Risk Disclosure, an Amendment to GASB Statement No. 3*. This statement requires that state and local governments disclose essential risk information about deposits and investments. The disclosure requirements cover four main areas: (1) credit risk, (2) interest rate risk, (3) custodial credit risk, (4) foreign exchange exposure.

Credit risk - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In compliance with the laws and regulations of the Commonwealth, the Municipality has adopted, as it's custodial and credit risk policy, the *Statement of Investment Guidelines for the Government of the Commonwealth of Puerto Rico*. Accordingly the Municipality invests only in obligations of the Commonwealth, obligations of the United States of America, certificates of deposits, commercial paper, bankers' acceptances, or in pools of obligations of the municipalities of Puerto Rico, which are managed by GDB. According to the aforementioned investment guidelines, the Municipality does not invest in marketable securities or any types of investments for which credit risk exposure may be significant. Therefore, the Municipality's management has concluded that the risk related to any possible loss related to defaults by commercial banks on the Municipality's deposits is considered low at June 30, 2014.

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 investments in its investment portfolio at June 30, 2014, (2) limiting the weighted average maturity of its investments to three months or less, and (3) keeping most of its bank deposits in interests bearing accounts generating interests at prevailing market rates. At June 30, 2014, the Municipality's investments in certificates of deposits are recorded at cost, which approximates their fair value. Therefore, the Municipality's management has concluded that at June 30, 2014, the interest rate risk associated with the Municipality's cash and cash equivalents is considered low.

Custodial credit risk - In the case of deposits, this is the risk that in the event of a bank failure, the Municipality's deposits may not be recovered. Pursuant to the *Statement of Investment Guidelines for the Government of the Commonwealth of Puerto Rico* the balances deposited in commercial banks by the Municipality are insured by the Federal Deposit Insurance Corporation (FDIC) generally up to a maximum of $250,000 per depositor. In addition, public funds deposited in commercial banks by the Municipality are fully securities pledged as collateral are held, in the Municipality's name, by the agents of the Commonwealth's Secretary of Treasury. Deposits with GDB 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. 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.

2. CASH AND CASH EQUIVALENTS (CONTINUED)

Foreign exchange risk - The risk that changes in exchange rates will adversely affect the value of an investment or a deposit. According to the aforementioned investment guidelines, the Municipality is prevented from investing in foreign securities or any other types of investments in 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. Under Commonwealth of Puerto Rico statutes public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of federal depository insurance. All securities pledged as collateral are held by the Secretary of the Treasury of Puerto Rico. In addition, the Municipality maintains deposits with the Government Development Bank for Puerto Rico (GDB).

Deposits - The Municipality's bank balances in commercial banks of $7,396,797 in the general fund, $3,258,656 in the special revenue fund, $691,380 in the capital projects funds – state and federal grants and $175,217 in the others governmental funds were fully collateralized at June 30, 2014.

The deposits at GDB of $1,444,753 in the special revenue fund, $7,135,477 in the debt service fund restricted and $2,397,920 in the capital projects fund – state and federal grants are unsecured and uncollateralized, as no collateral is required to be carried by governmental banks.

3. RECEIVABLES

A. Municipal License Tax - The Municipality imposes a municipal license tax on all businesses that operate within the Municipality, which are not totally or partially exempt from the tax pursuant to 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 on April 15 of each year. Entities with sales volume of $3,000,000 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:

1. Financial business- 1.50% of gross revenues
2. Other organizations- 0.50% of gross revenues

This tax is due in two equal installments on July 1 and January 1 of each fiscal year. A discount of 5% is allowed when full payment is made on or before April 15.

Municipal license tax receivable of $2,524 represents filed municipal license tax returns that were uncollected as of June 30, 2014, net of allowance for uncollectible accounts. Municipal license taxes collected prior to June 30 but pertaining to the next fiscal year is recorded as deferred revenues.

B. Other accounts receivable – The $74,117 reported as other accounts receivable consists of the following:

Description	Amount
Accrued interest on CD investments	$ 21,738
Charges for ambulance services	23,566
Others	28,813
Total	$ 74,117

4. DUE FROM GOVERNMENTAL ENTITIES

A. Amounts due from governmental entities as of June 30, 2014 are as follows:

	Commonwealth Government
Major fund – General fund:	
P.R. Electric Power Authority (PREPA)	$ 1,376,709
P.R. Department of Treasury – Christmas bonus reimbursement	146,791
Municipal Revenue Collection Center (CRIM) – property taxes	237,037
Major fund – Special Revenue Fund	
P.R. Department of Family - Socioeconomic Development Administration – TANF	21,330
P.R. Department of Justice – Crime Victim Assistance Act	38,554
P.R. Department of Family - Administration for the Care and Integral Development of Children – Promoting Safe and Stable Families	25,954
P.R. Department of Family - Administration for the Care and Integral Development of Children – Child Care Development Block Grant	63,168
P.R. Department of Family - Administration for the Care and Integral Development of Children – Family Violence Prevention and Services	7,346
P.R. Department of Family - Administration for the Care and Integral Development of Children – Special Programs for the Aging - Title III, Part B – Grants for Supportive Services and Senior Centers	171,742
	$ 2,088,631

Certain amounts are recorded as deferred inflows of resources in the governmental funds statements since they are not available as required by current standards. See related note 8.

5. INTERFUND TRANSACTIONS

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds" (i.e., current portion of interfund loans).

Interfund receivables and payables at June 30, 2014 are summarized as follows:

a. Due from/to other fund:

Fund	Receivable Fund	Payable Fund
General Fund	$ 534,322	$ -
Special Revenue Fund		327,277
Capital Projects Funds		180,058
Other Governmental Funds	-	26,987
Total	$ 534,322	$ 534,322

5. INTERFUND TRANSACTIONS

b. Transfer in/out to other fund

Following is a summary of interfund transfers for the year:

Originating Fund	Receiving Fund	Purpose	Amount
General Fund	Debt Service Fund	Transfers of funds to cover debt service payments	$ 499,850
General Fund	Debt Service Fund	Transfers of funds to cover Section 108 – Loan Guarantee debt payments	80,677
Special Revenue Fund	Debt Service Fund	Transfers of funds to cover Section 108 – Loan Guarantee debt payments	55,675
Other Governmental Funds	Debt Service Fund	Transfers of funds to cover Section 108 – Loan Guarantee debt payments	542,691
Debt Service Fund	General Fund	Available in sinking fund for commitments	940,000
General Fund	Special Revenue Fund	Transfers funds for special projects	479,142
Total Governmental Fund Financial Statements			$ 2,598,035

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2014 are summarized as follows:

Description	General Fund	Special Revenue Fund – State & Federal Grants	Capital Projects Fund – State & Federal Grants	Other Governmental Funds	Total
Accounts payable	$ 887,750	$ 880,454	$ 210,927	$ 150,165	$ 2,129,296
Accrued liabilities	63,136	-	-	-	63,136
Total	$ 950,886	$ 880,454	$ 210,927	$ 150,165	$ 2,192,432

7. DUE TO OTHER GOVERNMENTAL ENTITIES

The amounts due to other governmental entities in the general fund include the following:

Governmental Entity	Amount
Government of Puerto Rico Employees Association	$ 30,693
Retirement System Administration	153,215
Internal Revenue Services	13,892
Puerto Rico Aqueduct and Sewer Authority	59,644
Others	10,574
Total	$ 268,018

8. DEFERRED INFLOWS OF RESOURCES – GOVERNMENTAL FUNDS

As required by current standards, revenues and other governmental fund financial resources should be recognized in the accounting period in which they become both measurable and available. When an asset is recorded in governmental fund's financial statements but the revenue is not available, the Municipality should report a deferred inflow of resources until such time as the revenue becomes available. A detail of these balances follows:

	Property Taxes	Commonwealth Government	Federal Government
Major fund - General fund:			
Municipal Revenue Collection Center (CRIM) – property taxes	$ 237,037	$ -	$ -
P.R. Electric Power Authority (PREPA)		1,376,709	
P.R. Department of Treasury – Christmas bonus reimbursement		146,791	
Major fund – Special revenue fund:			
P.R. Department of Justice – Crime Victim Assistance Act			38,554
P.R. Department of Family – Child Care Development Block Grant			63,168
	$ 237,037	**$ 1,523,500**	**$ 101,722**

9. UNEARNED REVENUES

The amounts reported as unearned revenues as of June 30, 2014 are detail as follows:

	Amount
Major fund – General fund:	
Municipal license taxes collected in the fiscal year 2013-2014 that correspond to the 2014-2015 fiscal year budget	$ 8,547,705
Special Revenue Fund – State & Federal Grants:	
Federal grants received for which qualifying expenditures have not been incurred:	
Child Care Development Block Grant	39,122
	$ 8,586,827

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10. FUND BALANCE (DEFICIT)

As of June 30 2014, fund balance is comprised of the following:

Fund Balance (Deficit)	General Fund	Special Revenue Fund State & Federal Grants	Debt Service Fund	Capital Projects Fund - State & Federal Grants	Other Governmental Funds	Total Governmental Funds
Restricted for:						
General government	$ -	$ 510,836	$ -	$ 92,853	$ -	$ 603,689
Public safety		842,177				842,177
Public work		320,609				320,609
Health and welfare		901,394		1,991		903,385
Culture and recreation		96,864				96,864
Community development		1,009,440		2,629,737	612	3,639,789
Debt service			7,135,477			7,135,477
Committed:						
Health and welfare		1,608				1,608
Unassigned	(1,787,662)					(1,787,662)
Total Fund Balance	$ (1,787,662)	$ 3,682,928	$ 7,135,477	$ 2,724,581	$ 612	$ 11,755,936

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11. CAPITAL ASSETS

Capital assets, those with an estimated useful live of one year or more from the time of acquisition by the Municipality and a cost of $100 or more, are primarily funded through the issuance of long-term bonds and loans. A summary of capital assets and changes occurring in 2014, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land and construction in progress are not subject to depreciation:

Governmental Activities:	Balance July 1, 2013	Additions	Retirements/ Reclassifications	Balance June 30, 2014
Capital asset, not being depreciated:				
Construction in progress	$ 558,205	$ 361,897	$ -	$ 920,102
Land	25,317,741	137,564	-	25,455,305
Total capital assets not being depreciated	25,875,946	499,461	-	26,375,407
Capital assets, being depreciated:				
Buildings and building improvements	41,824,861	1,592,388	(7,905)	43,409,344
Infrastructure and infrastructure improvements	35,149,410	487,965	-	37,637,375
Equipment	3,955,528	75,312	(298,019)	3,707,213
Furnishings	1,489,057	22,370	(31,158)	1,480,269
Computers	651,528	14,869	(42,018)	624,379
Works of art	6,787	-	(185)	6,602
Vehicles	6,407,868	454,976	(226,643)	6,636,201
Total capital assets being Depreciated	89,485,039	2,647,880	(605,928)	91,526,991
Less accumulated depreciation for:				
Buildings and building improvements	(11,254,895)	(1,061,572)	3,535	(12,312,932)
Infrastructure and Infrastructure improvements	(12,765,699)	(953,557)	-	(13,719,256)
Equipments	(3,678,818)	(143,439)	295,983	(3,526,274)
Furnishings	(1,360,327)	(68,097)	30,857	(1,397,567)
Computers	(604,776)	(27,786)	42,018	(590,544)
Works of art	(4,442)	(660)	185	(4,917)
Vehicles	(5,961,728)	(206,686)	226,643	(5,941,771)
Total accumulated depreciation	(35,630,685)	(2,461,797)	599,221	(37,493,261)
Total capital assets being depreciated, net	53,854,354	186,083	(6,707)	54,033,730
Governmental activities capital assets, net	$79,730,300	$ 685,544	($6,707)	$80,409,137

11. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	Amount
General government	$ 687,683
Public safety	120,715
Public works	914,919
Health and welfare	89,205
Culture and recreation	229,697
Community development	419,578
Total depreciation expense-governmental activities	$ 2,461,797

12. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2014, was as follows:

Description	Beginning Balance, As restated	Borrowings or Additions	Payments or Deductions	Ending Balance	Due Within One Year
Bonds Payable	$ 21,150,000	$ 1,010,000	$ (1,180,000)	$ 20,980,000	$ 1,160,000
Notes Payable	6,215,000	2,140,000	(715,000)	7,640,000	900,000
Section 108 - LGA	5,278,000	-	(396,000)	4,882,000	421,000
Compensated Absences	3,676,920	129,313	(606,092)	3,200,141	546,362
Landfill Obligation	577,000	-	(47,000)	530,000	47,000
Payable to PREPA	834,194	1,684,324	(1,141,809)	1,376,709	815,267
Christmas Bonus	300,940	316,041	(300,940)	316,041	316,041
Total	$ 38,032,054	$ 5,279,678	$ (4,386,841)	$ 38,924,891	$ 4,205,670

1. **Legal Debt Margin** - The Municipality is subject to a legal debt margin requirement, which is equal to 10% of the total assessment of property located within the Municipality plus balance of the ad valorem taxes in the debt service fund, for bonds payable to be repaid with the proceeds of property taxes restricted for debt service. 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. Long-term debt, except for the bonds payable, is paid with unrestricted funds.

2. **Bonds Payable** - The Municipality issues general and special obligation bonds to provide funds for the acquisition and construction of major capital facilities. Bonds payable outstanding at June 30, 2014 are as follows:

Description	Balance at June 30, 2014
1996 General obligation bond for the acquisition of real estate with an original amount of $605,000 due in annual installments of $25,000 to $50,000, through July 1, 2021, with interest of 4.86% to 6.75%	$ 325,000
1999 General obligation bond for the acquisition of real estate with an original amount of $260,000 due in annual installments of $5,000 to $25,000 through July 1, 2024, with interest of 2.70% to 7.81%	175,000
1999 General obligation bond for blue prints drawings, permits, structure demolition and debris disposition with an original amount of $710,000 due in installments of $20,000 to $60,000 through July 1, 2024, with interest ranging from 2.8% to 7.8%	475,000

12. LONG-TERM LIABILITIES (CONTINUED)

Description	Balance at June 30, 2014
2000 General obligation bond for the construction of capital assets with an original amount of $6,440,000 due in installments of $175,000 to $560,000 through July 1, 2025, with interest ranging from 2.70% to 7.80%	4,545,000
2002 Special obligation bond for asphalt municipal streets, roads and to finance operational loan with an original amount of $1,335,000 due in installments of $65,000 to $120,000 through July 1, 2026, with interest ranging from 5.0% to 6.5%	705,000
2002 Special obligation bond for the acquisition of real estate with an original amount of $580,000 due in installments of $20,000 to $45,000 through July 1, 2026, with interest ranging from 5.0% to 6.5%	405,000
2004 Special obligation bond for the construction of a capital assets with an original amount of $4,020,000 due in installments of $115,000 to $280,000 through July 1, 2029, with interest ranging from 5.0% to 12.0%	3,025,000
2005 General obligation bond for the construction of capital assets with an original amount of $435,000 due in installments of $10,000 to $30,000 through July 1, 2029, with interest ranging from 4.37% to 5.00%	335,000
2005 General obligation bond for asphalt municipal streets, roads and for construction of capital assets with an original amount of $730,000 due in installments of $35,000 to $75,000 through July 1, 2014, with interest ranging from 4.23% to 4.80%	460,000
2006 General obligation bond for the construction of capital assets with an original amount of $5,050,000 due in annual installments of $100,000 to $410,000, through July 1, 2031, with interest of 6.62% to 7.25%	4,360,000
2008 General obligation bond for the construction of capital assets with an original amount of $1,580,000 due in annual installments of $130,000 to $215,000 through July 1, 2017, with interest of 7.50%	770,000
2010 General obligation bond to compensate budgetary obligations with an original amount of $1,980,000 due in installments of $25,000 to $165,000, through July 1, 2024, with interest ranging from 5.0% to 7.5%	1,855,000
2011 Special obligation bond for operational expenses with an original amount of $2,015,000 due in installments of $140,000 to $275,000 through July 1, 2020, with interest ranging from 6.00% to 7.50%	1,555,000
2011 Special obligation bond for operational expenses with an original amount of $1,020,000 due in installments of $10,000 to $85,000 through July 1, 2035, with interest ranging from 6.00% to 7.50%	980,000
2014 Special obligation bond for operational expenses with an original amount of $1,010,000 due in installments of $10,000 to $85,000 through July 1, 2038, with interest ranging from 6.00% to 7.50%	1,010,000
Total	$ 20,980,000

12. LONG-TERM LIABILITIES (CONTINUED)

These bonds are payable from the special ad valorem property tax of 1.75% which is restricted for debt service and retained by the Government Development Bank for Puerto Rico for such purposes. The series 2011 of $1,020,000, is payable with the revenues generated from the collection of the .2% of the municipal sales and use tax imposed by the Municipality and collected by the Puerto Rico Treasury Department.

Annual debt service requirements to maturity for bonds payable are as follows:

Year Ending June 30,	Principal	Interest
2015	$ 1,160,000	$ 886,532
2016	1,240,000	1,215,714
2017	1,330,000	1,135,538
2018	1,435,000	1,048,706
2019	1,300,000	963,775
2020-2024	6,410,000	3,600,464
2025-2029	4,970,000	1,835,053
2030-2034	2,430,000	638,766
2035-2039	705,000	92,812
Total	$ 20,980,000	$ 11,417,361

3. **Notes Payable** - The proceeds of the issuance of notes payable were used principally to pay debt incurred in prior years and to cover the expenditures of a special event. The notes are payable as follows:

Type of notes	Maturity Date	Original Amount	Range of Interest rates	Balance at June 30, 2014
2007 General obligations notes	7-1-15	270,000	1.53% to 7.50%	$ 45,000
2008 General obligations notes	7-1-15	445,000	1.53% to 7.50%	80,000
2008 Special obligations notes	7-1-32	3,170,000	7.50%	2,875,000
2010 General obligations notes	7-1-16	390,000	6.00% to 7.50%	195,000
2011 Special obligations notes	7-1-18	1,005,000	7.50%	765,000
2012 General obligations notes	7-1-18	1,010,000	6.00% to 7.50%	775,000
2012 General obligations notes	7-1-18	1,005,000	6.00% to 7.50%	765,000
2014 General obligations notes	7-1-20	2,140,000	6.00% to 7.50%	2,140,000
Total notes payable				$ 7,640,000

These notes are payable from special ad valorem property tax of 1.75% and the Municipal sales and use tax of (.030%) which are restricted for debt service and retained by the Government Development Bank for Puerto Rico for such purposes. The Section 108 is payable from Special Revenue Fund – Federal Grant funds. The Series 2008 amounting $3,170,000, and the Series 2011 amounting $1,005,000 are payable with the revenues generated from the collection of the .2% of the municipal sales and use tax imposed by the Municipality and collected by the Puerto Rico Treasury Department.

12. LONG-TERM LIABILITIES (CONTINUED)

Annual debt service requirements to maturity for notes payable are as follows:

Year Ending June 30,	Principal	Interest
2015	900,000	304,192
2016	830,000	474,375
2017	900,000	409,500
2018	890,000	342,375
2019	950,000	273,375
2020-2024	1,335,000	864,187
2025-2029	870,000	534,375
2030-2034	965,000	151,688
Total	$ 7,640,000	$3,354,067

4. **Section 108 Loan Guarantee notes payable** – The Municipality entered into two (2) financing agreements with the U.S. Department of Housing and Urban Development (HUD) through a contract for Loan Guarantee Assistance under Section 108 of the Housing and Community Act of 1974, as amended. The first agreement was issued on June 30, 2004 in the amount of $5,100,000 for land acquisition and buildings known as "Hotel Treasure Island". This note is payable in annual installments of $50,000 to $450,000 through August 1, 2022 The second were issued on September 14, 2006 in the amounts of $1,895,000 for "Bridge of Treasure Island". This note is payable in annual installments of $50,000 to $122,000 through August 1, 2024. The payment of principal and interest of these notes are made from appropriation of funds from the Community Development Block Grants/Entitlement Grants Program. Debt service requirements in future years are as follows:

Year Ending June 30,	Principal	Interest
2015	421,000	262,151
2016	446,000	239,510
2017	471,000	215,038
2018	496,000	188,669
2019	521,000	160,367
2020-2024	2,405,000	333,940
2025-2029	122,000	3,477
Total	$ 4,882,000	$ 1,403,152

5. **Compensated Absences**- The government-wide statement of net position includes approximately $2,104,210 of accrued sick leave benefits, and approximately $1,095,931 of accrued vacation benefits, representing the Municipality's commitment to fund such costs from future operations.

6. **Landfill Obligation**- State and federal laws and regulations require the Municipality to place a final cover on its landfill site since 1994, when it stopped accepting waste, and perform certain maintenance and monitoring functions at the site for 30 years after closure. In accordance with Statement No. 18 of the GASB, "Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs", the Municipality has performed a study of the activities that need to be implemented at the Municipality's landfill to comply with applicable state and federal regulations.

12. LONG-TERM LIABILITIES (CONTINUED)

6. **Landfill Obligation**(continued)

Based on this study, the Municipality has recognized $530,000 as the Municipality's estimated current cost for landfill post-closure costs as of June 30, 2014. The annual estimate of post closure costs has been assessed approximately to be $47,000 for a period of approximately 18 years. Actual costs may be different due to inflation, changes in technology, or changes in laws and regulations. The balance of post-closure costs is reported in the government-wide statement of net position.

7. **Payable to PREPA** - As required by Act No. 83 of May 2, 1941, the Puerto Rico Electric Power Authority ("PREPA") should annually pay to the Municipalities of Puerto Rico a contribution in lieu of tax ("CELI") based on certain requirements as specified by the mentioned Act. The amount of CELI obligation is used by the Municipalities to finance the annual electric utility expense payment to PREPA. For fiscal year 2013, the Municipality's annual energy charges amounted to $1,982,999 but the CELI obligation amounted to $298,674. The excess amount of $1,684,325 was recorded as a payable and a receivable for the same amount and will be amortized over a three-year period. As of June 30, 2014 the outstanding amount of $1,376,709 includes the unamortized balances of $1,122,883 and $253,826 from fiscal years 2013 and 2012, respectively, and is recognized by the Municipality as a receivable and a liability to PREPA. Debt service requirements in future years are as follows:

June 30	Principal
2015	$ 815,267
2016	561,442
Total	**$ 1,376,709**

8. **Christmas bonus** - represents the accrued portion corresponding to the fiscal year 2014 of the Christmas bonus to be paid in December 2014. The outstanding amount is $316,041.

13. PROPERTY TAXES

The personal property tax is self-assessed by the taxpayer on a return which is to be filed by May 15 of each year with the Municipal Revenue Collection Center (CRIM), a governmental entity created by the government of Puerto Rico as part of the Municipal Governmental Autonomous Law of August 1991. Real property tax is assessed by the CRIM on each piece of real estate and on each building.

The assessment is made as of January 1 of each year and is based on current values for personal property and on estimated values as of 1957 for real property tax. The tax on personal property must be paid in full together with the return by May 15. The tax on real property may be paid in two installments by July 1 and January 1. The CRIM is responsible for the billing and collections of real and personal property taxes on behalf of all the municipalities of Puerto Rico. Prior to the beginning of each fiscal year, the CRIM informs the Municipality of the estimated amount of property tax expected to be collect for the ensuing fiscal year. Throughout the year, the CRIM advances funds to the Municipality based on the initial estimated collections, as modified by the quarterly revisions of estimates required law. The CRIM is required by law to prepare a liquidation statement on a fiscal year basis, whereby a comparison is made between the amounts advanced to the Municipality and amounts actually collected from taxpayers.

13. PROPERTY TAXES

This preliminary liquidation has to be completed on a preliminary basis not later than three months after fiscal year-end, and a final liquidation made not later than six months after year-end, subject to the verification by its Independent Auditors. If the CRIM remits to the Municipality property tax advances, which are less than the tax actually collected, a receivable from the CRIM is recorded at June 30. However, if advances exceed the amount actually collected by the CRIM, a payable to the CRIM is recorded at June 30. The CRIM issued the final liquidation for fiscal year 2013-2014 noting that the collections exceeded advances by $237,037. In the governmental funds the entire receivable has been offset by a deferred inflow of resources since the excess was not available to pay liabilities of the current period. In the government-wide financial statements, the entire receivable is recognized as revenue.

On January 26, 2000, Public Law No. 42 was enacted, which authorized the CRIM to obtain a loan up to $200,000,000, and for a term not to exceeding 10 years, to allow for the financing of the debt that the Municipalities of Puerto Rico have with the CRIM arising from final settlements of property tax advances versus actual collections through fiscal year ended June 30, 2000.

The amounts that the Municipalities will collect from additional property taxes resulting from increases in the subsidy from the Commonwealth of Puerto Rico to the Municipalities are assigned through this law to repay such loan. The increase in this subsidy was the result of the Public Law No. 238, enacted on August 15, 1999. On October 11, 2001, Public Law No. 146 was enacted to amend Public Law No. 42, to extend the loan amortization period up to 30 years. Also, on October 11, 2002, Public Law No. 172 was enacted, to provide as an option for the Municipalities to include the debt that the Municipalities of Puerto Rico have with the CRIM arising from final settlements of property tax advances versus actual collections for the fiscal year ended June 30, 2001 with the loan authorized through Public Law No. 42 enacted on January 26, 2000.

On June 26 1997, Public Law No. 21 was enacted, which authorizing the CRIM, among other things, to sell the property tax receivables related to taxpayers who owed property taxes from 1974 to 1996. Such property tax receivables were purchased by the Public Financing Corporation, a subsidiary of the Government Development Bank of Puerto Rico (GDB) using the proceeds of a bond issuance executed for such purposes. Said Law imposed the CRIM the obligation to replace uncollectible property tax receivables with any valid property tax receivable o equivalent in money. Subsequent to the approval of the Law and to the sale transaction, it was detected that a substantial percentage of the receivables sold were uncollectible. In order to protect the economic damage to the financial structure of municipalities caused by the substitution of uncollectible tax receivables with sound collectible receivables, on October 11, 2001, Public Law No. 146 was approved and enacted. Through this Law, the CRIM was authorized to obtain a loan from any qualified financial institution and pay in advance the outstanding balance of the bonds issued and any related cost incurred for the purchase by the Public Financing Corporation (a GDB subsidiary) of the tax receivables.

Residential real property occupied by its owner is exempt by law from the payment of property taxes on the first $15,000 of the assessed value. For such exempted amounts, the Puerto Rico Treasury Department assumes payment of the basic tax to the Municipalities, except for property assessed at less than $3,500 for which no payment is made. As part of the Municipal Autonomous Law of 1991, the exempt amount to be paid by the Puerto Rico Treasury department to the Municipalities was frozen as of January 1, 1992. In addition, the law grants a tax exemption from the payment of personal property taxes of up to $50,000 of the assessed value to retailers having annual net sales of less than $150,000.

13. PROPERTY TAXES (CONTINUED)

The annual tax rate is 8.58% for real property and 6.58% for personal property of which 1.03% of both tax rates are for the redemption of public debt issued by the Commonwealth of Puerto Rico. The remaining percentage is distributed as follows: (a) 5.8% and 3.8%, respectively, represents the Municipality's basic property tax rate which is appropriated for basics and accounted for in 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 of Puerto Rico. From such fund, a distribution is made to all municipalities; (b) 1.75% represents the ad valorem tax restricted for debt service and accounted for in the debt service fund. The Commonwealth also contributes an annual tax rate of 0.2% of the property tax collected and such amount is accounted for similar to item (a) above.

On December 9, 2013, Law No. 145 "Getting Caught Up with Past Due CRIM Taxes – Incentive Plan for the Payment of Due Taxes" was approved granting an amnesty from the payment of interest, surcharges and penalties on real and personal property taxes owed from the fiscal years prior to 2013-2014. This amnesty/incentive plan was available from December 18, 2013 to March 27, 2014. This plan also awarded CRIM the faculty to grant payment plans to taxpayers up to a maximum of four years. During the fiscal year 2013-14, the Municipality received revenues from this property tax amnesty in the amount of $123,041.

14. SALES AND USE TAXES

On July 4, 2006 the Commonwealth Legislature approved Act No. 117 ("Act 117") which amends the Puerto Rico Internal Revenue Code of 1994 to provide, among other things, for a sale and use tax of 5.5% to be imposed by the Commonwealth Government. Act 117 also authorizes each municipal government to impose a municipal sale and use tax of 1.5%. This municipal sales and use tax has in general the same tax base and limitations (except for unprocessed foods) as those provided by the Commonwealth's sales and use tax.

On July 29, 2007 the Commonwealth Legislature approved Act No. 80 (Act 80) which amends Act No. 117 of July 4, 2006 to impose to all the Municipalities of Puerto Rico a uniform municipal sales and use tax of 1.5%. Effective August 1, 2007 1% of the 1.5% is collected by the Municipalities and the remaining .5% of the 1.5% is collected by the Puerto Rico Department of Treasury (PRDT).

The amount collected by the PRDT, (.5% of the 1.5%) is deposited in accounts or special funds in the Governmental Development Bank of Puerto Rico (GDB), subject to restrictions imposed and distributed as follows:

- .2% of the .5% will be deposited in a Municipal Development Fund to be distributed among all the municipalities in accordance with a formula created by the Act,
- .2% of the .5% will be deposited in a Municipal Redemption Fund to finance loans to Municipalities and,
- .1% of the .5% will be deposited in a Municipal Improvement Fund to finance capital improvement projects; these funds will be distributed based on legislation from the Commonwealth's Legislature

The Municipal Legislature approved a municipal ordinance to conform to dispositions of Act 80. Effective January 1, 2011 the Commonwealth of Puerto Rico adopted a new Internal Revenue Code (2011 PR Code). Subtitle D (Sections 4010 to 4070) of the 2011 PR Code incorporates the dispositions applicable to the sales

14. SALES AND USE TAXES (CONTINUED)

and use tax. As stated by Section 4050 the Municipalities may use the sales and use tax proceeds to finance solid waste, recycling, capital projects, health and public safety programs as well as any other activity that promotes sound public administration.

Individuals, organizations and entities subject to collect the municipal sales and use tax must file a tax return to the PRDT. The tax is due the 10th day of each month based on tax collected in the preceding month. The Municipality recorded as revenue $1,213,856 in the special revenue fund corresponding to the 1% imposition and $605,209 in the debt service fund corresponding to the Municipal Redemption Fund.

On June 30, 2013 the Commonwealth approved Act No. 40 which among other things, reduces the municipal sales and use tax from 1.5% to 1% and increasing the Commonwealth sales and use tax from 5.5% to 6% effective December 1, 2013. This Act was subsequently amended to change this effective date from December 1, 2013 to February 1, 2014.

In order to address the fiscal and credit crisis of the Commonwealth of Puerto Rico, the GDB liquidity and the difficult fiscal situation of the municipalities of Puerto Rico, on January 24, 2014 the Commonwealth approved Act No. 18 and 19. Those Acts provide for the restructuring and creation of financing structures from sales and use tax sources to guarantee and pay municipal long-term debt issuances. As a result of this legislation the municipalities of Puerto Rico may improve its credit capacity along with maintaining sufficient resources for operations.

Act No. 18 of January 24, 2014

The purpose of this Act is to create a special fund called Municipal Administration Fund (FAM) under custody of the Governmental Development Bank of Puerto Rico ("GDB") that permits the Municipalities to guarantee and pay long term debt and provide funds for its general operations. In addition, this Act improves the financing capacity of the Puerto Rico Sales Tax Financing Corporation (COFINA), a Commonwealth fund administered by GDB and the P.R. Secretary of Treasury. The Act includes provisions for municipalities that do not want to be covered by the Act. Special rules apply for those municipalities. The Act is effective on February 1, 2014.

The 6% corresponding to the Commonwealth's sales and use tax will be deposited in COFINA. From these funds during a transitory period from February 1, 2014 to June 30, 2014 the Commonwealth will deposit $43,440,184 in the FAM to be distributed to the Municipalities as follows:

- .2% will be deposited in a Municipal Development Fund to be distributed to the municipalities,
- .2% will be deposited in a Municipal Redemption Fund to guarantee and repay the municipalities long term debt and,
- .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.

After July 1, 2014 the 6% corresponding to the Commonwealth's sales and use tax will be deposited in COFINA. From these funds the Commonwealth will deposit .5% in the FAM. Distribution to municipalities will depend on whether the municipalities signed an agreement to be covered or not covered by the Act's provisions. The Municipality of Cidra signed the agreement to be covered.

14. SALES AND USE TAXES (CONTINUED)

For municipalities not covered by the agreement the .5% will be distributed as follows:

- .2% will be deposited in the Municipal Development Fund. Section 4 of the Act requires amounts deposited in the Municipal Development Fund of municipalities not covered by the Act to be redistributed to the municipalities covered by the Act,
- .2% will be deposited in a Municipal Redemption Fund to guarantee and repay long term debt through any financial institution (each semester the municipalities may transfer to their general fund the funds in excess of debt service requirements),
- .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.

For municipalities not covered by the agreement the .5% will be distributed as follows:

- .2% will be deposited in the Municipal Development Fund to be distributed to the municipalities,
- .2% will be deposited in a Municipal Redemption Fund to then be deposited in the municipalities general fund (the municipalities has the option to maintain funds in the Municipal Redemption Fund or to transfer funds from the Municipal Development Fund to increase its debt margin and issue loans to be obtained from financial institutions.
- .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.

Act No. 19 of January 24, 2014

The purpose of this Act is to create the Municipal Finance Corporation (COFIM), a public corporation and a component unit of the Governmental Development Bank of Puerto Rico (GDB) which may issue, pay or refinance long-term debt of municipalities. Principal and interest of these bonds and loans will be guaranteed with the municipal sales and use tax (1%). The Act includes provisions for municipalities that do not want to be covered by the Act. Special rules apply for those municipalities. The Act is effective on February 1, 2014.

After July 1, 2014, the 1% corresponding to the municipalities' sales and use tax will be deposited in COFIM. From these funds COFIM will deposit to the COFIM's sinking fund the greater of: .3% of the 1% municipal sales and use tax or an Annual Rental Fee (RFA). The RFA for fiscal year 2014-2015 will be $65,541,281 and thereafter will be 1.5% of the RFA of the preceding fiscal period. The excess of the required deposit to the COFIM's sinking fund (.7% of the 1% of the municipal sales and use tax) will be transferred to the general fund of municipalities covered by the agreement or to the Municipal Redemption Fund as decided by the municipality. Before the transfer of the .7% to the municipalities covered by the Act, COFIM will transfer the 1% municipal sales and use tax to the municipalities not covered by the Act. These municipalities cannot obtain loans guaranteed by COFIM's sinking fund.

If at any moment the required deposits to the COFIM's sinking fund were not sufficient to pay the principal and interest of any outstanding obligation, the deficiency will be covered by appropriations of the Commonwealth's general fund budget.

15. PENSION PLAN

A. Act No. 447 and System 2000 (until June 30, 2013)

As of June 30, 2014 regular employees of the Municipality contribute to a cost-sharing multiple employer defined benefit retirement plan administered by the Employee's Retirement System of the Government of Puerto Rico and its Instrumentalities (ERS). ERS covers all regular full-time public employees working for the central government, the municipalities of Puerto Rico and certain public corporations not having their own retirement systems. The system provides retirement pensions, death, and disability benefits. Retirement benefits depend upon age at retirement and number of years of credited service. Benefits vest after ten years of plan participation.

The system operates under *Act 447, approved on May 15, 1951* effective on January 1, 1952 and *Act 1 of February 16, 1990* for employees that entered as participants of the Plan starting April 1, 1990 and ending December 31, 1999. Under this Act, retirement benefits were determined by the application of stipulated benefit ratios to the member's average compensation. Average compensation was computed based on the highest 36 months of compensation recognized by ERS. The annuity, for which a plan member was eligible, was limited to a minimum of $200 per month and a maximum of 75% of the average compensation. ERS issues a publicly financial report that includes financial statements and required supplementary information of the Plan, which may be obtained from the ERS.

Act No. 305 of September 24, 1999 amended *Act. No. 447 of 1951* and *Act 1 of February 16, 1990* to establish a new pension program (System 2000). The new pension program became effective on January 1, 2000. Employees participating in the Act 447 system as of December 31, 1999 had the choice to either stay in the defined benefit plan or transfer to the new program. Persons joining the government on or after January 1, 2000 were only allowed to become members of the new program. System 2000 was a hybrid defined contribution plan, also known as a cash balance plan.

There would be a pool of pension assets, which would be invested by the System, together with those of the current defined benefit plan. Benefits at retirement age would not be guaranteed by the State government and would be subjected to the total accumulated balance of the savings account. The annuity would be based on a formula, which assumed that each year the employee's contribution (with a minimum of 8.275% of the employee's salary up to a maximum of 10%) would be invested in an account which would either: (1) earn a fixed rate based on the two-year Constant Maturity Treasury Note or, (2) earn a rate equal to 75% of the return of the System's investment portfolio (net of management fees), or (3) earn a combination of both alternatives. If the savings accounts balance was $10,000 or less at time of retirement, the balance would be distributed by the System to the participant as a lump sum. Participants received periodic account statements similar to those of defined contribution plans showing their accrued balances. The employer contributions (11.275% of the employee's salary) would be used to fund the plan. Under System 2000 the retirement age was reduced from 65 years to 60 for those employees who joined the current plan on or after April 1, 1990.

The Act No. 447, as amended, was the authority under which obligations to contribute to the Plan by the Plan members, employers and other contributing entities were established or amended. Plan members were required to contribute 5.775% of gross salary up to $6,600 plus 8.275% of gross salary in excess of $6,600 except for the Mayor or employee under a supplementation plan, which contributed 8.275%

15. PENSION PLAN (CONTINUED)

of gross salary. In order to address the unfunded actuarial accrued liability of the System, on July 6, 2011 (effective July 1, 2011) the Commonwealth Legislature approved Act No. 116 increasing the employers' contributions rate from 9.275% to 10.275% of employee compensation for fiscal year 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. The purpose of this Act was to provide cash flow and strength the System to adequately cover administrative expenses and payment of benefits. The Municipality was required to contribute 11.275% of gross salary until the fiscal year ended on June 30, 2013. As stated in the Act, percent increases applicable to municipalities for fiscal years 2011-2012, 2012-2013 y 2013-2014 would be financed through the Commonwealth's budget approved by the Commonwealth's Legislature.

B. Act No. 3 of 2013 (beginning July 1, 2013)

In order to address its unfunded liability and rescue the System from insolvency, on April 4, 2013 the Commonwealth of Puerto Rico enacted Act No. 3 of 2013, representing a comprehensive reform of the ERS. Act No. 3 became effective on July 1, 2013 and amends the provisions of the different benefits structures under the ERS, including, but not limited to, the following:

- All participants (employees) under the defined benefit pension plans (Act 447 and Act 1) and the defined contribution plan (System 2000) were moved to a new hybrid plan ("New Plan").
- For active participants of the contributory defined benefit programs under Act No. 447 of 1951 and Act No. 1 of 1990, all retirement benefits accrued through June 30, 2013 were frozen. Thereafter, all future benefits will accrue under the New Plan. Participants will receive a pension at retirement age equivalent to what they had accrued under Act No. 447 and Act 1 up to June 30, 2013, and a supplemental annuity corresponding to contributions made after July 1, 2013.
- Participants under System 2000 will no longer receive a lump-sum payment upon retirement, but rather a lifetime annuity calculated at retirement based on a factor that will incorporate the individual's life expectancy and a rate of return.
- New participants under the New Plan will receive a lifetime annuity based on the accumulated balance of their individual accounts (employees' contributions plus a return on investment)
- Eliminated the possibility of accruing a merit pension (payable once the participant had achieved 30 years of creditable service) after June 30, 2013.
- Increased employee contributions from 8.275% to a minimum of 10.000%.
- After July 1, 2013 all employers must contribute 12.275% of employee contribution with an additional 1% annually up to June 30, 2016; after July 1, 2016 an additional 1.25% annually for each of the five years thereafter, reaching an aggregate contribution rate of 20.525% effective July 1, 2020. These contributions will be used to increase the System's assets, reduce the actuarial deficit and enable the System to comply with future obligations.

16. PENSION PLAN (CONTINUED)

- Retirement age was modified as follows:

  ✓ Act No. 447 regular employees: age 58 to 61,

  ✓ Act No. 447 high risk employees (state and municipal police, firefighters and custody officials): from age 50 to 55 years,

  ✓ Act No. 305 (System 2000) regular employees: age 60 to 65; high risk employees remains the same (55 years).

Act 1 employees remained the same (65 years for regular employees and 55 for high risk employees. For new employees under the New Plan will retire after 67 years (retirement age will be 67 for regular employees and 58 for high risk employees).

- Due to changes to Special Laws (see note 14), the minimum monthly pension for current retirees was increased from $400 to $500.

- Disability benefits were eliminated and substituted for a mandatory disability insurance policy. Beginning July 1, 2013, each employee must contribute to this insurance plan .25% of his or her monthly salary, up to a monthly maximum of $5,000. Therefore, the maximum monthly employee contribution will be $12.50 ($5,000 x .25%).

- Survivor benefits were modified.

The Municipality's actual contribution for the current and the previous two fiscal years, which is equal to the required contribution, follows:

Fiscal year ended:	Law No. 447	System 2000	Law No. 3
2014	$ -	$ -	$ 711,866
2013	$ 346,688	$ 389,714	$ -
2012	$ 375,179	$ 298,287	$ -

A. Act No. 32 of 2013 (beginning July 1, 2013)

On June 25, 2013, Act No. 32 was approved in order to amend Act No. 447 of 1957 by creating a new Article 5-117 *Additional Uniform Contribution* (AUC), with the purpose of solving the cash flow deficit of the System. For each fiscal year, beginning on July 1, 2013, the ERS will: 1) determine the portion of the AUC attributable to each participating employer based on the percentage each employer's contributions represent of the total employer contributions established for that fiscal year; and 2) send to the director of the P.R. Office of Management and Budget (OMB) and to each public corporation and municipality whose employees are covered by this Act, a certification of the AUC owed by each employer.

16. PENSION PLAN (CONTINUED)

Act No. 32 defines the concept of the AUC as follows:

- For the fiscal year 2013-2014, the AUC will be one hundred and forty million dollars ($140,000,000).

- For each subsequent fiscal year, beginning with the 2014-2015 fiscal year until 2032-2033, the AUC will be the contribution certified by the external actuary of the System, at least 120 days prior to the beginning of each fiscal year, deemed necessary to prevent that the value of the System's projected gross assets, during any subsequent fiscal year, be lower than one thousand million dollars ($1,000,000,000). If, for any fiscal, the certified AUD is not available within the 120-day period prior to the beginning of the said fiscal year or within a shorter term with the consent of the OMB, the AUC will be equal to the contribution certified for the immediate preceding fiscal year.

Each public corporation and municipality covered by this Act is directly responsible for the payment of their corresponding certified AUC. However, for any fiscal year, the OMB will consign in the Commonwealth's General Budget enough resources to subsidy totally or partially the AUC certified to any public corporation, municipality or governmental entity, including the Judiciary Branch, whose operating expenditures are not fully or partially covered by the General Budget and for which the OMB, has subsequently determined it does not have the financial capacity to assume such obligation during the fiscal year.

For the fiscal year 2013-2014, $41.142 million dollars were assigned to OMB through Commonwealth Legislative Resolution of Special Assignments No. 17 (RC 17-2013) for the total or partial subsidy of the AUC of any public corporation or municipality that the agency determined did not have the financial capacity to assume this obligation. The OMB's evaluation of a municipality's financial capacity was based on two parameters: financial indicators and population. The financial indicators to be evaluated were: profitability index (net income as a percentage of revenues); capital ratio (the proportion between the net position of the entity and the AUC) and debt margin ratio (the proportion between the AUC and the municipality's special ad valorem tax debt margin (CAE)). For the fiscal year ended June 30, 2014, the AUC partially subsidy received by the Municipality from OMB was $143,550, which equaled the total contribution required.

17. POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 16, the Municipality is required to cover annually the 3% increase in the retirement plan of its retired employees, as required by Commonwealth's laws. Also, the Municipality is required to finance costs related to the application of certain "Special Laws" issued by the Commonwealth Government. Those Special Laws granted increases in pensions and other benefits to retired employees of the Municipality such as medicines bonus, Christmas and summer bonuses and death benefits. However, beginning July 1, 2013, Act 3 of 2013 modified these Special Laws benefits as follows:

- Reduction in the Christmas bonus from $600 to $200 (current retirees),

17. POSTEMPLOYMENT BENEFITS (CONTINUED)

- Elimination of summer bonus of $100 (current retirees),
- No change in medical plan contribution of up to $1,200 and medicine bonus of $100 (current retirees).
- Eliminated all Special Law benefits to future retirees.

Act No. 3 also established that employers will contribute $2,000 per for each retiree that began working for the government on or before December 31, 1999. This contribution was established based on the assumption that the System will benefit from the savings generated between this employer contribution and the Special Law benefits paid out to retirees.

18. COMMITMENTS AND CONTINGENCIES

A. Federal grants:

The Municipality participates in a number of Federal Financial Assistance Programs. Although the Municipality's grant programs have been audited in accordance with the provisions of the Single Audit Act of 1996, through June 30, 2014, these programs are still subject to financial and compliance audits by the granting agencies and the resolution of previously identified questioned costs. The amount, if any, of expenditures which may be disallowed by the grating agencies cannot be determined at this time, although the Municipality expects such amounts, if any, not to be material.

B. Claims and lawsuits:

The Municipality is a defendant in several legal proceedings that arise in the ordinary course of the Municipality's activities. Certain of these claims are covered by insurance. The administration believes that the ultimate liability, if any, would not be significant. As a result, the accompanying financial statements do not include adjustments, if any, that could result from the resolution of these legal proceedings.

C. Other Commitments:

At June 30, 2014, the general fund has commitments of approximately $244,955 for executor, purchase orders or contracts that will be honored during the subsequent year.

19. RESTATEMENT OF FUND BALANCE AND NET POSITION

The following table disclosed the net change in fund balances and net position at beginning of year as previously reported in the financial statements. The beginning balances have been restated as follows:

	Fund Balance		Net Position
Description	**General**	**Other Governmental Funds**	**Government-Wide Statements**
Fund balance / net position, at beginning of year, as previously reported	**$ (1,688,118)**	**$ 106,437**	**$ 55,046,687**
Correction of errors:			
Overstatement of due to general fund	(130,623)	130,623	-
Overstatement of unearned revenues – Federal Government		21,956	21,956
Understatement of due from Federal Government		(291,822)	(291,822)
Understatement of payable to P.R.E.P.A.			(834,194)
Understatement of Christmas Bonus debt			(300,940)
Understatement of Intergovernmental revenues			973,971
Fund balance / net position, at end of year, as restated	**$ (1,818,741)**	**$ (32,806)**	**$ 54,615,658**

20. SUBSEQUENT EVENTS

Implementation of Acts 18 and 19 of 2014

The dispositions established by Acts 18 and 19 of 2014 related to the municipal sales and use tax became effective on July 1, 2014 (see note 3). The most significant changes are the creation of the Municipal Finance Corporation (COFIM) and, for the municipalities covered by these Acts, the new collection method of the 1% municipal sales and use tax and the establishment of a monthly advances system for the transfers of the .2% destined for the Municipal Development Fund (FDM) and of the .2% related to the Municipal Redemption Fund (FRM).

For those municipalities that signed the agreement to be covered by these Acts (including the Municipality of Cidra), the transfers to be made by the Governmental Development Bank (GDB) of the .2% destined for the FDM and of the .2% related to the FRM will be based on a system of monthly advances: each month the GDB will make the FDM and FRM transfers based on the amounts collected that same month in the preceding fiscal year (2013-2014). At the end of the year, a settlement will be made comparing the actual collections of the FDM and FRM with the monthly advances made to each municipality.

20. SUBSEQUENT EVENTS (CONTINUED)

If actual collections exceed the total advances received, an account receivable from GDB will be recognized; if actual collections are less than the total advances, a payable to the GDB will be recognized and amortized through withholdings from future advances. For municipalities not covered by these Acts, the monthly transfers will be made based on actual collections.

As stated in Act No. 19, the 1% corresponding to the municipalities' sales and use tax will be deposited in COFIM. From these funds COFIM will deposit to the COFIM's sinking fund the greater of: .3% of the 1% municipal sales and use tax or an Annual Rental Fee (RFA). The RFA for fiscal year 2014-2015 will be $65,541,281 and, thereafter, 1.5% of the RFA of the preceding fiscal period. The excess of the required deposit to the COFIM's sinking fund (.7% of the 1% of the municipal sales and use tax) will be transferred to the general fund of municipalities covered by the agreement or to the FRM as decided by the municipality. Before the transfer of the .7% to the municipalities covered by the Act, COFIM will transfer the 1% municipal sales and use tax to the municipalities not covered by the Act.

On September 1, 2014, the sixteen municipalities that collect their sales and use tax through the P.R. Department of Treasury (Aguadilla, Aibonito, Arroyo, Barranquitas, Ciales, Culebra, Hatillo, Juncos, Lajas, Lares, Maricao, Maunabo, Naguabo, Patillas, Peñuelas and Rincon) began participating on a pilot program for the collection of the 1% municipal sales and use tax through COFIM. In this program, a standard monthly sales and use tax return was created to be used by the retailers of these municipalities. The monthly returns were filed in the bank branches of the financial institution designated by COFIM to be its intermediary, the Popular Bank of Puerto Rico (BPPR). BPPR would electronically process the returns and submit their data to COFIM. However, beginning November 1, 2014, the retailers also had the option of using COFIM's internet portal to electronically file and pay the return.

On the other hand, the Governing Board of COFIM has not established an implementation date for the remaining 62 municipalities. However, for those municipalities that voluntary decided to use COFIM's internet portal or collection process through the BPPR, their implementation date was December 1, 2014. For those municipalities that want to be certified as collection agents for COFIM, the implementation date is January 1, 2015. As collection agents for COFIM, the retailers of these municipalities have the option of filing and paying the monthly sales and use tax in the municipality's Collection Office. The Collection Office's personnel have the responsibility to deposit the daily sales and use tax collections in the bank account designated by COFIM, and also submit electronically the returns' data to the agency for processing in COFIM's data base. The Municipality of Cidra has submitted the application to be a certified collection agent and is awaiting approval from COFIM.

	Budgeted Amount		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	$ 4,308,304	$ 4,308,304	$ 5,150,372	$ 842,068
Municipal license tax	8,607,583	9,101,573	9,239,663	138,090
Fines and forfeiture	35,000	35,000	109,184	74,184
Licenses, permits and other local taxes	1,636,304	1,636,304	377,145	(1,259,159)
Charges for services	30,000	30,000	24,040	(5,960)
Intergovernmental	4,889,760	4,889,760	4,889,702	(58)
Interest	100,000	100,000	221,626	121,626
Rent of property	4,800	4,800	22,904	18,104
Miscellaneous	205,000	205,000	249,215	44,215
Transfer in		940,000	940,000	-
Total revenues	19,816,751	21,250,741	21,223,851	(26,890)
EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES:				
Current:				
General government	10,686,601	10,742,452	10,739,107	3,345
Public safety	1,169,019	1,072,082	1,068,109	3,973
Public works	3,937,062	4,399,539	4,393,097	6,442
Health and welfare	2,157,841	2,118,830	2,100,354	18,476
Culture and recreation	1,514,618	1,587,976	1,583,354	4,622
Education	351,610	270,193	260,511	9,682
Operating transfer to other funds		1,059,669	1,059,669	-
Total expenditures, encumbrances and other financing uses	$ 19,816,751	$ 21,250,741	21,204,201	46,540
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING SOURCES (USES)			$ 19,650	$ 19,650

Explanation of Differences:

Sources/inflows of resources:

Actual amounts (budgetary basis) available for appropriation" from the budgetary comparison schedule	$ 21,223,851
Non-budgeted revenues	1,141,809
Total revenues and other financing sources as reported in the statement of revenues, expenditures, and changes in fund balances	$ 22,365,660

Uses/outflows of resources:

Actual amounts (budgetary basis)"total charges to appropriations" from the budgetary comparison schedule	$ 21,204,201
Differences-budget to GAAP:	
Non-budgeted expenditures	1,164,923
Prior year encumbrances recorded as current year expenditures for GAAP basis	93,649
Current year encumbrances recorded as expenditures for budgetary purposes	(128,192)
Total expenditures and other financing uses as reported on the statement of revenues, expenditures, and changes in fund balances	$ 22,334,581

1. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Control

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

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

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

The annual budget as presented in the Budgetary Comparison Schedule-General Fund is the budget ordinance at June 30, 2014 representing the original budget. There were no supplemental appropriations for the year ended June 30, 2014.

Line Item #	Description	Housing Choice Vouchers (CFDA No. 14.871)
	BALANCE SHEET	
Assets	**Current Assets Cash**	
111	Cash - Unrestricted	$ 65,511
113	Cash - Other Restricted	11,959
100	**Total Cash**	77,470
121	Accounts Receivable - PHA Projects	594
150	**Total Current Assets**	78,064
	Non-Current Assets	
	Fixed Assets:	
164	Furniture, Equipment & Machinery - Administration	42,927
166	Accumulated Depreciation	(41,789)
160	**Total Capital Assets, Net of Accumulated Depreciation**	1,138
180	**Total Non-Current Assets**	1,138
190	**Total Assets**	79,202
290	**Total Assets and Deferred Outflow of Resources**	$ 79,202
Liabilities and Equity	**Liabilities**	
300	**Total Liabilities**	-
400	**Deferred Inflow of Resources**	-
Equity	**Equity**	
508.4	Net Investment in Capital Assets	1,138
511.4	Restricted Net Position	11,959
512.4	Unrestricted Net Position	66,105
513	**Total Equity - Net Assets/Position**	79,202
600	**Total Liab., Def. Inflow of Res., and Equity - Net Assets/Position**	$ 79,202

See notes to the Financial Data Schedule.

Line Item #	Description	Housing Choice Vouchers (CFDA No. 14.871)
	INCOME STATEMENT	
70600	HUD PHA Operating Grants	$ 1,100,614
71500	Other Revenues	32,826
72000	Investment Income - Restricted	204
70000	**Total Revenues**	1,133,644
	Expenses Administrative:	
91100	Administrative Salaries	92,592
91200	Auditing Fees	1,000
91500	Employee Benefit Contributions - Administrative	16,480
91000	**Total Operating - Administrative**	110,072
96200	Other General Expenses	8,416
96000	**Total Other General Expenses**	8,416
96900	**Total Operating Expenses**	118,488
97000	**Excess of Operating Revenue over Operating Expenses**	1,015,156
97300	Housing Assistance Payments	1,037,209
97350	HAP Portability-In	28,366
97400	Depreciation Expense	1,691
90000	**Total Expenses**	1,185,754
10000	**Excess (Deficiency) of Total Revenues Over (Under) Total Expenses**	$ (52,110)
	Memo Account Information:	
*11030	Beginning Equity	$ 131,312
*11170	Administrative Fee Equity	$ 67,243
*11180	Housing Assistance Payments Equity	$ 11,959
*11190	Unit Months Available	2,280
*11210	Number of Unit Months Available	2,177

See notes to the Financial Data Schedule

1. BASIS OF PRESENTATION

The accompanying Financial Data Schedule (FDS) presents the financial position of the Section 8 Housing Choice Voucher Program, administered by the Municipality. The FDS was created in order to standardize the financial information reported by the Public Housing Authorities (PHA) to the Real Estate Assessment Center (REAC) as required by the Uniform Financial Reporting Standards (UFRS). REAC is the US Department of Housing and Urban Development (HUD) national management center created to assess the condition of HUD owned and assisted properties. The UFRS are rules to implement requirements of 24 CFR, Part 5, Subpart H, for the electronic filing of financial information to HUD.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In accordance with the guidelines for reporting and attestation requirements of UFRS, the accompanying FDS is included as information supplementary to the financial statements. It was prepared using the accrual basis of accounting, as required by REAC regulations.

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE:			
Pass-through Commonwealth of Puerto Rico Department of Education:			
Child and Adult Care Food Program	10.558	Not available	$ 25,927
Total U.S. Department of Agriculture			**25,927**
U.S. DEPARTMENT OF HOUSIGN AND URBAN DEVELOPMENT:			
Direct Program:			
CDBG – Entitlement Grants Cluster; Community Development Block Grants/Entitlement Grants	14.218	N/A	971,456
Continuum of Care Program	14.267	N/A	17,480
Section 8 Housing Choice Vouchers	14.871	N/A	1,100,614
Pass-through Commonwealth of Puerto Rico Family Department:			
Emergency Solution Grants Program	14.231	ESG-04-DC-720001	61,714
Pass-through Commonwealth of Puerto Rico Municipality of San Juan:			
Housing Opportunities for Persons with Aids	14.241	Not available	13,679
Pass-through Commonwealth of Puerto Rico Family Department:			
Homeless Prevention and Rapid Re-Housing	14.257	Not available	9,712
Total U.S. Department of Housing and Urban Development		Not available	**2,174,655**
U.S. DEPARTMENT OF JUSTICE			
Pass-through Commonwealth of Puerto Rico:			
Crime Victim Assistance Act	16.575	Not available	38,890
Total U.S. Department of Justice			**38,890**
U.S. DEPARTMENT TRANSPORTATION:			
Direct Programs:			
ARRA – Urbanized Area Formula	20.509	Not available	1,341
Total U.S. Department of Transportation			**1,341**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass-through the Commonwealth of Puerto Rico – Family Department (ACUDEN):			
Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers	93.044	Not available	206,854
Promoting Safe and Stable Families	93.556	Not available	38,716
Temporary Assistance for Needy Families	93.558	Not available	50,102
Community Service Block Grant	93.569	Not available	15,123
Child Care and Development Block Grant	93.575	CACFP 08-2011	29,433
Family Violence Prevention and Services	93.671	04F-2012-G	39,270
Total U.S. Department of Health and Human Services			**379,498**
U.S. DEPARTMENT OF HOMELAND SECURITY:			
Pass-through the Commonwealth of Puerto Rico Governor Authorized Representative (GAR):			
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	Not available	270,454
Total U.S. Department of Homeland Security			**270,454**
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 2,890,765**

1. BASIS OF PRESENTATION

Expenditures reported on the Schedule are reported on the modified-accrual basis of accounting, except for Section 8 Housing Choice Voucher Program (HCV). Expenditures are recognized when the related liability is incurred following the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments,* wherein certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures for HCV Program are reported on a statutory basis as required by the U.S. Department of Housing and Urban Development. Such expenditures should equal the net ACC subsidy for the PHA's fiscal period.

The Catalog of Federal Domestic Assistance (CFDA) Number is a program identification number. The first two digits identify the federal department or agency that administers the program and the last three numbers are assigned by numerical sequence.

State or local government redistributions of federal awards to the Municipality, known as "pass–through awards", should be treated by the Municipality as though they were received directly from the federal government. OMB Circular A-133 requires the schedule to include the name of the pass–through entity and the identifying number assigned by the pass-through entity for the federal awards received as a sub recipient. Numbers identified as N/A are not applicable and numbers identified as N/AV are not available.

2. RECONCILIATION OF EXPENDITURES PRESENTED IN THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO THE EXPENDITURES PRESENTED IN THE BASIC FINANCIAL STATEMENTS

Description	Special Revenue Fund – State & Federal Grants	Others Governmental Funds
Total federal expenditures per Schedule of Expenditures of Federal Awards	1,908,256	982,509
Additional amount recorded as expenditures under modified accrual basis for Section 8 HCV Program		85,140
Non-federal awards expenditures	1,754,431	513,747
Total expenditures, fund statements	**3,662,687**	**1,581,396**

3. SECTION 108 LOAN PAYMENTS

For the fiscal year ended June 30, 2014, the Municipality paid the amount of $396,000 in principal as repayment of Section 108 Loan Guarantee Assistance Notes (LGA).

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

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Autonomous Municipality of Cidra**, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise **Autonomous Municipality of Cidra's** basic financial statements and have issued our report thereon dated June 30, 2014.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as item **14-01**, that we consider to be significant deficiencies.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)

Compliance and Other Matters

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

Autonomous Municipality of Cidra's Response to Findings

Autonomous Municipality of Cidra's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. **Autonomous Municipality of Cidra's** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

López-Vega CPA PSC

LOPEZ-VEGA, CPA, PSC

San Juan, Puerto Rico
February 6, 2015

Stamp No. 2675867 of the Puerto Rico
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was affixed to the record copy of this report.

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

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

Report on Compliance for Each Major Federal Program

We have audited **Autonomous Municipality of Cidra's** compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of **Autonomous Municipality of Cidras's** major federal programs for the year ended June 30, 2014. **Autonomous Municipality of Cidra's** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 (CONTINUED)

Opinion on Each Major Federal Program

In our opinion, **Autonomous Municipality of Cidra** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item **14-02**. Our opinion on each major federal program is not modified with respect to these matters.

Autonomous Municipality of Cidra's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The **Autonomous Municipality of Cidra's** response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 (CONTINUED)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item **2014-002** to be significant deficiencies.

Autonomous Municipality of Cidra's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. **Autonomous Municipality of Cidra's** response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

López-Vega CPA PSC

LOPEZ-VEGA, CPA, PSC

San Juan, Puerto Rico
February 6, 2015

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was affixed to the record copy of this report.

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	**Unmodified**	
Internal control over financial reporting:		
Material weakness identified?	Yes	No X
Significant deficiencies identified not considered to be material weaknesses?	Yes X	None reported
Noncompliance material to financial statements noted?	Yes	No X

Federal awards

Internal Control over major programs:		
Material weakness identified?	Yes	No X
Significant deficiencies identified not considered to be material weaknesses?	Yes X	None reported
Type of auditor's report issued on compliance for major programs:	**Unmodified**	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	Yes X	No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
	CDBG Entitlement Grants Cluster:
14.218	Community Development Block Grant – Entitlement Grant
93.044	Special Programs for the Aging - Title III, Part B – Grants for Supportive Services and Senior Centers
97.036	Disaster Grants – Public Assistance

Dollar threshold used to distinguish between Type A and Type B programs	$ 300,000	
Auditee qualified as low-risk auditee?	Yes	No X

Section II – Financial Statements Findings

(The following finding is considered to be a significant deficiencies and a material weakness (MW) and is labeled as such.)

Finding Reference	**2014-001**
Requirement	**Operating deficit of general fund**
Statement of Condition	The Municipality closed its fiscal year ended on June 30, 2014 with a fund balance deficiency in the general fund of $1,787,662. The deficit decreased $31,079 when compared to the prior fiscal year, as restated.
Criteria	Article 8.004 (b) of the Municipalities Law establishes that the Municipality cannot obligate or spend funds in excess of the ensuing fiscal year. No amount shall be expended or obligated in a given fiscal year of if exceeds its budgeted or authorized amounts by the Municipal Legislation. Section 3 of the revised regulation over Basic Standards for Municipalities of Puerto Rico (The Regulation) states that the Municipality it must take special care in prepare the revenues estimates so these do not result in budget appropriations in excess of available resources.
Cause of Condition	The Municipality does not amortize the corresponding amount to reduce the deficit.
Effect of Condition	The Municipality did not comply with the Article 7.011, Section (a), Article 8.004 (b) and Section 3 of the revised regulation over Basic Standards for Municipalities of Puerto Rico. The continued occurrence of this situation could result in possible significant limitations on available funds and eventual reduction or elimination of municipal services since future revenues will need to be used to pay for accumulated liabilities.
Recommendation	We recommend management to evaluate the adequacy of the provision for deficit reserve accounts in the next budget. Also, the Municipality's officers must evaluate the negative variances between budgeted revenues and actual revenues to reduce the budgeted expenses by department (quarterly allocation process) and to avoid future operational deficits at end of year.
Questioned Costs	None

Section II – Financial Statements Findings

Finding Reference **2014-001 (Continued)**

Management Response and Corrective Action

The Municipality's Management concurs with the finding. The Municipality will take adequate measurements in order to strengthen its procedures to assure to control the expenditures and reduce deficit.

Implementation Date: April 1, 2015

Responsible Person: Maritza Tolentino Torres
Finance Director

Section III - Major Federal Award Program Findings and Questioned Costs

Finding Reference	**2014-002**
Program	**Public Assistance Grant (CFDA No. 97.036); U.S. Federal Emergency Management Agency; Pass through Commonwealth of Puerto Rico - Office of Governor Authorized Representative (GAR)**
Requirement	**Reporting Test – Quarterly Reports**
Statement of Condition	During our reporting test we noted that the four (4) Quarterly Reports for Percentage of Completion were not prepared and submitted to the state agency for the fiscal year ended June 30, 2014.
Criteria	44 CFR Section 13.41 Financial Reports, Subpart C, Reports, Record retention and enforcement: Except as provided in paragraphs (a) (2) and (5) of these section, grantees will use only the forms specified in paragraphs (a) through (e) of this section, and such supplementary or other forms as may from time to time be authorized by the OMB.
Cause of Condition	The program has not established adequate internal control procedures to ensure that reports are duly completed as required by regulations and appropriate documentation is maintained.
Effect of Condition	The Municipality is not in compliance with 44 CFR Section 13.41 Financial Report, Subpart C.
Recommendation	We recommend that the Program should implement procedures in order to ensure that all or Percentage of Completion Report are prepared and submitted on time. Also, we recommend that the Program's Management instruct the Program accounting staff to prepare the reporting with accurate, current, and complete disclosure of the results of financially assisted activities.
Questioned Costs	None
Management Response and Corrective Action	The Municipality's Management concurs with the finding. The Municipality will take adequate measurements to comply with this requirement. In the current year, the required quarterly reports were submitted to the state agency. Implementation Date: April 1, 2015 Responsible Person: George Pereira Federal Program Department Director

Original Finding Number	CFDA No.	Current Status of Prior Year Audit Federal Award Findings - Part III Findings (As required by OMB Circular A-133)
13-02	14.218	During our examination of ten (10) participant's files we found the following situations: a. The participant exceeded the time limit required by the program to finish the repairs. (8 cases) The deduction of the medical expenses was not documented, resulting in errors of the income calculation for eligibility. (9 cases) b. The income calculations made by the program did not agree with our calculations. (2 cases) c. The rehabilitation was still in process during our audit (October 2013). It's been 336 days, limit days is 120. (1 case) d. In two (1) cases, funds were used to construct a new housing unit. The CDBG Action Plan in its Housing Rehabilitation Program states that this assistance will be used to rebuild the substandard housing unit into a sound, safe and sanitary dwelling bringing up the quality of life into the family dwelling. No evidence of governmental agencies approval of structure construction. Partially corrective action was taken. See management letter.
12-02	14.218 & 14.253	During our examination of twelve (12) participant's files we found the following situations: a) The participant exceeded the time limit required by the program to finish the repairs (8 cases). b) The deduction of the medical expenses was not documented, resulting in errors of the income calculation for eligibility (8 cases). c) The income calculations made by the program did not agree with our calculations (3 cases). d) The rehabilitation was still in process during our audit (February and March 2013, date of the last inspections) (4 cases). e) In three (3) cases, funds were used to construct a new housing unit out of the original footprint of the dwelling. The CDBG Action Plan in its Housing Rehabilitation Program states that this assistance will be used to rebuild the substandard housing unit into a sound, safe and sanitary dwelling bringing up the quality of life into the family dwelling. No evidence of Governmental Agencies approval of structure construction and electrical permits were found. f) In one (1) case the housing unit was not properly evaluated for the possible rehabilitation, resulting in the misusing of construction materials donated by the CDBG Program. Partially corrective action was taken. See management letter.
12-03	14.871	We performed an eligibility test and examined a sample of fifteen (15) participant files. The following summarize the deficiencies found: a) In one (1) participant's file, a reexamination was not performed at the time income was reported by the participant. b) In three (3) cases, the Family Report (form HUD 50058) presents the following errors in HAP calculations: In two (2) cases the participants' income calculation were incorrect. In one (1) case the payment standard and utility allowance was incorrect. c) In one (1) case, the participant's file did not include evidence of the birth certificate of two (2) members of the family, neither the photo of family composition. d) In six (6) cases the value of assets verification was not included in file. e) In five (5) cases the Enterprise Income Verification (EIV) corresponding to reexaminations and re-certifications of family composition and income, were not in file. In one (1) case the

Original Finding Number	CFDA No.	Current Status of Prior Year Audit Federal Award Findings - Part III Findings (As required by OMB Circular A-133)
		EIV was not signed either by the PHA or the participant. f) In one (1) case the documents related with fiscal year 11-12, were not available for our review. g) In one (1) case the medical expenses allowance was calculated incorrectly, causing errors in the HAP calculation. Full corrective action has been taken.

Reymound Vega

From:	Jose R. Dones <jrdones@lopezvegacpa-pr.com>
Sent:	Wednesday, April 1, 2015 2:40 PM
To:	Noemi Padilla Rivera; Reymound Vega; Eunice Sosa
Subject:	SINGLE AUDITS
Attachments:	Cidra-Single Autit 13-14.pdf; Coamo-Single Autit 13-14.pdf; Juncos-Single Audit 13-14.pdf; Arroyo - Single Audit 13-14.pdf; Trujillo Alto-Single Audit 13-14.pdf; Yauco-Single 13-14.pdf

Adjunto le enviamos los reportes de Single Audit de los siguientes Municipios:

1. Cidra
2. Cayey
3. Coamo
4. Juncos
5. Arroyo
6. Trujillo Alto
7. Yauco

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José Ricardo Dones López
Supervisor - Auditor

López-Vega, CPA, PSC
Certified Public Accountants • Management Advisors

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