



TRANSPARENCIA Y POLÍTICA PÚBLICA



Board of Directors

Edward Calvesbert
President

Arnaldo Cruz
Vice-President

Alvin Quiñones
Secretary

José M. Orta
Treasurer

Directors

*Elizabeth Perez
Kenneth Rivera
Adriana Ramírez
Guarien Tavárez
Ricardo Cruz*

Puerto Rico Municipal Fiscal Scores 2014

May 2016

Center for Integrity and Public Policy

Contents

Contents

Executive Summary..... 3

Introduction 4

Results– Fiscal Scores 2014 vs 2013 7

Appendix A– Index –2013 (Revised)..... 13

Appendix B– Index 2014..... 14

Appendix C– Index 2013 vs. 2014(modifications) 15

Appendix D–Summary of Methodology..... 16

Executive Summary

Twelve Months of Big Changes

This past year, Open Puerto Rico, a project of the Center for Integrity and Public Policy (CIPP), developed the first scoring index to measure the fiscal health of the 78 municipalities of Puerto Rico. Thirteen indicators, derived from audited financial statements, were used in the making of the fiscal score. One of the biggest discoveries while working on the scores for 2013 was the precarious financial situation most municipalities face. For example, during 2013 a total of 50 municipalities ran a deficit of income over expenditure in the general funds, and 43 municipalities had an accumulated deficit in their general funds.

In this publication, we present the new fiscal scores for the fiscal year 2014. In attempting to improve the methodology, a few small adjustments were made. This is why we had to emphasize the fiscal scores for 2013 (Appendix A contains the new ranking for 2013 with the adjusted methodology). In this report, we begin by comparing the average of the thirteen indicators between 2013 and 2014. This comparison revealed some positive changes in most of the indicators, which means that most municipalities have improved their finance management, especially in the indicators that relate to fiscal performance. But, the indicators that relate to long-term debt accumulation worsened in most municipalities. The following municipalities remain in the list of top ten municipalities with the best fiscal health: Fajardo, Barranquitas, Culebra, Isabela, and Quebradillas. When comparing the “ranking” of 2013 and 2014, a total of 16 municipalities improved their standing by going up over ten spots. On the other hand, a total of 18 municipalities went down over ten spots. In other words, a 44% of the municipalities had significant changes in their ranking during 2014. For example, the municipalities of Guayama and Las Marías went up 40 positions. We also saw municipalities that decreased almost 30 spaces in the ranking, like Naranjito and San Juan.

Why so many changes in just one year?

The Municipal Fiscal Scores give more weight to the indicators that measure the municipalities’ annual fiscal performance. To understand the reasons behind some of the changes, the report analyzes in depth the two municipalities with the biggest changes in the ranking, Guayama and Naranjito. The publication of the next municipal fiscal scores is subject to the publication of the audited financial statements. It is our mission, to regularly publish the fiscal scores to be able to exhaustively examine the municipalities’ fiscal health progress. While at the same time, evaluating if the measure taken by mayors have resulted in positive changes.

Introduction

The Municipal Index of Fiscal Scores

During 2015, the Center for Integrity and Public Policy developed the first fiscal score index for the municipalities of Puerto Rico, using thirteen indicators of performance. The fiscal score takes into account the following factors: liquidity, fiscal discipline, debt, and the ability of the municipality to sustain their operations through their own and recurrent resources. The thirteen indicators use information gathered from the audited financial statements of each municipality. All the indicators are adjusted to the volume of income or population of the municipality to be able to continue with the comparison. Once generated, the value Z is calculated for each municipality. To calculate the consolidated fiscal score, a summation of all the Z values of the municipality is made. Then, the municipalities are ordered from 1 to 78 based on the value of the sum of the thirteen values of Z. In addition to adding the values of Z, the methodology of the CIPP assigns different weights to the indicators. For more details about the methodology of the fiscal scores, refer to our first publication “Puerto Rico Municipal Fiscal Scores 2013” which can be found on abrepr.org. Below we present the thirteen indicators used:

Table A- Indicators of Fiscal Health Score Index

| # | Indicator ¹ | Description | Dimension |
|---|---------------------------------|---|-----------------|
| 1 | Net Change in Fund Balance (GF) | Examines the net change in the balance of the General Fund during the year 2013 | Fiscal |
| | Total Revenue (GF) | | |
| 2 | End of Year Fund Balance (GF) | Examines the size of the balance corresponding to the General Fund, relative to the annual expenses of said fund. | Fiscal Position |
| | Total Expenditures (GF) | | |
| 3 | Current Assets | Examines the assets of the municipality (excluding capital) relative to the population. | Fiscal Position |
| | Population | | |
| 4 | Current Assets | Examines the assets of the municipality (excluding capital) relative to current liabilities. | Fiscal Position |
| | Current Liabilities | | |
| 5 | Long Term Debt | Examines long-term debt based on the population. | Fiscal Position |
| | Population | | |
| | General Revenues | Examines the general revenues of | Fiscal |

¹ Los indicadores están en inglés para mantener consistencia con los estados financieros auditados. Sin embargo hemos creado una tabla en el Anexo ____ con las traducciones de los términos

| | | | |
|----|---|--|-----------------|
| 6 | Long Term Debt | the municipality, relative to the municipality's long-term debt. | Position |
| 7 | Debt Service | Examines the service of the debt, relative to annual general income. | Fiscal |
| | General Revenues | | |
| 8 | Excess of Revenues Over (Under) Expenditures (GF) | Examines the operational surplus/deficit of the General Fund, without accounting for loans or other transfers. | Fiscal |
| | Total Revenues (GF) | | |
| 9 | Change in Net Position | Examines the change in net assets during the year, relative to the annual income. | Fiscal |
| | General Revenues | | |
| 10 | Fund Balance (All Funds) | Examines the Balance of Funds (all funds) based on the population. | Fiscal Position |
| | Population | | |
| 11 | End of year Fund Balance (All Funds) | Examines the Balance of the Funds, relative to the long-term debt. | Fiscal Position |
| | Long Term Debt | | |
| 12 | Intergovernmental Funds (GF) | Examines annual revenues the derive from the state, relative to the annual income for the municipality. | Fiscal |
| | Total Revenues (GF) | | |
| 13 | Unrestricted Net Position | Examines the net balance of the non-restricted assets. | Fiscal Position |
| | Total Assets | | |

Changes to Methodology

After the publication of the 2013 fiscal scores, the team of CIPP decided to consult the methodology used with professionals, especially with public accountants and economists, who count with expertise and experience. A few changes to improve the methodology used in the fiscal scores were suggested and decided during work meetings. These changes slightly affect the ranking of 2013, which is why we have included the updated ranking in the Appendix A. The changes affect only three of the thirteen indicators. The first change relates to the indicators associated with current assets and liabilities (indicators 3 and 4 of table A). During 2013, the current assets and liabilities were extracted from the *Management Discussion and Analysis* (MD&A) of the financial statement. This part of the financial statement is required by the Generally Accepted Accounting Principles, and serves to promote a summary of the financial statements and position of the municipality. But, this part is prepared by management and not by a certified public accountant (CPA), (even though the accountant assists management in the preparation of the comparative table). While we acknowledged some of the issues that may arise from using the information of MD&A, we used it because of the difficulty faced while attempting to extract the current assets and liabilities from the State Net Situation, which is audited. While we found very few differences between the information extracted from the MD&A and the State Net Situation, we decided to use the information provided in the

latter to ensure that our information of the current assets and liabilities was 100 percent precise. The second methodological change relates to the debt payment, that applies to indicator number 7 in table A. During 2013, we used the debt payment that derived exclusively from the debt payment fund. But, this year we opted for the debt payment that comes from the collective government funds. It is important to mention that most of the debt payments come from the Fondo de Pago de Deuda (Debt Payment Fund), which means this change did not significantly impact the fiscal scores.

Results- Fiscal Scores 2014 vs 2013

The fiscal state of the municipalities 2014 vs 2013

During 2014, a big portion of the indicators witnessed an improvement. This is especially true in the indicators that relate to fiscal performance, where the changes were most significant. But, as will be seen, this tendency is not the norm to all municipalities. Below, a table that indicates the changes of each indicator. We have filled in the column of change to illustrate the direction of said change (green improvement, red worsening, and yellow no change).

Table B- Indicators of financial position 2013 vs 2014

| # | Indicator | 2013 | 2014 | Change |
|----|---|------------|------------|--------|
| 1 | Net Change in Fund Balance | -2.3% | 4.1% | 6.5% |
| | Total Revenue (GF) | | | |
| 2 | End of Year Fund Balance | -6.9% | -1.1% | 5.8% |
| | Total Expenditures (GF) | | | |
| 3 | Current Assets | | | |
| | Population | \$613.34 | \$635 | \$22 |
| 4 | Current Assets | | | |
| | Current Liabilities | 2.8 | 3.6 | 0.8 |
| 5 | Long Term Debt | | | |
| | Population | \$1,109.81 | \$1,134.86 | \$25 |
| 6 | General Revenues | 68.2% | 63.3% | -4.9% |
| | Long Term Debt | | | |
| 7 | Debt Service | 13.7% | 13.9% | 0.2% |
| | General Revenues | | | |
| 8 | Excess of Revenues Over (Under) Expenditures (GF) | | | |
| | Total Revenues (GF) | -5.2% | -.08% | 6.0% |
| 9 | Change in Net Assets | | | |
| | General Revenues | -5.0% | 5.7% | 10.7% |
| 10 | Fund Balance (All Funds) | | | |
| | Population | \$309.68 | \$337.44 | \$28 |
| 11 | End of year Fund Balance (All Funds) | | | |
| | Long Term Debt | 30% | 34.1% | 3.3% |

| | | | | |
|----|------------------------------|--------|--------|--------|
| | | | | |
| 12 | Intergovernmental Funds (GF) | 40.5% | 40.2% | -0.03% |
| | Total Revenues (GF) | | | |
| 13 | Unrestricted Net Position | -22.1% | -20.9% | 1.1% |
| | Total Assets | | | |

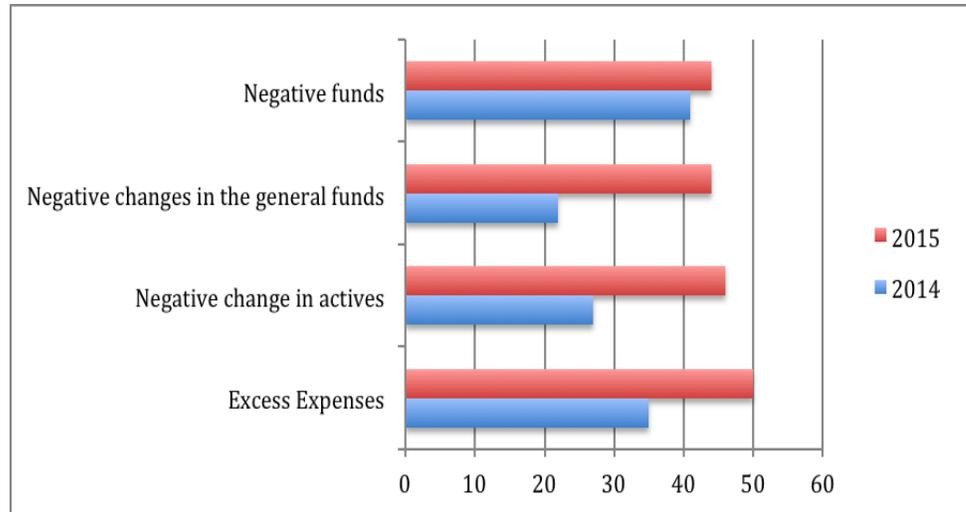
The indicators that relate to the long-term debt are the ones that worsened the most. Lets take the indicator number 5 on table A, “long term debt per capita.” In this case, the average of the debt per capita is an increase in 3% or \$25 per person. The reason for this is, firstly, an increase in the total debt of the municipalities by \$39 millions, and, secondly, a decrease in population. We know that as the debt increases and the population decrease the debt per person will continue to increase. The same happens with the annual income in proportion to debt and the annual payment of the same.

As we previously mentioned, a big part of the indicators show improvement. Lets look at one of the most important indicators, which is the one that measures the excess of income over expenditures (number 8 on table A). This indicator truly represents the operational deficit/surplus, because it does not take into account transfers or loans. During 2013, the average of this indicator was -5.2%, while during 2014 it was almost 0. This means that recurring expenses were covered with the recurring revenues. The same happened with the change in the balance of the general fund and the change in net assets, where there was a dramatic increase of more than 10 percent.

There is no doubt that municipalities have historically used financing to supply their general fund, this year was no exception. But, it is important to recognize that there are some municipalities that have been responsible with their finances during 2014. This might be a result of the cash problems of the Banco Gubernamental de Fomento, and the implications this has had in access to financing. For example, during 2013, 50 municipalities had an excess of expenditures in their general funds. During 2014, that number decreased to only 35 municipalities. In a similar fashion, during 2013 a total of 46 municipalities had a negative change in their assets, while in 2014 only 27 showed this pattern in their assets. Regardless of the positive changes mentioned, the long term debt and the balance of government funds are still worrisome. It will take a significant amount of years of continuous fiscal discipline for the municipalities of Puerto Rico to achieve a good fiscal health.

The next table identifies the number of municipalities by year with negative results in some of the indicators.

Graphic A- Comparison of number of municipalities 2013 vs 2014



Fiscal Scores 2014

For 2014, the municipalities with the best scores were Fajardo, Barranquitas, Culebra, Rincón, and Isabela. These municipalities have a financial situation that far exceeds other municipalities. In addition to a healthy financial situation, these municipalities also had a good fiscal yield during the year. All (except Culebra and Isabela) were in the top 20 municipalities in all the indicators associated with annual fiscal performance. In the case of Hatillo and Adjuntas, their financial rendering during 2014 was essential to their good scoring in the ranking. The most outstanding scores for these five municipalities were: positive balances in governmental funds, active current assets, and healthy net assets (not restricted).

Table C- First and Last Scores- Index 2014

| Top 10 | | | | Bottom 10 | | |
|--------------|------|----------|--|--------------|------|----------|
| Municipality | Rank | Index | | Municipio | Rank | Index |
| Fajardo | 1 | 10.38908 | | Ponce | 78 | -7.19072 |
| Barranquitas | 2 | 8.20246 | | Guánica | 77 | -5.18190 |
| Culebra | 3 | 6.08353 | | Las Piedras | 76 | -5.09508 |
| Rincón | 4 | 5.66305 | | Maricao | 75 | -5.09205 |
| Isabela | 5 | 5.49914 | | Lajas | 74 | -5.03712 |
| Adjuntas | 6 | 4.72603 | | Toa Baja | 73 | -5.02325 |
| Quebradillas | 7 | 4.18459 | | Gurabo | 72 | -4.89251 |
| Hatillo | 8 | 3.46508 | | Loíza | 71 | -4.26050 |
| Lares | 9 | 3.41415 | | Maunabo | 70 | -3.65884 |
| Aguada | 10 | 3.08415 | | Santa Isabel | 69 | -3.57557 |

Changes from 2013 to 2014

One of the greatest benefits of the fiscal scores is the ability to compare. By using the same methodology, one can precisely identify the municipalities that are improving or worsening their fiscal health. Because the fiscal scores give more importance to those indicators that relate to the annual fiscal performance, we can expect great changes in the ranking of each municipality. For example, comparing the “ranking” of 2013 and 2014, a total of 16 municipalities improved their standing by going up over ten spots. On the other hand, a total of 18 municipalities went down over ten spots. In other words, a 44% of the municipalities had significant changes in their ranking during 2014. For example, the municipalities of Guayama and Las Marías went up 40 positions. While, other municipalities, like Naranjito and San Juan, decreased up to 30 positions in the ranking.

Table D- The municipalities that improved or worsened most during 2014

| Improvement | | | | Worsening | | | |
|--------------|------|------|-----|---------------|------|------|-----|
| Municipality | 2013 | 2014 | +/- | Municipality | 2013 | 2014 | +/- |
| Guayama | 61 | 17 | 44 | Naranjito | 5 | 38 | -33 |
| Las Marías | 59 | 19 | 40 | San Juan | 28 | 60 | -32 |
| Guayanilla | 74 | 45 | 29 | Ceiba | 23 | 53 | -30 |
| Yabucoa | 78 | 51 | 27 | Morovis | 42 | 68 | -26 |
| Vega Baja | 56 | 33 | 23 | Loíza | 47 | 71 | -24 |
| Hatillo | 30 | 8 | 22 | Canóvanas | 25 | 48 | -23 |
| Utualde | 40 | 20 | 20 | San Sebastián | 7 | 28 | -21 |
| Hormigueros | 49 | 30 | 19 | Lajas | 54 | 74 | -20 |
| Salinas | 53 | 34 | 19 | Camuy | 14 | 32 | -18 |
| Toa Alta | 57 | 39 | 18 | Peñuelas | 8 | 25 | -17 |

What does the change signify?

Below, we explain in more detail the factors that affect the change in ranking of municipalities from one year to the next. We will focus this section on the two municipalities that exhibit the biggest changes, Guayama and Naranjito.

Guayama- (+44)

The main reason behind Guayama’s improvement during 2014 was its fiscal performance during 2014, especially in its ability to exceed revenue over expenditures. For example, during 2013, Guayama had an excess of revenue over expenditures of 4.4 millions, which represents a deficit of 17%. But, during 2014 they had an excess of revenue over expenditure of \$1.7 million, with a surplus of 6.5%. Guayama also had a good performance in their assets. In 2013 they reduced \$9.1 million of their assets and in 2014 they increased \$16 millions. In addition, Guayama showed a good performance because they managed to reduce their debt service and increase their current assets relative to their current liabilities.

Graphic B – Big Changes of Guayama

| Indicator | FY2013 | | FY2014 | |
|-----------------------------|---------------------|-----------|---------------------|-----------|
| | Calculation | Indicator | Calculation | Indicator |
| <u>Change in Net Assets</u> | <u>-\$9,198,352</u> | -30.91% | <u>\$16,573,315</u> | 36.11% |
| General Revenues | \$29,751,610 | | \$45,888,085 | |
| <u>Excess of Revenues</u> | <u>-\$4,419,684</u> | -17.78% | <u>\$1,712,053</u> | 6.54% |
| Revenues (GF) | \$24,844,857 | | \$26,178,047 | |
| Current Assets | \$47,418,343 | 1.57 | \$40,063,875 | 4.67 |
| Current Liabilities | \$30,043,158 | | \$8,560,994 | |
| Debt Service | \$5,295,689 | 17.79% | 5,435,996 | 11.84% |
| Annual Revenues | \$29,751,610 | | \$45,888,085 | |

One thing we would like to emphasize is the importance of using an indicator while evaluating the number of a municipality, instead of using absolute numbers. For example, let's look at the indicator "currents assets over liabilities." During 2014, the municipality really decreased their current assets, from \$47 million to \$40 millions. Then, why did we decide Guayama had improved in this indicator? The reason is because the indicator seeks to evaluate if the municipality has sufficient current assets to cover their current debts at a specific date. In this case, the current debts of Guayama dramatically decreased, from \$30 million to only \$8 million. Thus, achieving an improvement in their ranking. The same happens with the indicator of service debt. If we look solely at the service debt, it increased from \$5.2 million to \$5.4 millions. On the other hand, the annual revenue of Guayama increased dramatically from \$29.7 million to \$45.8 million, reducing the proportion of service debt of the resource of the municipality.

Naranjito (-33)

The main reason behind Naranjito's drastic worsening was its poor fiscal performance during 2014, particularly in exceeding its expenditures and reducing its balance in the general fund. During 2013, Naranjito exceeded its revenue over its expenditures by \$1.5 million, while during 2014 it ran a deficit of \$854,255, a change of over \$2.3 million in just one year. This deficit forced the municipality to finance it with debt, which led to a doubling of the service debt in just one year.

Graphic B – Big Changes of Naranjito

| Indicator | FY2013 | | FY2014 | |
|-------------------------------|--------------------|-----------|--------------------|-----------|
| | Calculation | Indicator | Calculation | Indicator |
| <u>Excess of Revenues</u> | <u>\$1,516,049</u> | 12.02% | <u>-\$854,255</u> | -6.84% |
| revenues (GF) | \$12,617,260 | | \$12,471,826 | |
| <u>Change in fund balance</u> | <u>\$1,516,049</u> | 12.012% | <u>315,745</u> | 2.5% |
| Revenues (GF) | \$12,617,260 | | \$12,471,826 | |
| Service Debt | \$954,949 | 5.84% | 1,923,702 | 11.37% |
| Annual Revenues | \$16,342,344 | | \$16,919,134 | |
| <u>Change in net assets</u> | <u>\$2,058,949</u> | 12.59% | <u>\$1,271,995</u> | 7.51% |
| Annual Revenue | \$16,342,344 | | 16,342,344 | |

Just like Guayama, we want to point out some changes in the municipality of Naranjito. The net change in the general fund was positive. But, Naranjito was placed 40 on the indicator during this same year. Then, why did it obtain such a low score while still showing a positive change in the balance of the fund? The answer to this question is divided in two parts. First, during 2013 Naranjito had a net change of 12%, being among the five best performances in that indicator, while in 2014 it decreased to a net change of 2.5%. Secondly, lets remember that the fiscal scores are calculated based on the performance of the other municipalities. During 2013 the average in net change of all the municipalities was -2.1%, while in 2014 the average was 4.1%. Thus, its performance in every indicator is relative to all the other municipalities.

Appendix A- Index -2013 (Revised)

| Rank | Municipality | Index | Rank | Municipality | Index |
|------|---------------|----------|------|---------------|----------|
| 1 | Fajardo | 10.18321 | 40 | Utua | 0.15509 |
| 2 | Barranquitas | 6.14565 | 41 | Moca | 0.02191 |
| 3 | Isabela | 5.53899 | 42 | Morovis | -0.00350 |
| 4 | Culebra | 5.33454 | 43 | Mayagüez | -0.08148 |
| 5 | Naranjito | 4.40428 | 44 | Juana Díaz | -0.22817 |
| 6 | Quebradillas | 4.29569 | 45 | Florida | -0.33087 |
| 7 | San Sebastián | 3.35063 | 46 | Vieques | -0.42986 |
| 8 | Peñuelas | 3.31463 | 47 | Loíza | -0.44057 |
| 9 | Aibonito | 3.30599 | 48 | Jayuya | -0.71985 |
| 10 | Rincón | 3.10942 | 49 | Hormigueros | -0.80020 |
| 11 | Aguada | 3.10123 | 50 | Caguas | -0.82500 |
| 12 | Lares | 3.08938 | 51 | Cataño | -1.00796 |
| 13 | Cayey | 2.79037 | 52 | Villalba | -1.09805 |
| 14 | Camuy | 2.56583 | 53 | Salinas | -1.20305 |
| 15 | Vega Alta | 2.54576 | 54 | Lajas | -1.23032 |
| 16 | Humacao | 2.51111 | 55 | Barceloneta | -1.44069 |
| 17 | Naguabo | 2.48116 | 56 | Vega Baja | -1.77611 |
| 18 | Comerio | 2.46068 | 57 | Toa Alta | -2.03479 |
| 19 | Luquillo | 2.27639 | 58 | Trujillo Alto | -2.04361 |
| 20 | Corozal | 2.20704 | 59 | Las Marías | -2.06875 |
| 21 | Aguadilla | 1.98615 | 60 | Arroyo | -2.12800 |
| 22 | Adjuntas | 1.93633 | 61 | Guayama | -2.27044 |
| 23 | Ceiba | 1.86074 | 62 | Arecibo | -2.31688 |
| 24 | Coamo | 1.58056 | 63 | Ciales | -2.45655 |
| 25 | Canóvanas | 1.37800 | 64 | Maricao | -2.97132 |
| 26 | Aguas Buenas | 1.30210 | 65 | Yauco | -3.07134 |
| 27 | Orocovis | 1.23041 | 66 | San Lorenzo | -3.16997 |
| 28 | San Juan | 1.15831 | 67 | Santa Isabel | -3.29341 |
| 29 | Dorado | 1.12789 | 68 | Gurabo | -3.75993 |
| 30 | Hatillo | 0.90180 | 69 | Cabo Rojo | -3.89513 |
| 31 | Cidra | 0.79689 | 70 | Toa Baja | -4.35280 |
| 32 | Carolina | 0.74541 | 71 | Guánica | -4.46054 |
| 33 | Añasco | 0.69056 | 72 | Patillas | -4.65467 |
| 34 | Bayamón | 0.64878 | 73 | Juncos | -5.24556 |
| 35 | Sabana Grande | 0.56174 | 74 | Guayanilla | -5.28597 |
| 36 | San Germán | 0.49688 | 75 | Las Piedras | -5.44557 |
| 37 | Río Grande | 0.47804 | 76 | Ponce | -5.47911 |
| 38 | Guaynabo | 0.44892 | 77 | Maunabo | -5.52369 |
| 39 | Manatí | 0.28590 | 78 | Yabucoa | -7.26065 |

Appendix B- Index 2014

| Rank | Municipality | Index | Rank | Municipality | Index |
|------|---------------|----------|------|---------------|----------|
| 1 | Fajardo | 10.38143 | 40 | Añasco | 0.03089 |
| 2 | Barranquitas | 8.26993 | 41 | Juana Díaz | -0.08456 |
| 3 | Culebra | 6.09856 | 42 | Cidra | -0.27707 |
| 4 | Rincón | 5.66870 | 43 | Vieques | -0.31938 |
| 5 | Isabela | 5.50248 | 44 | Florida | -0.44895 |
| 6 | Adjuntas | 4.75194 | 45 | Guayanilla | -0.49474 |
| 7 | Quebradillas | 4.19029 | 46 | Carolina | -0.69712 |
| 8 | Hatillo | 3.47838 | 47 | Moca | -0.75125 |
| 9 | Lares | 3.41968 | 48 | Canóvanas | -0.76632 |
| 10 | Aguada | 3.08488 | 49 | San Germán | -0.94478 |
| 11 | Aguas Buenas | 3.03935 | 50 | Manatí | -1.23523 |
| 12 | Luquillo | 2.78966 | 51 | Yabucoa | -1.23753 |
| 13 | Comerio | 2.72753 | 52 | Cataño | -1.28336 |
| 14 | Aibonito | 2.69659 | 53 | Arecibo | -1.31905 |
| 15 | Humacao | 2.53626 | 54 | Ceiba | -1.32461 |
| 16 | Cayey | 2.45790 | 55 | Arroyo | -1.43428 |
| 17 | Guayama | 2.07236 | 56 | Caguas | -1.95304 |
| 18 | Dorado | 1.97346 | 57 | Mayagüez | -2.02644 |
| 19 | Las Marías | 1.68179 | 58 | San Lorenzo | -2.06182 |
| 20 | Utuado | 1.60644 | 59 | Cabo Rojo | -2.06718 |
| 21 | Vega Alta | 1.53881 | 60 | San Juan | -2.40442 |
| 22 | Corozal | 1.51421 | 61 | Juncos | -2.45755 |
| 23 | Aguadilla | 1.46802 | 62 | Ciales | -2.55395 |
| 24 | Bayamón | 1.18619 | 63 | Barceloneta | -2.80840 |
| 25 | Peñuelas | 1.12050 | 64 | Patillas | -2.86020 |
| 26 | Río Grande | 1.11677 | 65 | Trujillo Alto | -2.89188 |
| 27 | Coamo | 1.06171 | 66 | Yauco | -3.12898 |
| 28 | Sabana Grande | 1.01538 | 67 | Villalba | -3.16146 |
| 29 | San Sebastián | 1.01333 | 68 | Morovis | -3.24804 |
| 30 | Hormigueros | 0.92162 | 69 | Santa Isabel | -3.59055 |
| 31 | Naguabo | 0.78863 | 70 | Maunabo | -3.63269 |
| 32 | Camuy | 0.67914 | 71 | Loíza | -4.31113 |
| 33 | Vega Baja | 0.59146 | 72 | Gurabo | -4.91969 |
| 34 | Salinas | 0.55849 | 73 | Toa Baja | -5.04669 |
| 35 | Orocovis | 0.44980 | 74 | Lajas | -5.06774 |
| 36 | Guaynabo | 0.41638 | 75 | Maricao | -5.14933 |
| 37 | Jayuya | 0.26976 | 76 | Las Piedras | -5.16995 |
| 38 | Naranjito | 0.16808 | 77 | Guánica | -5.23296 |
| 39 | Toa Alta | 0.12925 | 78 | Ponce | -6.10371 |

Appendix C- Index 2013 vs. 2014_(modifications)

| Municipio | Change | Municipio | Change |
|---------------|--------|---------------|--------|
| Guayama | 44 | Las Piedras | -1 |
| Las Marías | 40 | Quebradillas | -1 |
| Guayanilla | 29 | Yauco | -1 |
| Yabucoa | 27 | Aguadilla | -2 |
| Vega Baja | 23 | Corozal | -2 |
| Hatillo | 22 | Isabela | -2 |
| Utua | 20 | Ponce | -2 |
| Hormigueros | 19 | Santa Isabel | -2 |
| Salinas | 19 | Cayey | -3 |
| Toa Alta | 18 | Coamo | -3 |
| Adjuntas | 16 | Toa Baja | -3 |
| Aguas Buenas | 15 | Gurabo | -4 |
| Juncos | 12 | Aibonito | -5 |
| Dorado | 11 | Caguas | -6 |
| Jayuya | 11 | Guánica | -6 |
| Río Grande | 11 | Moca | -6 |
| Bayamón | 10 | Vega Alta | -6 |
| Cabo Rojo | 10 | Añasco | -7 |
| Arecibo | 9 | Trujillo Alto | -7 |
| Patillas | 8 | Barceloneta | -8 |
| San Lorenzo | 8 | Orocovis | -8 |
| Luquillo | 7 | Cidra | -11 |
| Maunabo | 7 | Manatí | -11 |
| Sabana Grande | 7 | Maricao | -11 |
| Rincón | 6 | San Germán | -13 |
| Arroyo | 5 | Carolina | -14 |
| Comerío | 5 | Mayagüez | -14 |
| Juana Díaz | 3 | Naguabo | -14 |
| Lares | 3 | Villalba | -15 |
| Vieques | 3 | Peñuelas | -17 |
| Guaynabo | 2 | Camuy | -18 |
| Aguada | 1 | Lajas | -20 |
| Ciales | 1 | San Sebastián | -22 |
| Culebra | 1 | Canóvanas | -23 |
| Florida | 1 | Loíza | -24 |
| Humacao | 1 | Morovis | -26 |
| Barranquitas | 0 | Ceiba | -31 |
| Fajardo | 0 | San Juan | -32 |
| Cataño | -1 | Naranjito | -33 |

Appendix D-Summary of Methodology

To develop the indicators, CIPP used the audited financial statements of all the municipalities. Using these statements (available online at abrepr.org) we constructed thirteen indicators to measure the fiscal health of every municipality. This serves as a guide to understand the financial status of each municipality. The financial condition is simply the capacity of a municipality to meet its requirements in the short and long term. All the indicators are adjusted to the population of the municipality, the annual income, or the size of its actives. Each indicator measures the fiscal health of the municipality in two categories: Annual fiscal performance and financial position of the municipality in the long term. The scores assign more weight to the indicators that relate to the performance of the municipality during the year. This is done because we focus on the performance of the municipality during the year, versus the financial statement of the municipality over many years. When we refer to fiscal year we speak of the ability of a municipality to sustain its operations with their own resources (public works, social services, municipal police, parks and recreation, arts and culture). The municipalities with the lowest ranking usually have to finance (borrow) to cover the operational expenses of the government (for example, using your credit card to pay for you house). By continuing with this borrowing practice, it becomes easier for the doors of financing to be closed.

It is imperative to say, in clear and transparent ways, which are the municipalities with the best fiscal health. To evaluate the fiscal health of the municipalities, it is important to evaluate various factors, with a short-term, mid-term, and long-term focus.