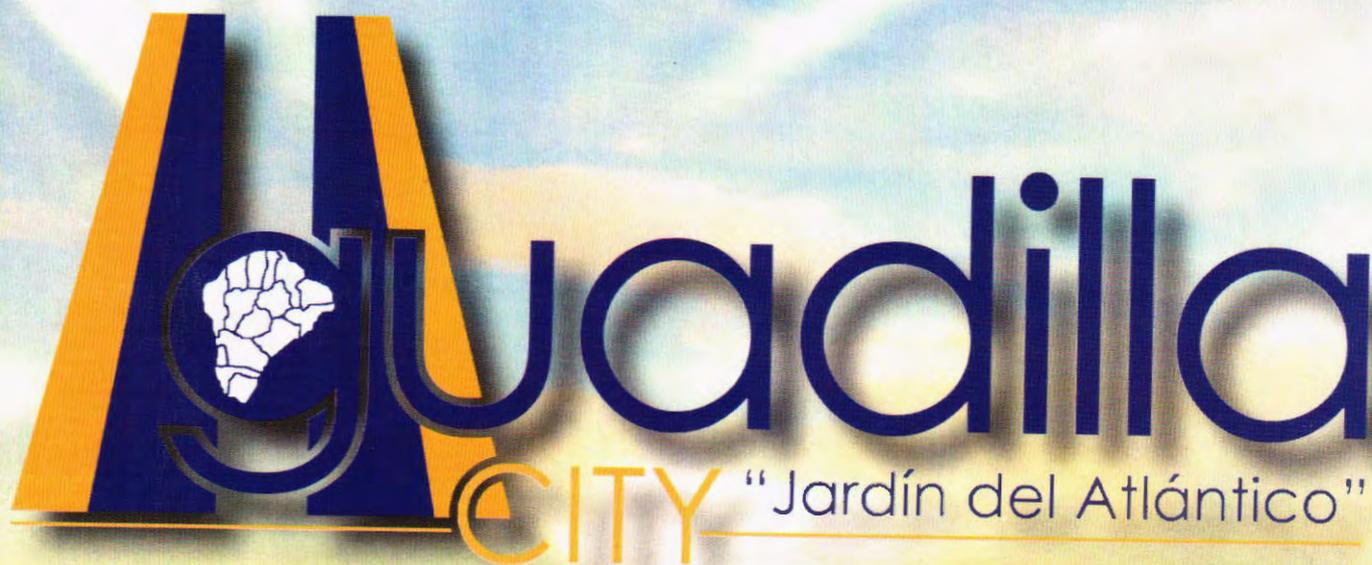


**GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA**



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
For The Fiscal Year Ended
June 30, 2011**

Government of Puerto Rico

Municipality of Aguadilla

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011



Prepared by:
Finance Department

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Finance Director

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2011

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INTRODUCTORY SECTION

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- Organization Chart
- List of Principal Officials



Featured on our cover is a view of the Aguadilla Bay.



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LETTER OF TRANSMITTAL

To the Mayor, Members of the Municipal Assembly, and the Citizens of the *Municipality of Aguadilla, Puerto Rico*.

We are pleased to present, a Comprehensive Annual Financial Report (CAFR) of the *Municipality of Aguadilla, Puerto Rico (Municipality)* for the fiscal year ended June 30, 2011. For the fourth consecutive year, we have decided to present our financial data under the requirements of the CAFR. The management of the *Municipality* is responsible for the accuracy, the completeness, and fairness of the presentation of the financial data, including all required disclosures. Because the costs of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects, and reported according to the accounting principles generally accepted in the United States of America. This belief is based on a comprehensive system of internal controls established for this purpose.

The *Municipality's* financial statements have been audited by Roman Toro & Co., CPA, a public accounting firm fully licensed and qualified to perform audits of local governments within the Government of Puerto Rico, with the purpose of providing reasonable assurance that the financial statements of the *Municipality*, for the fiscal year ended June 30, 2011, are free of material misstatement. This audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditors concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the *Municipality's* financial statements for the year ended June 30, 2011, are fairly presented in conformity with the accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the Financial Section of this report.

The *Municipality* is also required to undergo an annual single audit in conformity with the provisions of the United States Office of Management and Budget's (OMB) Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on those involving the administration of Federal Awards.

Information related to this Single Audit, including a Schedule of Expenditures of Federal Awards, the Independent Auditor's Report on compliance with requirements applicable to each major program and on internal controls over compliance according to OMB Circular A-133, and a Schedule of Findings and Questioned Costs, is included in a separately issued report.

THE REPORT

The CAFR is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter, a list of principal officials, organization chart, and the Government Finance Officer's Certificate of Achievement for Excellence in Financial Reporting.

The Financial Section is prepared in accordance with accounting principles generally accepted in the United States of America. This section of the CAFR includes the Management's Discussion and Analysis (MD&A), which can be found immediately following the report of the independent auditors, the basic financial statements and combining and individual fund statements and schedules, as well as the independent auditor's report and required supplementary information.

The MD&A serves as a narrative introduction, overview, and analysis that accompany the basic financial statements. The MD&A should be read in conjunction with the transmittal letter.

The basic financial statements include the government-wide financial statements; which presents an overview of the *Municipality's* entire operations. These statements provide separate data for "governmental activities" and "business type activities". The fund level statements present the financial information of each of the *Municipality's* major funds, as well as non-major funds.

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

AN OVERVIEW OF THE MUNICIPALITY

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



The *Municipality* occupies a total area of 76.3 square miles, of which 36.6 square miles are land area and 39 square miles of water. This *Municipality* serves a population of approximately 60,949 citizens. The governmental system of the *Municipality* is composed of the executive and legislative bodies. The Mayor is the Chief Executive Officer and is elected every four years in the general elections of the Government of Puerto Rico. The legislative body consists of 16 Legislators also elected in the general elections of Puerto Rico for a four-year period. The Mayor appoints the Finance Director and Internal Auditor both positions have to be confirmed by the Municipal Legislature.

The *Municipality* has Governmental Funds and Proprietary Funds. The governmental funds financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purposes, the government considers revenues to be available if they are collected within sixty (60) days of the end of the current period. Expenditures generally are recorded when liability is incurred, as under accrual accounting.

However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Private-sector standards of accounting and financial reporting issued before December 1, 1989, generally are followed in both the governmental-wide and proprietary fund financial statements insofar as those standards do not conflict with, or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The *Municipality* has elected not to follow subsequent private-sector guidance.

The Proprietary Funds that the *Municipality* operates are: **Aguadilla's Waterfalls Aquatic Park, Aguadilla Ice Skating Arena (A.I.S.A.)** and the **Aguadilla Franchise Division**. The purpose of these proprietary funds and other projects (presented later) are to provide income source to the *Municipality* other than taxes imposed to the citizens and visitors of Aguadilla.

The state government of Puerto Rico approved Law No. 149 of 2009, and amendments, which modifies Law No. 81 of 1991, to allow municipalities to acquire franchise businesses. Under this new Law, the *Municipality* acquired the licenses for the following franchises: Tony Luke's (Philadelphia-style sandwiches), Mark Anthony's (steak house), Joe Spud's (hamburgers), and Ice Cream Dreams. These franchises were operating until July of 2011. The *Municipality* then created three new franchises, which are being operated on the **Waterfalls Aquatic Park** facilities: Chicken Inn (chicken, burgers, and pizza), Riquissimo (bakery and deli), and Sweet Dreams Creamery. These franchises will be operated within the **Aguadilla Franchise Division**.

The *Municipality* retains exclusive rights to sell licenses for these franchises in Puerto Rico.

The accompanying basic financial statements include all departments and organizations units whose funds are under the custody and control of the *Municipality*. In evaluating the *Municipality* as a reporting entity, management has addressed all the potential component units. GASBS No. 39 provides additional guidance to determine whether certain organization for which the primary government is not financially accountable should be reported as components units.

Our specific evaluations of the criteria applicable to the *Municipality* indicate no organizations meet the criteria to be included as component units.

SERVICES PROVIDED TO AGUADILLA'S CITIZENS



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

OUR FUTURE LEADERS The *Municipality* along with the Puerto Rico Family Department, established an office called "Center of Resources and Referrals for Children". The purpose of this office is to provide an information structure for the community, with technical assistance, training, orientation, and specialized materials oriented to early education.

The system information provides a range of services for the community, including the access to a catalog which includes all available services, such as: Child Care, Head Start, Mothers and Child Program, among others. It provides the services from Pediatricians, vaccinations, dentists, and other health professionals related to the children. We provide a data base called "Nacraware", which provides information of licensed Day Cares in Puerto Rico and in the United States.

SPORTS Aware of the necessity for providing sport activities to our citizens, including our young and elderly population, we created the program "**More Sports in your Community**", which provides more than 20 sport activities on a weekly basis, including Tae Kwon Do, Basketball, Baseball, Tennis, Dance, Zumba, Volleyball, Boxing, among others.

PUBLIC WORK SERVICES This important department is in charge of maintaining the roads, bridges and all related infrastructure in the best possible conditions. In addition, this department has created several wall attributives through the Aguadilla area. The *Municipality's* General Fund has separated a budget of approximately \$1.3 millions for their operation of the current fiscal year.





HEALTH AND SANITATION This department is responsible for the solid waste disposal. The *Municipality* is committed with our environment, and accordingly, we have implemented an intensive recycling program in all the communities of Aguadilla. Annually, we provide seminars and trainings to all schools in Aguadilla, and conducted several contests in which approximately 25 educational institutions participate.

This department is in charge of the coordination of the landfill closure and post-closure maintenance. The closure of the landfill is estimated at \$2 million, for which the *Municipality* issued debt for \$2.1 million in order to fund the activity, and the post-closure costs are estimated at \$1.6 million. This activity will be financed through the revenue from the sales and usage taxes and from the collection of waste from private companies in the Aguadilla area.

The Environmental Protection Agency (E.P.A.), approved our closing and post-closing landfill project, during this fiscal year. In addition, this department has the responsibility of the pruning of trees and debris collection. The importance of these services, is that due to the susceptibility of our area to suffer from flooding and other hazardous weather, it helps to prevent disasters and loss of properties and, more importantly, lives.

The *Municipality* was awarded \$400,000 from the American Recovery and Reinvestment Act (**ARRA**) by the Environmental Protection Agency under the Community Wide Brownfields Assessment – Hazardous Substances Program. With these funds, and \$26,000 in additional money awarded, the *Municipality* will develop and implement a program to assess local "brownfields" properties, or properties whose expansion, redevelopment or reuse may be complicated by the presence of hazardous substances, so that planning may be done to address the contamination.

PUBLIC SAFETY Aguadilla has its own police department, Aguadilla's City Police Department (ACPD). The ACPD only has jurisdiction in the *Municipality* and provides services and protection to local citizens and travelers alike. This year we provided a budget of approximately \$1.8 million for equipment, payroll, and other related expenditures. This department has 60 employees from which only nine are for administrative functions.



The *Municipality* has been the recipient of the "**Best Quality of Life Award**", given by the National Mayor Association of Puerto Rico, in 2002 and 2004.

Among our special projects, we bought a modern and sophisticated mobile headquarter. This unit is equipped with four security cameras, one special camera that elevates up to seven feet in order to monitor activities, conference room and a detention area, among other features.

We have placed several security cameras among the *Municipality* in order to monitor strategic areas that are distant from the Municipal Headquarters. In addition, we have a boat specially equipped for marine surveillance, and four jet skis. Recently, we acquired a sport car for the Transportation Unit.

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

At the beginning of this fiscal year we were awarded over \$60,000 of **ARRA** funds from the Homeland Security Bureau of Customs and Border Protection to fund **Operation Stone Garden**. The purpose of this is to establish a working partnership between the ACPD, FURA, and the US Border Patrol. This partnership is intended to enhance law enforcement preparedness and operational readiness along the coastal areas, in order to secure a location prone to migrant landings. These funds will be awarded in equal amounts during the next three years primarily for repairs, new equipment purchases, fuel expenses, and overtime payments to security personnel.



URBAN DEVELOPMENT The *Municipality* is performing several projects and major improvements in the infrastructure that is property of the *Municipality* as well as property that belongs to the Government of Puerto Rico. During this fiscal year, we have invested approximately \$6 million on such projects.

OFFICE OF PERMITS On 2000, a Territorial Ordering Plan was adopted by the *Municipality* in order to make an inventory of land, roads, and infrastructure that is property of the *Municipality*. The Puerto Rico Planning Board (PRPB) may transfer faculties (level, rank, category, or class), on a scale up to five to the Municipalities, if they comply with their requisites. During this fiscal year, the PRPB signed a contract by which they transfer faculties on a scale of five to the *Municipality*. By this agreement, the *Municipality* can decide about preliminary development projects and construction permits for urbanization projects; municipal projects, and projects of social interest, among others.

One of the most significant projects that have been delegated with this agreement is the construction of malls, with an area of less than 249,999 square meters and hotels with a maximum of 200 rooms.

This department is integrated by 23 employees that evaluate, inspect, and document the projects; including engineers and technicians.

This department investigates complaints of construction and use, and is responsible for helping enforce the law, identifying projects of illegal nature, imposing fines, and referring for legal processing.

NEW PROJECTS

There is currently one ongoing project at the **Aguadilla's Waterfalls Aquatic Park**, which is the construction of a new hotel next to the park, which will be called **Las Cascadas Hotel**. This project represents an economic injection for the *Municipality* and an employment source for the western region of Puerto Rico.

This Hotel will be located on an area of approximately 2 acres and 92,874 square feet of construction, with a building of seven (7) luxury floors. This facility will have 79 rooms, from which eight (8) would be suites, and another eight rooms would have accommodations for special needs. Among the amenities and facilities that our guests will enjoy are: an Internet Café, a sport bar, gym, spa, and gifts shops, among others. In addition, facilities for meetings and activities for capacity of up to 350 persons will be available. At the hotel's roof, will be located a thematic pool with sport bar and other facilities.

Some manufacturing companies such as, Hewlett-Packard, Sensomatic Electronics, and Nypro are located on a traveling distance of approximately 15 minutes from the proposed hotel, which generates visitors from management personnel; making this project a good alternative for those visitors, due to the excellent location and accessibility.

The Hotel requires an investment of approximately \$12 million, which will be financed through an emission of bonds of the Governmental Development Bank of Puerto Rico. The revenue that this enterprise fund will generate will absorb the repayment of this debt. This hotel is going to be administered by a private company from the hotel sector or a franchise.

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

The **Ocean Dreams Apartments** consists of 40 units distributed along four floors. The complex will have 12 units with a construction area of 1,028 square feet, which includes 2 rooms and 2 bathrooms. The other 28 units will consist of 3 rooms and 2 bathrooms in a construction area of 1,117 square feet. The investment of this project is approximately \$5,630,000; and the projected selling price will start at \$300,000 per unit.

The **Real Marina Suites** consists of 60 units, from which 12 units will have a distribution of two rooms and two bathrooms in 1,160 square feet of construction; and 48 units with a distribution of three rooms and two bathrooms in 1,293 square feet of construction. The starting selling price is \$300,000 per unit, and the investment is estimated in \$7,750,000.

The **Atlantic View** will have 60 units, all of them with a construction area of 1,303 square feet, and a distribution of 3 rooms and 2 bathrooms. This project needs an investment of \$7,600,000, with a selling price of \$300,000.

A project that will increase and strengthen the fishing industry is the **Paseo Real Marina**. This project is a 2.138-kilometer oceanfront-walking path and recreational area to be constructed alongside State Road PR-440 in Aguadilla, from Columbus Park to the intersection with San Carlos Street (the "Project").



The **Paseo Real Marina** will include the installation of stone revetments along approximately 2,100 meters of coastal zone to protect State Road PR-440, the replacement and/or improvement of the existing bridge and boat ramp over La Cacula Creek, relocation of the potable water, sanitary, electric power and telecommunications systems, and road reconstruction, traffic signs, and the development of recreational facilities that will include a pedestrian path, parking area and six (6) kiosks for the sale of crafts or food, with their corresponding restrooms.



Approval from the Board of Planning has been obtained to build an **Arts Center Complex**. This project includes an arts center with capacity for 1,500 seats and an IMAX® theatre with 800 seats, a hotel with a casino, apartments for rent or sale, and commercial locals of approximately 40,000 square feet of available space. We are in the process of appraising and buying the properties that exists in the area in which the complex will be located.

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



The area that is designated for office rent has 27,500 square feet, and the area for the restaurants has 1,400 square feet of construction. The market place has space for seven kiosks on a construction area of 2,600 square feet. This enterprise fund is projected to have an annual income of \$8 million, mainly from rent.

Through the years, we have been suffering from flooding of the **Ojo de Agua River** (Eye of Water River). We are working on the canalization of the waters from this and other springs near downtown. These waters go downhill and flow into **Parterre Passive Park**. The natural course of these waters was supposed to flow into the sea, but this canalization became useless many years ago.

The *Municipality* solicited in the year 1989 to the U.S. Army Corps of Engineers of Jacksonville, Florida assistance to develop a project to mitigate urban flooding. The Army Corps agreed, and the *Municipality* would pay 80% of the project's cost. As the Army began developing the design and blueprints for the new canalization of **Ojo de Agua River**, the *Municipality* began to acquire the lots that were needed for the project. We acquired forty seven (47) properties for an approximate total of \$500,000.

We received approximately \$3 million from an investment of state government funds, which are reported as Urban Development. The Project will consist of a base that will be at the upstream end of the project and includes construction of a debris control structure consisting of an access road, clearing, grubbing, grading, and a concrete crib dam. Work will also include repair and relining approximately 31 meters of an existing tunnel with two construction options, this are:

- Construction of approximately 80 meters of cast in place reinforced concrete box culvert at the downstream end of the project.
- Construction of a steel sheet pile and concrete outlet structure at the oceans edge with construction of approximately 122 meters of cast in place U-framed concrete channel.

Once this project is completed, it will stop the urban flooding from Aguadilla's downtown area allowing citizens and visitors to perform safely daily activities.

In the City Hall, we constructed an **Anthropologic Museum**, which is available for all Aguadilla's Citizens.



In addition to this project, an Annex to the City Hall is almost completed, with an investment of \$2.4 million during the year.



The new building has eight floors in which the municipal departments will be communicated through a bridge over the García Méndez Walking Path. In order to generate revenues for this project, the *Municipality* sell advertisements to be shown in a gigantic screen in the front of the building.

Other projects that we are working on are the **Museum of the Discovery**, **Music Museum**, and a **Historic Archive** in the town center. This complex will also include a cyber-café, music and dance classrooms. Also in the town center, a new gym will be constructed.

Because Aguadilla is a coastal city, and is in an area which is susceptible to flooding and Tsunamis, the *Municipality* is investing in a new **Emergency Management Center**, to be constructed in an area far from any of these risks. The center will be constructed with an investment of \$636,000, obtained from a lawsuit settlement with the Puerto Rico Electric Power Authority.

SITES OF INTEREST

As mentioned above, the *Municipality* operates three Proprietary Funds: the **Aguadilla's Waterfalls Aquatic Park** and **A.I.S.A.** and the **Aguadilla Franchise Division**. The aquatic park opened its doors in 1985 and is currently known as the biggest water park in the Caribbean; and includes 10 different rides. Its attractions include the "Crazy River" which simulates rapid rivers, and the Wave Pools, which simulate the waves of a beach. For children there's the Kiddy Pool area, and for the lovers of speed and adventure there's the Speed Slide, "The Bomb", and the Water Tunnel. This park offers four water slides with an approximate travel time that ranges from fifty seconds to eighty seconds; these are the Cosmos and the Snake. During this fiscal year, major improvements were made to our facilities, in order to offer our community a renovated park.

A.I.S.A. opened its doors in 2005, and is believed that is the only facility of its kind in the Caribbean. Although Puerto Rico hosts several ice skating events during the Christmas season, the **A.I.S.A.** is the only ice-skating facility open year-round.



The arena was built by the *Municipality*, under the current Municipal administration of Hon. Carlos Méndez. **A.I.S.A.** is located along the beachfront, and it is about the size of a Junior-Hockey (115' x 62') arena. This facility has on the first floor the ice-skating rink, an arcade, and three activity rooms available for rent. These activity rooms are rented at a rate of \$150.00. The second floor hosts a Boxing Club, a Music Room for the City Band, and an office space rented. The Boxing Club is an initiative of the *Municipality*, in which boxing practices are provided to our citizens at no charge. The Music Room has instruments available for use to our visitors, and music lessons are provided at no charge to adults and children.

In the **A.I.S.A.**, we constructed in the third floor, three activity rooms with ocean view. The approximate investment for this project was \$225,000. In the first floor of the **A.I.S.A.**, a new restaurant was constructed, **Yolas Restaurant**. This restaurant has a construction area of 2,000 square feet, and we are expecting to rent it for \$25.00 per square feet.

As part of the **Aguadilla Franchise Division** three franchises operated from April to July 2011. During this period, they generated some \$300,000 in revenue.

In addition to these Municipal Enterprises, our *Municipality* has other parks and facilities of recreational interest.

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

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

Columbus' Park is the major park in Aguadilla. Set on the shoreline with a beach, children's playground, recreational areas, monuments, the Banyan Tree House, and food kiosks. The **Banyan Tree House** is a huge tree house woven throughout a Banyan tree. Remarkably, the tree house is freestanding and is not attached to the tree in any manner.

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

In Aguadilla, we have two other mayor plazas, **Youth Fountain** and **Los Catalanes**. The first one has a big fountain in tribute to the youth, gazebos, and five kiosks for the sale of food and beverages. These kiosks are rented at a monthly fee of \$1,200 each. **Los Catalanes** plaza consists of public areas for rest, fountains, and five kiosks, which provide \$500.00 rent income each.

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

Though the infrastructure still exists, it was handed over to the Government of Puerto Rico in 1973. The aerial facilities are now civilian controlled by the Puerto Rico Ports Authority. The facilities now make up the **Rafael Hernandez International Airport**.

The barracks now host the Faro Inn Suites, a 79-room hotel. The Officer's Club now hosts the Faro Conference Center, a 22,000-foot (6,700 m) meeting facility. The hospital is being transformed to become the **Courtyard by Marriott Punta Borinquen Resort & Casino**, a 150-room hotel with a casino and the first Marriott in Puerto Rico out of the San Juan Metropolitan Area.

Ramey also hosts the **University of Puerto Rico - Aguadilla Campus** and the Friedrich Froebel Bilingual School (K-6). The High School became Ramey Job Corps Campus and the elementary school became the Esther Feliciano Mendoza Middle School.

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

Ramey is also the site of the new **Skate and Splash Park**.

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



The strategic location of Aguadilla has made it one of the most famous in world-class surfing beaches. Aguadilla's beaches, being the most numerous of all other municipalities in Puerto Rico, host a variety of amateur and professional surfing events every year.

They have also hosted a variety of championships, including the ISA world championships in 1968 and 1988. Aguadilla's famous surfing spots include "Surfer's Beach", "Table Tops", "Gas Chamber", "Las Ruinas", and "Survival".

ECONOMIC FACTORS

Local Economy

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



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

Effective November 15, 2006, the Government of Puerto Rico implemented a State Sales Taxes of 6%. Through the Law No. 80 of July 29, 2007, all Municipalities in Puerto Rico were required to impose an additional 1%, which is retained by the Municipalities. We restricted the use of the 1% for the solid waste disposal management. During this fiscal year, the Sales and Usage Taxes Revenue was just above \$3 million.

Long - Term Financial Planning

As shown in the Balance Sheet - Governmental Funds Financial Statements, the General Fund has a total of \$11.9 million of fund balance. This amount, according to GASB 54 requirements, Fund Balance is divided into four categories: Restricted, Committed, Assigned, and Unassigned. Restricted Fund Balance for the year was \$387,953, Committed Fund Balance was \$1,052,576, Assigned Fund Balance was \$553,787, and Unassigned Fund Balance was \$9,990,275.

The Due from Other Funds line item of the Balance Sheet - Governmental Funds Financial Statements General Fund which is \$5.8 million, mainly related to the expenditures incurred by Rural Development Projects, which are financed by the General Fund until the Federal Government transfers the funds.

Relevant Financial Policies

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

The Mayor in addition to the administration of the Executive Branch Budget is authorized to make adjustments through Executive Orders, which have to be notified to the Legislative Branch.

An analysis of the encumbrances that are outstanding on each line item is made before the release of a purchase order. Accountability for budgetary compliance is held at the department level. This control ensures compliance with the legal requirements of the approved budget.

Major Initiatives

The *Municipality* is in the process of creating several new municipal enterprises. These will include two cemeteries, one of them for Veterans, and a waste management company. We expect to begin construction of the **Tres Palmas Park**, which will have an artificial lake, a basketball court, and a baseball park. Also, the **Paseo Real Marina** project, which has finished all design and permits requirements, is in the bidding process for contractors interested in the endeavor.

For the **Paseo Real Marina** the *Municipality* entered on an agreement with the Authority for the Financing of Infrastructure (AFI), in which they will be in charge of the project's construction. The *Municipality* will transfer approximately \$11.4 million from a Section 108 loan. In addition, the *Municipality* will transfer approximately \$500,000 from the proceeds of the Sales and Usage Taxes.

During the last fiscal year, the Mayor and some employees, have been invited to other Municipalities and countries like Panama, Guatemala, and Costa Rica, to talk about the process of acquiring and operating franchises, and creating municipal enterprises.

AWARDS AND ACKNOWLEDGMENTS

Last year we received our second **Certificate of Achievement for Excellence in Financial Reporting** for our **Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2010**. This year, for the third consecutive time, we present our financial report under the requirements of the CAFR.

Respectfully submitted,

A handwritten signature in blue ink, which appears to read 'Noemí Alfonso Valle'.

Mrs. Noemí Alfonso Valle
Finance Director



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Certificate of Achievement for Excellence in Financial Reporting

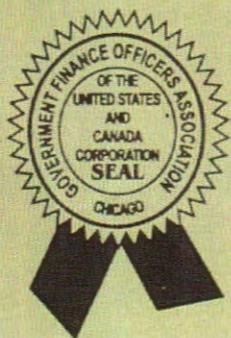
Presented to

Commonwealth of Puerto Rico,
Municipality of Aguadilla

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Sandson
President

Jeffrey L. Essex
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Aguadilla, Puerto Rico for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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



HON. CARLOS MENDEZ MARTINEZ
MAYOR

CITY ADMINISTRATOR

HON. RAFAEL FERNANDEZ NADAL
MUNICIPAL LEGISLATURE PRESIDENT

CONSULTING OFFICES

PERMITS

PUBLIC RELATIONS

FINANCE

PURCHASES

PROJECT PLANNING
AND
ADMINISTRATION

CULTURE AND
TOURISM

BUDGET

HUMAN RESOURCES

AUDITING

LAND PLANNING

CENTRAL ARCHIVES

MAYOR'S OFFICE

LEGAL DIVISION

INTERNAL AUDITOR

ENVIRONMENTAL
CONTROL

SPORTS & RECREATION

GERIATRIC CENTER

MUNICIPAL SECRETARY

MUNICIPAL POLICE

TECHNOLOGICAL
DEVELOPMENT

SCHOOL
TRANSPORTATION

EMBELLISHMENT AND
MAINTENANCE

MUNICIPAL ENTERPRISES

ICE SKATING ARENA

OASIS

EMERGENCY CONTROL

SECTION 8 HOUSING
PROGRAM

PUBLIC WORKS

TECHNICAL SERVICES

FEDERAL PROGRAMS

PUBLIC BUILDINGS

SANITATION

RECYCLING

FRANCHISE DIVISION

WATERFALLS AQUATIC
PARK

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ELECTED OFFICIALS

MAYOR

HON. CARLOS MENDEZ MARTINEZ

MUNICIPAL LEGISLATURE

PRESIDENT

HON. RAFAEL FERNANDEZ NADAL

VICEPRESIDENT

HON. IGNACIO SUAREZ ACEVEDO

LEGISLATORS

HON. ANA N. MENDEZ BARRETO

HON. MELVIN BARRETO RUIZ

HON. EDWIN MATOS CARDONA

HON. DAVID GONZALEZ PUMAREJO

HON. JOSE R. BARRADAS MEJIAS

HON. RAFAEL CRESPO PADILLA

HON. ALBERTO L. TORRES TORRES

HON. ISABEL GOMEZ ORTIZ

HON. CARLOS M. CORDERO RIVERA

HON. EVELYN HERNANDEZ TALAVERA

HON. MIRTA SOTOMAYOR GONZALEZ

HON. MILTON MORALES PEREZ

HON. ARMANDO FRANCO GONZALEZ

HON. EDGAR SANABRIA ALVAREZ

APPOINTED OFFICIALS

MS. WANDA I. PEREZ – MAYOR OFFICE DIRECTOR

MS. NOEMI ALFONSO VALLE – FINANCE DIRECTOR

MR. DAVID MORALES FELICIANO – AUDIT DEPARTMENT DIRECTOR

MS. DAMARIS MEDINA – MUNICIPAL SECRETARY

MS. LISSETTE FELICIANO – ASSISTANT TO THE MAYOR

MS. EVELYN GONZALEZ – CITY ADMINISTRATOR

MS. JESSICA ACEVEDO – PLANNING & BUDGET DEPARTMENT DIRECTOR

MS. NANNETTE GUEVARA – HUMAN RESOURCES DEPARTMENT DIRECTOR

ENG. ORLANDO GONZALEZ – PERMITS DEPARTMENT DIRECTOR

MR. JOSE CASTRO – PUBLIC WORKS DIRECTOR

FINANCIAL SECTION

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



A view of the Atlantic Ocean from Crash Boat Beach



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Municipality of Aguadilla, Puerto Rico**, as of and for the year ended June 30, 2011, which collectively comprise the Municipality of Aguadilla, Puerto Rico's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Municipality of Aguadilla, Puerto Rico's management. Our responsibility is to express opinions on these financial statements based on our audit.

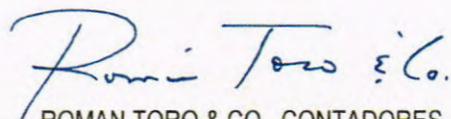
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Municipality of Aguadilla, Puerto Rico, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**INDEPENDENT AUDITOR'S REPORT
(CONTINUED)**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality of Aguadilla's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.


ROMAN TORO & CO., CONTADORES
PUBLICOS AUTORIZADOS, CSP
LICENSE #35 - IN FORCE

Yauco, Puerto Rico
December 26, 2011

Stamp #E9972 was affixed to
the original of this report

The following is a discussion and analysis of the **Municipality of Aguadilla, Puerto Rico (Municipality)**'s financial performance, including an overview and analysis of the financial activities of the **Municipality** for the fiscal year ended June 30, 2011. Readers should consider this information in conjunction with the information included in our letter of transmittal, which can be found preceding this narrative, and with the **Municipality's** financial statements, including the notes to the financial statements, which are located after this analysis.

FINANCIAL HIGHLIGHTS

Government-wide Highlights

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

- Total assets of the **Municipality** Governmental Activities, on a government-wide basis, increased at the close of fiscal year 2011 by \$2,069,068, and 2010 increased by \$10,077,347, as restated.
- Total assets of the **Municipality** Business-Type Activities, on a government-wide basis, exceeded its liabilities at the close of fiscal year 2011 by \$10,977,317 and 2010 by \$10,778,620 (net assets).
- Total net assets of the **Municipality**, on a government-wide basis, exceeded its liabilities at the close of fiscal year 2011 by \$139,601,798, and 2010 by \$139,127,045, as restated.
- Total Revenues of the **Municipality** Governmental Activities, on a government-wide basis, increased by \$2.4 million (4.8%) and expenses increased \$4.0 million (8.4%) in comparison with year 2010.
- Total Revenues of the **Municipality** Business-Type Activities, on a government-wide basis, increased by \$291,715 (12.9%) and expenses increased \$957,367 (47%) in comparison with year 2010, due principally activities of a new enterprise.
- Total net change in net assets, on a government-wide basis, amounted to \$474,753, a decreased of \$3,939,136 (89.3%) with respect to prior year (2010) net change.

Fund Highlights

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

- At the close of the current fiscal year, the **Municipality's** governmental funds reported combined ending fund balances of \$40,616,860, a decrease of \$187,509 in comparison with the prior year.
- Proprietary funds reported combined fund net assets of \$10,977,317, an increase of \$198,697 in comparison with prior year, after transfer of \$60,095 of program income to other governmental funds and contributed capital of \$696,632 by the general fund. Without these transactions the result of operation of the proprietary funds was negative by \$437,840.
- A new enterprise is in development stage (Franchise Division Fund) which new operation started on April 2011 with five locations on **Municipality** facilities.
- The General Fund reported an excess of revenues over expenditures and other financing sources and uses of \$346,176 and unassigned fund balance of \$9,990,275.

General Financial Highlights

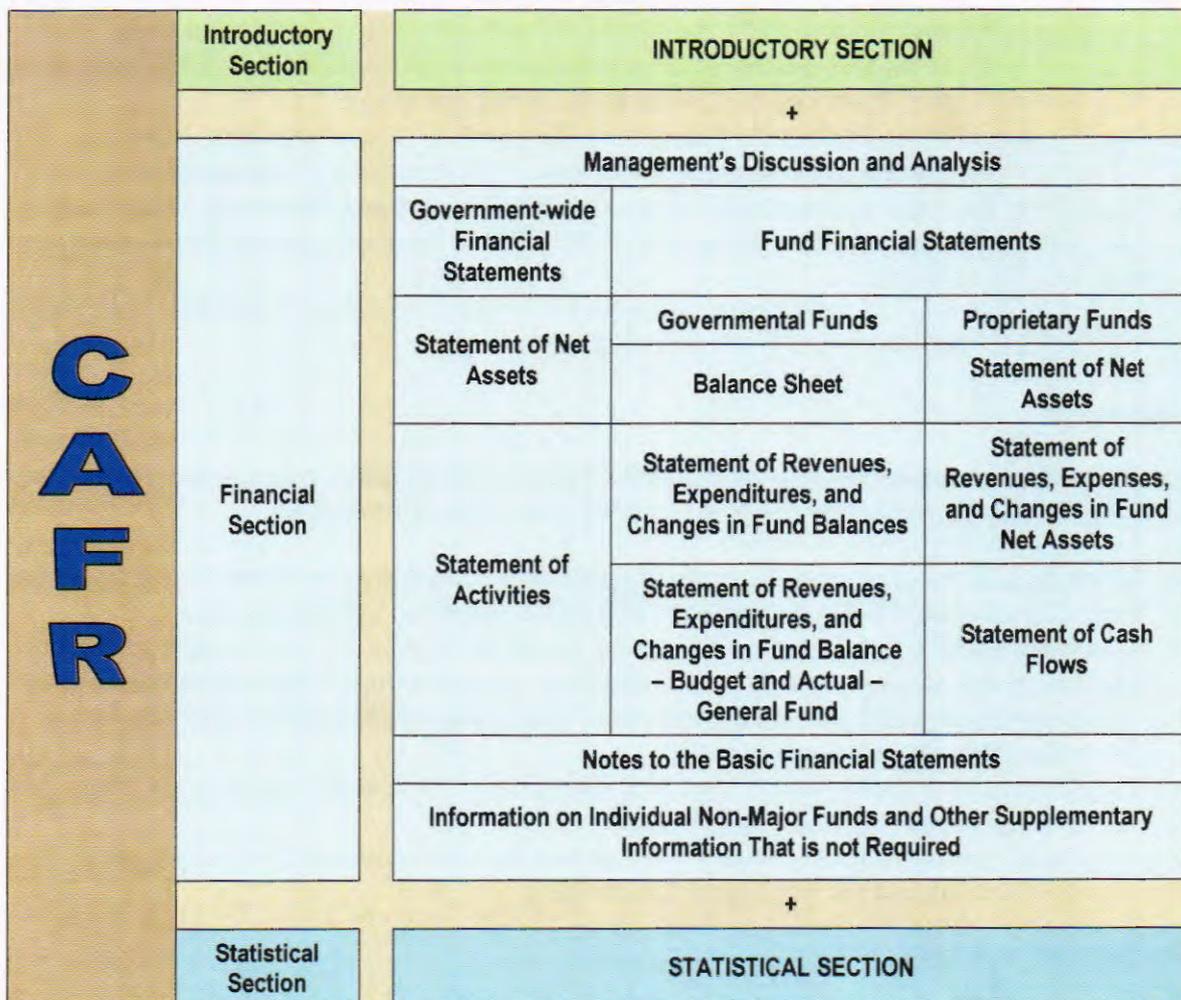
- The investment in net capital assets as of June 30, 2011 was \$113,635,781 (net of related debt), \$103,896,202 from governmental activities and \$9,739,579 from business-type activities.
- Long term debt general and special obligations bonds increased to \$82,123,670, approximately an increase of 2.8% (\$2,264,379) with respect to prior year balance.
- Other long term debt increases and net reductions from payments amounted to \$549,960 and \$1,219,192, respectively. Such decrease is principally for payments of estimate of landfill closure costs during the fiscal year.

- On a budgetary basis, actual revenues exceeded actual expenditures by \$59,806, net of \$1,239,770 transfers in/out to other funds.
- Estimated Revenues increase by \$39,006 and total expenditures reflect economies of \$477,495. Total Variances amounted to \$577,917 or 2% of estimated resources.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Organization of Municipality of Aguadilla, Puerto Rico Comprehensive Annual Financial Report



The **Municipality's** basic financial statements consist of two kinds of statements, each with a different view of the **Municipality's** finances. The government-wide financial statements provide both long-term and short-term information about the **Municipality's** overall financial status. The fund financial statements focus on major aspects of the **Municipality's** operations, reporting those operations in more detail than the government-wide statements. The following figure summarizes the major features of the financial statements. The overview section below also describes the structure and contents of each of the statements in more detail.

	Government-wide Statements	Fund Financial Statements	
		Governmental	Proprietary
Scope	Entire entity	The day-to-day operating activities of the Municipality for basic governmental services	The day-to-day operating activities of the Municipality for business-type enterprises
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid

Basic Financial Statements

- **Government-Wide Financial Statements**

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

Statement of Net Assets –The *Statement of Net Assets* presents information on all of the **Municipality's** assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether its financial position is improving or deteriorating. Other non-financial factors such as the condition of the **Municipality's** roads and other infrastructure may need to be considered to assess the overall financial position of the **Municipality**.

Statement of Activities – The *Statement of Activities* presents information showing how the **Municipality's** net assets changed during the year. All changes in net assets (current year's revenues less expenses) are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The *Statement of Activities* is focused on both the gross and net cost of various activities (including governmental and business-type activities). This is intended to summarize and simplify the reader's analysis of the revenues and costs of various state activities and the degree to which activities are subsidized by general revenues.

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

The governmental activities of the **Municipality** include general government, public works and sanitation; public safety, culture and recreation, housing, welfare, and community development and education. These activities are primarily financed through property taxes, other local taxes and intergovernmental revenues. The business-type activities of the **Municipality** include the Aguadilla's Waterfalls Aquatic Park, Aguadilla Ice Skating Arena and a new enterprise that is in development stage (Franchise Division Fund) with new operation started on April 2011 with five locations on **Municipality** facilities.

The government-wide financial statements can be found on pages 21-22 of this report.

- **Fund Financial Statements**

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

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide statements. However, unlike the government-wide statements, the governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the **Municipality's** near-term financing requirements.

The **Municipality** implemented **GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions** effective with the June 30, 2011 financial statements. Fund balances for the governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government honors constraints on the specific purposes for which amounts in those funds can be spent. The June 30, 2010 fund balances were reclassified for comparative purposes.

In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the **Municipality's** governmental funds reported combined ending fund balances of \$40.6 million. Approximately 20% of this amount is available for spending at the government's discretion (Unassigned Fund Balance). The remainder of fund balance is restricted, committed or assigned to indicate that is not available for new spending because it has already been committed.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for four major funds and an aggregate total for all non-major funds. The **Municipality's** major governmental funds are the General Fund, Head Start Fund, Real Marina Fund, and Debt Service Fund. Individual fund data for the **Municipality's** non-major governmental funds are provided in the form of combining statements elsewhere in this report.

General Fund – The General Fund is the chief operating fund of the **Municipality**. At the end of the current fiscal year, the General Fund balance was \$11,984,591 of which \$9,990,275 represents unassigned fund balance of the General Fund. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balances represent 38% of the total fund expenditures, while total fund balance represents 45.9% of that same amount. This percentage is a key financial policy for the **Municipality** of which needs to be greater than 20%.

The net increase to fund balance for the General Fund for 2011 was \$346,176. This increase was a result of the continued streamlining of operations throughout the **Municipality** by freezing staff positions and holding costs to a minimum.

Head Start Fund – This is the fund used to account for all transactions of the Head Start Program and don't has fund balance in accordance with accounting policy. The amounts presented as deferred revenue are used for payment for service of comprehensive health, educational, nutritional, social and other developmental services primarily to economically-disadvantaged pre-school children and infants and toddlers so that the children will attain school readiness, during the next year.

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

Debt Service Fund – This is used to account for the accumulation of resources for and the payment of, long-term debt principal and interests, and has a restricted fund balance of \$6.3 million. This amount is restricted for payment to a debt service reserve fund in future fiscal years as required by law. The General Fund transfers monies to meet debt service requirements.

The governmental fund financial statements can be found on pages 23-27 of this report.

The **Municipality** adopts an annual appropriated budget for its general fund. A Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual has been provided for the General Fund to demonstrate compliance with this budget (page 28).

Proprietary Funds – The **Municipality** maintain only one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The **Municipality** uses enterprise funds to account for its Aguadilla's Waterfalls Aquatic Park, Aguadilla Ice Skating Arena and Franchise Division Fund.

Proprietary funds financial statements provide the same type of information as the government-wide financial statements, but in greater detail. The proprietary funds financial statements provide separate information for three major funds.

The basic proprietary fund financial statements can be found on pages 29-31 of this report.

- **Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to the basic financial statements can be found on pages 32-67 of this report.

- **Combining Statements**

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements and can be found on pages 68-88 of this report.

FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE

Government-Wide Financial Statements Analysis

The following table presents a summary of the Statements of Net Assets as of June 30, 2011 and 2010:

Government of Puerto Rico Municipality of Aguadilla, Puerto Rico Statement of Net Assets As of June 30,						
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Non-current Assets	\$ 57,837,357	\$ 59,253,080	\$ 1,381,638	\$ 1,015,992	\$ 59,218,995	\$ 60,269,072
Capital Assets (as Restated)	169,959,504	166,474,713	9,739,579	9,889,249	179,699,083	176,363,962
Total Assets	227,796,861	225,727,793	11,121,217	10,905,241	238,918,078	236,633,034
Current Liabilities	3,638,766	3,452,577	40,575	33,320	3,679,341	3,485,897
Deferred Revenues	6,667,327	6,655,651	-	-	6,667,327	6,655,651
Long-Term Liabilities	88,866,287	87,271,140	103,325	93,301	88,969,612	87,364,441
Total Liabilities	99,172,380	97,379,368	143,900	126,621	99,316,280	97,505,989
Net Assets:						
Investment in Capital Assets,						
Net of Related Debt (as Restated)	103,896,202	100,452,486	9,739,579	9,889,249	113,635,781	110,341,735
Restricted	20,249,051	20,725,293	-	-	20,249,051	20,725,293
Unrestricted (as Restated)	4,479,228	7,170,646	1,237,738	889,371	5,716,966	8,060,017
Total Net Assets	\$ 128,624,481	\$ 128,348,425	\$ 10,977,317	\$ 10,778,620	\$ 139,601,798	\$ 139,127,045

Analysis of Net Assets

As noted earlier, net assets (assets over liabilities) may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$139,601,798 at the close of the most recent fiscal year.

The largest portion of the **Municipality's** net assets reflects its investment in capital assets (e.g., land, buildings, infrastructure, motor vehicles, and machinery and equipment) for \$113,635,781 [total capital assets less accumulated depreciation and less any related outstanding debt used to acquire those assets]. The **Municipality** uses these assets to provide services to its citizens and consequently, these assets are not available for future spending. The resources needed to repay the debt related to these capital assets must be provided from other sources, because capital assets are not generally liquidated for the purpose of retiring debt.

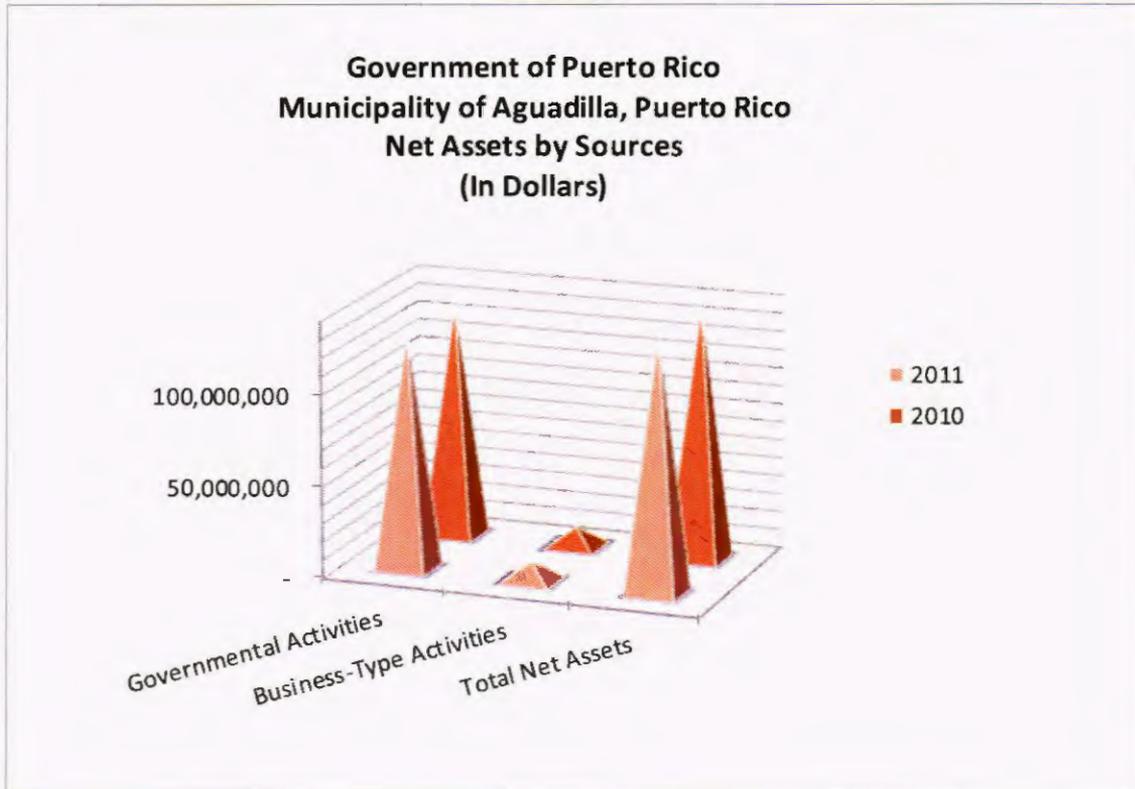
Restricted net assets represent resources that are subject to external restrictions on how they may be used.

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

As of June 30, 2011 the **Municipality** presented unrestricted net assets of \$5,716,966. This balance was affected by long term obligations such as compensated absences \$4,513,042, and other debts for the amount of \$2,229,575 for which the **Municipality** did not provide funding in previous budgets. Historically, such obligations have been budgeted on a pay as you go basis without providing funding for their future liquidation. There is \$1,237,738 in unrestricted net assets reported in connection with the **Municipality's** business-type activities and \$4,479,228 in governmental activities.

An additional portion of the **Municipality's** net assets (\$20,249,051) represents resources that are subject to external restrictions on how they may be used. There was a decrease of \$476,242 in restricted net assets. See **Figure 1**.

FIGURE 1



Changes in Net Assets

The following table summarizes the changes in net assets for the years ended June 30, 2011 and 2010:

Table 2

**Government of Puerto Rico
Municipality of Aguadilla, Puerto Rico
Changes in Net Assets
For the Years Ended June 30,**

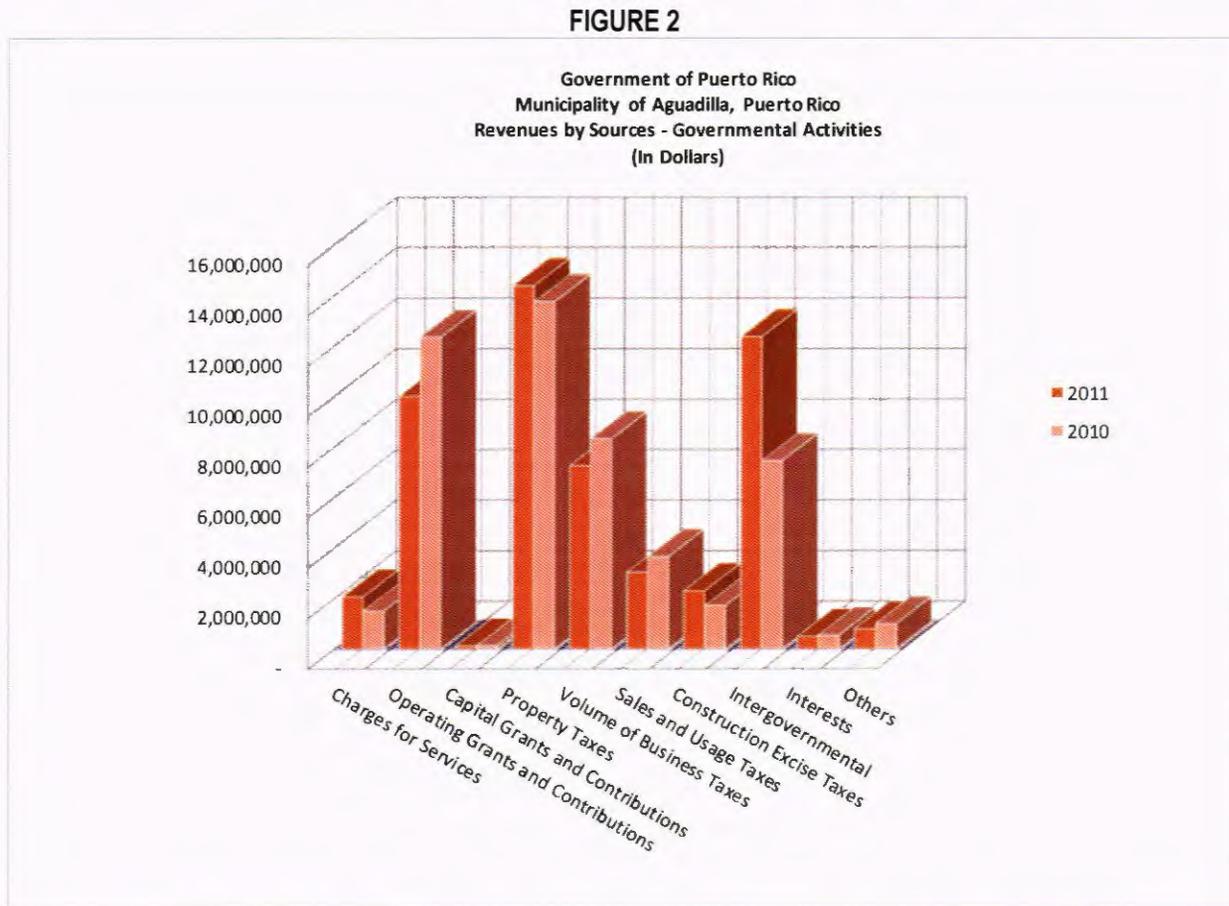
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,083,887	\$ 1,523,788	\$ 2,556,023	\$ 2,264,308	\$ 4,639,910	\$ 3,788,096
Operating Grants and Contributions	10,019,002	12,352,994	-	-	10,019,002	12,352,994
Capital Grants and Contributions	137,956	143,179	-	-	137,956	143,179
General Revenues:						
Property Taxes	14,395,375	13,763,011	-	-	14,395,375	13,763,011
Volume of Business Taxes	7,272,001	8,335,598	-	-	7,272,001	8,335,598
Sales and Usage Taxes	3,044,714	3,670,110	-	-	3,044,714	3,670,110
Construction Excise Taxes	2,320,597	1,737,351	-	-	2,320,597	1,737,351
Intergovernmental	12,378,779	7,474,784	-	-	12,378,779	7,474,784
Interests	517,942	565,888	-	-	517,942	565,888
Other General Revenues	816,445	1,004,529	-	-	816,445	1,004,529
Total Revenues	52,986,698	50,571,232	2,556,023	2,264,308	55,542,721	52,835,540
Governmental Activities Expenses:						
General Administration	18,348,921	18,673,061	-	-	18,348,921	18,673,061
Public Safety	1,885,212	1,826,605	-	-	1,885,212	1,826,605
Public Works	1,472,237	1,697,101	-	-	1,472,237	1,697,101
Culture and Recreation	998,967	1,260,932	-	-	998,967	1,260,932
Health and Sanitation	4,309,372	4,387,430	-	-	4,309,372	4,387,430
Public Instruction	6,534,940	5,717,719	-	-	6,534,940	5,717,719
Human Services and Welfare	6,724,421	7,259,936	-	-	6,724,421	7,259,936
Urban Development	9,165,696	4,421,722	-	-	9,165,696	4,421,722
Interest Costs	2,634,339	2,812,231	-	-	2,634,339	2,812,231
Loss on Disposition of Asset	-	-	-	-	-	-
Total Expenses	52,074,105	48,056,737	-	-	52,074,105	48,056,737
Business-Type Activities Expenses						
Aguadilla's Waterfalls Aquatic Park	-	-	2,021,368	1,375,249	2,021,368	1,375,249
Aguadilla Ice Skating Arena	-	-	760,657	661,247	760,657	661,247
Franchise Division Fund	-	-	211,838	-	211,838	-
Total Expenses	-	-	2,993,863	2,036,496	2,993,863	2,036,496
Capital Contributions	(696,632)	1,671,582	696,632	-	-	1,671,582
Transfer-in (Out)	60,095	45,472	(60,095)	(45,472)	-	-
Changes in Net Assets	276,056	4,231,549	198,697	182,340	474,753	4,413,889
Net Assets - Beginning, as Restated	128,348,425	124,116,876	10,778,620	10,596,280	139,127,045	134,713,156
Net Assets - Ending	\$128,624,481	\$128,348,425	\$ 10,977,317	\$ 10,778,620	\$139,601,798	\$139,127,045

Analysis of Changes in Net Assets

The Municipality's net assets overall increased by \$474,753 during fiscal year 2010-2011, compared to a \$4,413,889 increase last fiscal year. The governmental activities component of 2010-2011 change was a \$276,056 increase, and business-type activities increase of \$198,697 that compare with the prior year net change of \$182,340. A discussion of these changes is presented in the government and business-type activities below.

Governmental Activities. The **Municipality's** net assets increased by \$276,056 during the current fiscal year. For the most part, increases in expenses closely paralleled inflation and growth in the demand for services and urban development. Also, non-capitalized expenses were incurred for maintenance of capital assets.

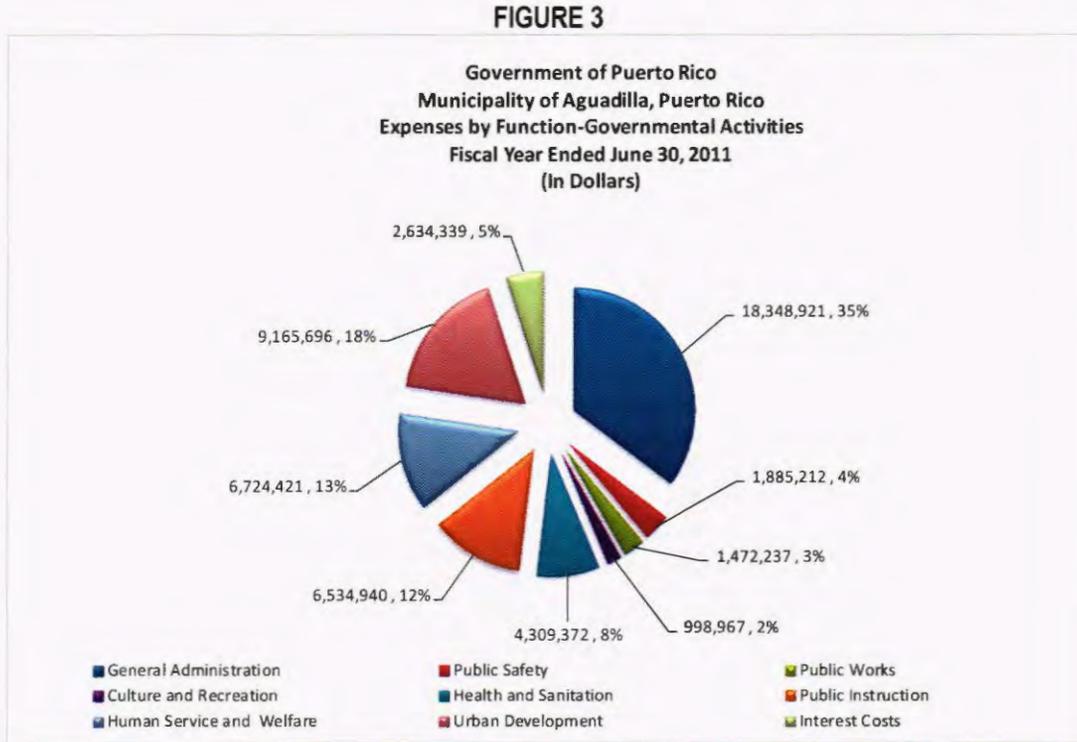
Figure 2 present revenues comparison by sources of the governmental activities during the past two years:



Approximately 19.2% of the **Municipality's** revenues came from grants and contributions, 27.2% from property taxes, volume of business taxes 13.7%, intergovernmental 23.4%, and 16.5% from other sources. The **Municipality's** expenses cover a range of services. The largest expenses are general administration with 35.2%, education representing approximately 12.5%, human services and welfare with 12.9%, and urban development with 17.6% that include \$3.0 million of special assignment from Government of Puerto Rico. Program revenues of the **Municipality** covered 23.5% of total expenses.

Expenses increased 8.4% or \$4.0 million in comparison with 2010 year principally from the \$3.0 million of special assignment for urban development projects incurred for the benefit of the community.

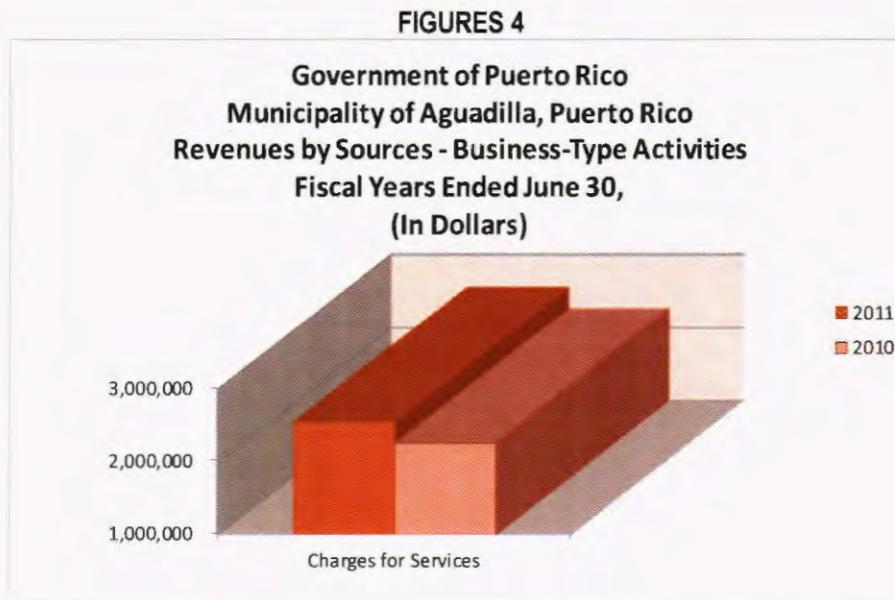
Figure 3 present expenses by function of the governmental activities during the fiscal year 2010-2011:

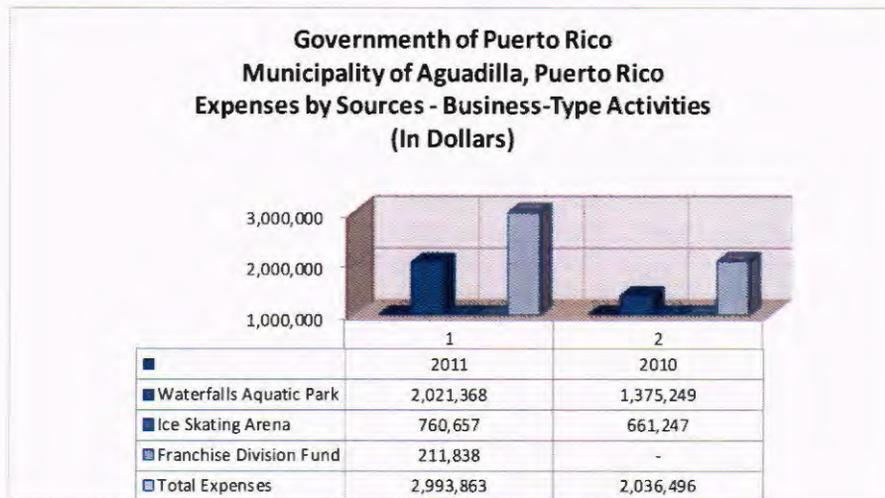


Business-Type Activities. The proprietary fund net assets increased by \$198,697 during the current fiscal year, after a net transfer-out of \$60,095 and capital contributions of \$696,632 to/from general fund.

For the most part, increases in expenses closely paralleled inflation, growth in the demand for services and the new Franchise Division Fund that started operation on April 2011. Charges for services increase by \$291,715 during year due mainly to the new enterprise.

Figures 4 present revenues by sources and expenses comparison of the business-type activities during the past two years:





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

Table 3

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

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Governmental Activities:				
General Government	\$ 18,348,921	\$ 18,673,061	\$ 18,061,455	\$ 18,424,631
Public Safety	1,885,212	1,826,605	1,885,212	1,826,605
Public Works	1,472,237	1,697,101	1,472,237	1,697,101
Culture and Recreation	998,967	1,260,932	998,967	1,260,932
Health and Sanitation	4,309,372	4,387,430	2,512,951	3,112,072
Public Instruction	6,534,940	5,717,719	1,527,934	(879,207)
Human Services and Welfare	6,724,421	7,259,936	4,349,476	3,406,237
Urban Development	9,165,696	4,421,722	6,390,689	2,376,174
Interest Costs	2,634,339	2,812,231	2,634,339	2,812,231
Total Expenses	52,074,105	48,056,737	39,833,260	34,036,776
Business-Type Activities:				
Aguadilla's Waterfall Park	2,021,368	1,375,249	204,759	(218,378)
Aguadilla Ice Skating Arena	760,657	661,247	162,638	(9,434)
Franchise Division Fund	211,838	-	70,443	-
Total Expenses	2,993,863	2,036,496	437,840	(227,812)
Total Expenses	\$ 55,067,968	\$ 50,093,233	\$ 40,271,100	\$ 33,808,964

Some of the cost of governmental activities in 2011 was paid by those who directly benefited from the programs (\$2,083,887) and other governments and organizations that subsidized certain programs with grants and contributions (\$10,156,958). The \$39,833,260 net cost of services was covered by other general revenues including property taxes, volume of business taxes, sales and usage taxes, intergovernmental and others. Business-type activities in 2011 were paid by those directly benefited from the programs.

FINANCIAL ANALYSIS OF THE MUNICIPALITY'S FUNDS

Governmental Funds

The focus of the **Municipality's** governmental funds is to provide information on near-term inflows, outflows and balances of resources available for spending. Such information is useful in assessing the **Municipality's** financing requirements. **Municipality** implemented **GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions** effective with the June 30, 2011 financial statements. Fund balances for the governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government honors constraints on the specific purposes for which amounts in those funds can be spent. The June 30, 2010 fund balances were reclassified as per new standard for comparative purposes.

	<u>2011</u>	<u>2010</u>
Fund Balances:		
Nonexpendable	\$ -	\$ -
Restricted	27,419,551	28,281,464
Committed	4,623,930	4,595,814
Assigned	553,787	70,755
Unassigned	8,019,592	7,856,336
Total	<u>\$ 40,616,860</u>	<u>\$ 40,804,369</u>

In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the **Municipality's** governmental funds reported combined ending fund balances of \$40.6 million. Approximately 20% of this amount is available for spending at the government's discretion (Unassigned Fund Balance). The remainder of fund balance is restricted, committed or assigned to indicate that is not available for new spending because it has already been committed. For the fiscal year ended June 30, 2010, the governmental funds reported combined ending fund balances of \$40.8 million, with a net decrease of approximately \$187,000 in comparison with the current year. This decrease was due primarily by the uses of restricted funds.

The general fund is the operating fund of the **Municipality**. Unassigned Fund Balance of the General Fund represents approximately 24.6% of total fund balances and 83.4% of total ending General Fund Balance that is in compliance with Fund Balances Policies.

For the year ended June 30, 2011, the fund balance of the general fund increased by \$346,176 when in the prior year there is an increase of \$1,227,036 (see **Table 5**).

Table 5

Government of Puerto Rico
Municipality of Aguadilla, Puerto Rico

General Fund
As of June 30,

Description	2011	2010
Revenues:		
Property Taxes	\$ 9,449,710	\$ 9,890,862
Volume of Business Taxes	7,272,001	8,335,598
Intergovernmental	7,298,224	6,222,425
Construction Excise Taxes	2,320,597	1,737,351
Interests	310,066	401,166
Charges for Service	287,466	248,430
Miscellaneous	744,770	961,138
Total Revenues	<u>27,682,834</u>	<u>27,796,970</u>
Expenditures:		
General Government	14,088,367	14,774,125
Public Safety	1,667,448	1,684,024
Public Work	1,196,523	1,385,399
Culture and Recreation	884,735	818,477
Health and Sanitation	3,458,000	3,323,719
Landfill Closure Costs	628,043	1,084,877
Human Services and Welfare	3,307,581	3,454,961
Urban Development	403,305	670,233
Capital Outlay	462,886	83,044
Total Expenditures	<u>26,096,888</u>	<u>27,278,859</u>
Net Transfer In (Out)	(1,239,770)	(1,401,075)
Other Financing Sources	-	2,110,000
Net Increase in Fund Balance	<u>\$ 346,176</u>	<u>\$ 1,227,036</u>

Proprietary Funds

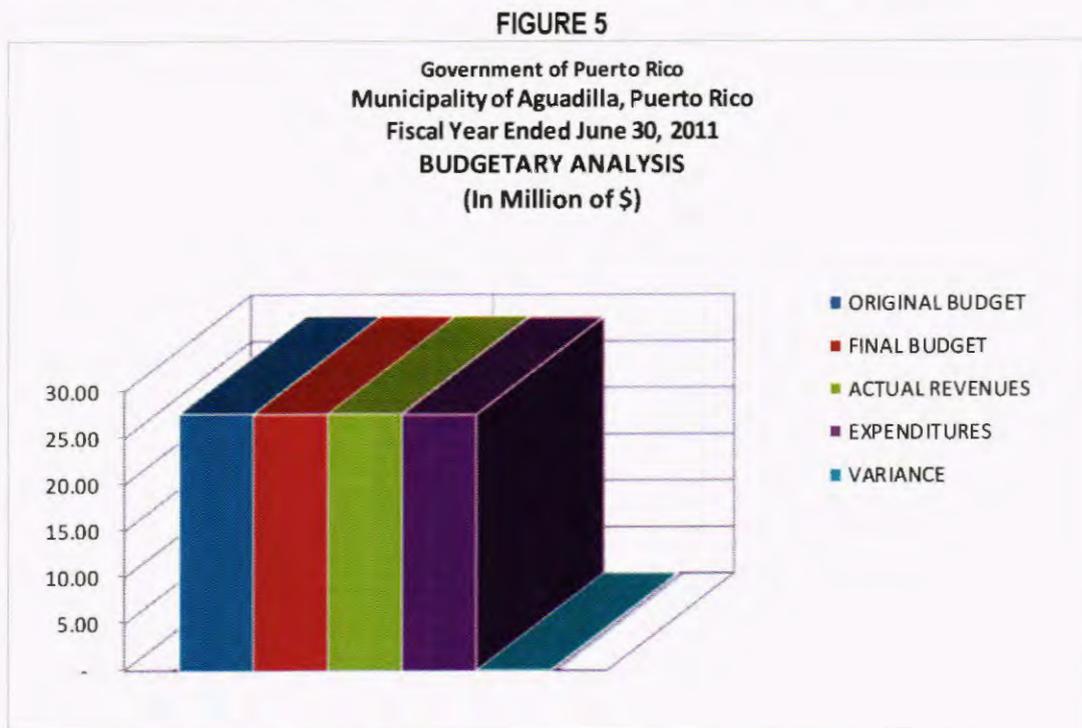
The **Municipality's** proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund original budget for the fiscal period 2010-2011 was bigger than prior year budget by approximately \$230,000 due to an increase in intergovernmental revenues. Actual revenues were more than the revised budgeted revenues by \$39,006 due to an increase in construction excise taxes revenues.

Also, economies were generated during the year of approximately \$438,000. The **Municipality** reported less expenditure than appropriations in those functions on payments for purchase of equipment and professional and nonprofessional services. Total Variances amounted to \$577,917 or 2.1% of estimated resources.

Figure 5 presents the budgetary comparison by their components during the fiscal year 2010-2011:



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the **Municipality** has invested \$179,699,083 (net of accumulated depreciation) in a broad range of capital assets, including buildings, parks, roads, bridges, land and equipment. This amount represents a net increase of \$3,335,121 or 2% more than prior year.

The **Municipality** acquired a total of \$6,548,283 of capital assets during the fiscal year 2010-2011 as follows:

- Construction in progress of buildings and facilities – \$4,339,174 (\$16,583,778 was terminated and presented as addition to buildings and infrastructure)
- Construction of Infrastructure – \$302,750
- Acquisition of Motor Vehicles – \$1,454,465
- Acquisition of Machinery and Equipment – \$451,894

Prior year adjustment was presented for land, motor vehicles, machinery and equipment for a total amount of \$439,028.

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

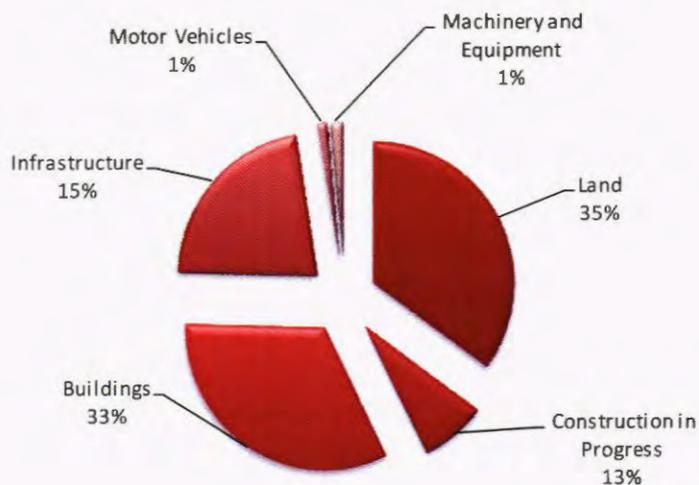
During the year, a construction in progress from the Aguadilla's Waterfalls Aquatic Park, was demolished. This amount (\$387,504) resulted in a negative net change in net asset.

Table 6 and Figures 6 present the components of capital assets during the fiscal year 2010-2011:

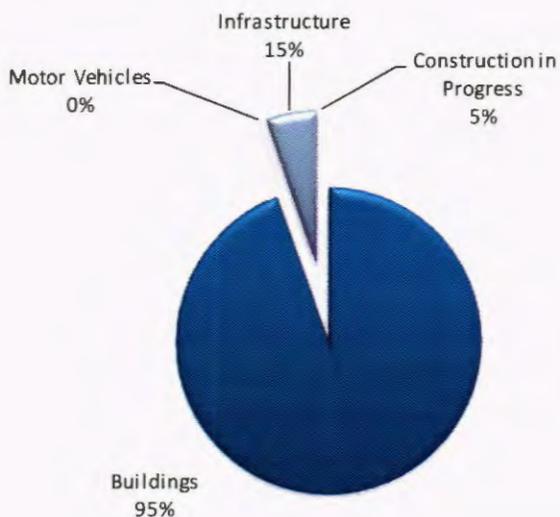
Table 6 Government of Puerto Rico Municipality of Aguadilla, Puerto Rico Capital Assets, Net As of June 30,		
Description	2011	2010
Governmental Activities:		
Non-Depreciable Capital Assets:		
Land	\$ 59,696,145	\$ 59,696,145
Construction in Progress	12,867,764	25,112,368
Depreciable Capital Assets:		
Buildings	55,583,051	45,360,506
Infrastructure	37,588,318	32,822,000
Motor Vehicles	1,946,033	1,088,708
Machinery and Equipment	2,278,193	2,394,986
Total Governmental Capital Assets	<u>169,959,504</u>	<u>166,474,713</u>
Business-Type Activities:		
Non-Depreciable Capital Assets:		
Construction in Progress	-	387,504
Depreciable Capital Assets:		
Buildings	9,199,367	9,198,455
Motor Vehicles	15,537	4,728
Equipment	524,675	298,562
Total Business-Type Capital Assets	<u>9,739,579</u>	<u>9,889,249</u>
Total	<u>\$ 179,699,083</u>	<u>\$ 176,363,962</u>

FIGURES 6

**Government of Puerto Rico
Municipality of Aguadilla, Puerto Rico
Fiscal Year Ended June 30, 2011
Capital Assets - Governmental Activities**



**Government of Puerto Rico
Municipality of Aguadilla, Puerto Rico
Fiscal Year Ended June 30, 2011
Capital Assets - Business-Type Activities**



Long -Term Debts

New general and special obligations bonds were issued for new capital projects in the amount of \$5.2 million. Important projects for our communities should be constructed with the funds available in the capital project fund.

At year-end, the **Municipality** had \$82,123,670 in general and special obligations bonds, an increase of 2.8% with respect to prior year. Following is a summary of the **Municipality's** outstanding debt as of June 30, 2011 and 2010:

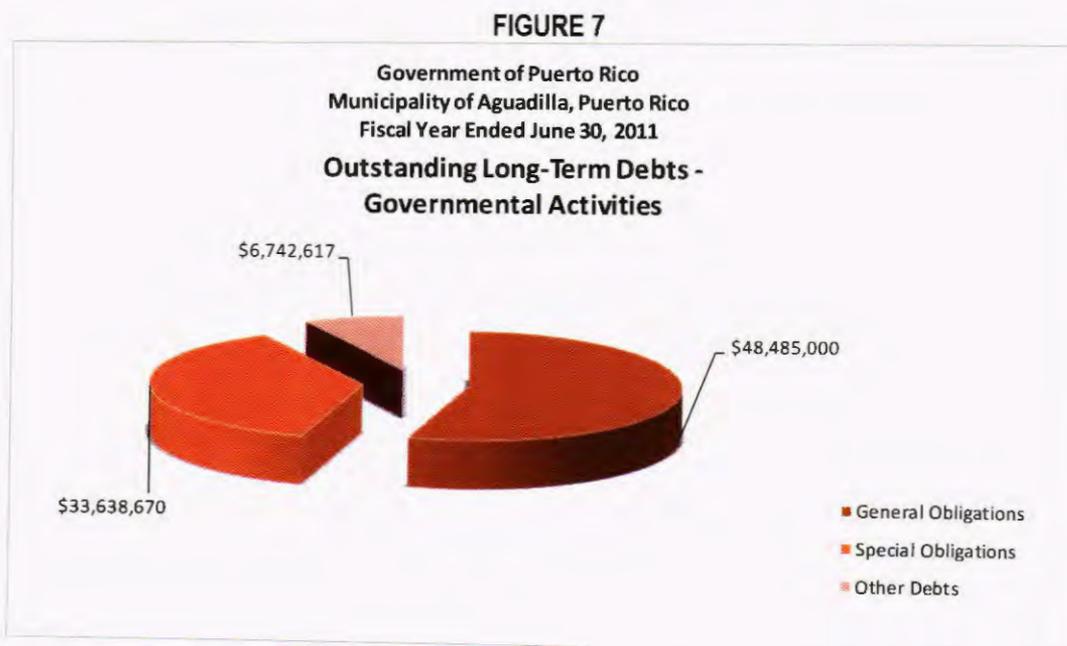
Table 7

**Government of Puerto Rico
Municipality of Aguadilla, Puerto Rico
Outstanding Long-Term Debt
As of June 30,**

	2011	2010
Governmental Activities:		
General and Special Obligation Bonds	\$ 82,123,670	\$ 79,859,291
Law Number 146 - MRCC	199,520	209,021
LIMS - MRCC	61,581	179,457
Deferred Credits	37,808	41,771
Landfill Obligation	1,664,571	2,292,614
Claims and Judgments	266,095	200,000
Compensated Absences	4,513,042	4,488,986
Total	\$ 88,866,287	\$ 87,271,140
Business-Type Activities:		
Compensated Absences	\$ 103,325	\$ 93,301

More detailed information about the **Municipality's** long-term liabilities is presented in Note 11 to the financial statements.

Figure 7 presents the components of long-term debts during the fiscal year 2010-2011:



ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The **Municipality's** selected and appointed officials considered many factors when setting the fiscal year 2010-2011 budget. One of these factors is the economy. Among economic areas considered are the population growth estimates, personal income, housing statistics and unemployment rates. The **Municipality's** unemployment rate now stands at 17.8%, which compares with the Government of Puerto Rico rate of 14.9%.

The **Municipality** applied a conservative approach in development budget estimates. Amounts available for appropriations in the General Fund for the fiscal year 2011-2012 are \$27.9 million, approximately the same as the fiscal year 2010-2011. The **Municipality** expects limited changes in revenues for the next year due to Puerto Rico economic rescission. Budgeted expenditures are expected to stabilize accordingly to the projected revenues. Among planned projects, this budget may be adjusted in accordance with economic injection projected when the construction project promoted by the **Municipality** and others private projects were develop during the year.

AMERICAN RECOVERY AND REINVESTMENT ACT

The **Municipality** expended the following federal awards from the American Recovery and Reinvestment Act during fiscal year 2010-2011. These awards corresponded to fiscal year 2009-2010 that were carryforward during current year:

Federal Program	CFDA Number	Total Award	Total Expended
Community Development Block Grants/Entitlement Grants – Cluster [Construction of Sidewalks and Curbs as part of the reconstruction of the State Road PR 125) (10.64 jobs)]	14.253	\$ 499,988	\$ 176,875
Homelessness Prevention and Rapid Re-Housing Program [Provide financial assistance (payment of delinquent utility and rental payments) (2.69 jobs)]	14.257	764,657	362,528
Community Wide Brownfields Assessment – Hazardous Substance Program [Provide financial assistance to develop and implement a program to Prevent contamination from hazardous substance) (0 jobs)]	66.818	400,000	26,479
Head Start Program – Cluster [Funds delegated for COLA, repairs and maintenance services, creating the following job: carpenters, electricians, painters, engineers, construction workers among others (33.23 jobs)]	93.708	<u>365,893</u>	<u>261,100</u>
Total		<u>\$2,030,538</u>	<u>\$ 826,982</u>

CONTACTING THE MUNICIPALITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS



Aguadilla City Municipal Hall Building



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GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

STATEMENT OF NET ASSETS
JUNE 30, 2011

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash and Investments.....	\$ 32,545,311	\$ 1,218,267	\$ 33,763,578
Cash with Fiscal Agent.....	17,131,927	-	17,131,927
Receivables (Net):			
Property Taxes.....	66,792	-	66,792
Sales and Usage Taxes.....	209,505	-	209,505
Federal Grants.....	7,170,793	-	7,170,793
Municipal Revenue Collection Center.....	102,386	-	102,386
Others.....	337,894	-	337,894
	<u>57,564,608</u>	<u>1,218,267</u>	<u>58,782,875</u>
Deferred Charges.....	295,865	-	295,865
Prepaid.....	140,255	-	140,255
Internal Balances.....	(163,371)	163,371	-
Capital Assets:			
Land, Improvements and Construction in Progress.....	72,563,909	-	72,563,909
Other Capital Assets [Net of Depreciation].....	97,395,595	9,739,579	107,135,174
Total Capital Assets.....	<u>169,959,504</u>	<u>9,739,579</u>	<u>179,699,083</u>
TOTAL ASSETS.....	<u>227,796,861</u>	<u>11,121,217</u>	<u>238,918,078</u>
LIABILITIES:			
Accounts Payable and Accrued Expenses.....	1,803,828	40,575	1,844,403
Accrued Interest.....	955,855	-	955,855
Due to Governmental Units.....	351,889	-	351,889
Deposits and Bonds.....	527,194	-	527,194
Deferred Revenues.....	6,667,327	-	6,667,327
Long-Term Liabilities:			
Due within One Year.....	6,721,546	77,719	6,799,265
Due in more than One Year.....	82,144,741	25,606	82,170,347
TOTAL LIABILITIES.....	<u>99,172,380</u>	<u>143,900</u>	<u>99,316,280</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt.....	103,896,202	9,739,579	113,635,781
Restricted for:			
Capital Projects.....	3,760,363	-	3,760,363
Head Start Program.....	2,608,311	-	2,608,311
Debt Service.....	6,453,451	-	6,453,451
Community Development Projects.....	1,621,808	-	1,621,808
Other Purposes.....	5,805,118	-	5,805,118
Unrestricted.....	4,479,228	1,237,738	5,716,966
TOTAL NET ASSETS.....	<u>\$128,624,481</u>	<u>\$ 10,977,317</u>	<u>\$139,601,798</u>

See accompanying Notes to the Basic Financial Statements.

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities:							
Mayor and Municipal Legislature	\$ 1,263,729	\$ -	\$ -	\$ -	(\$ 1,263,729)	\$ -	(\$ 1,263,729)
General Government.....	17,085,192	287,466	-	-	(16,797,726)	-	(16,797,726)
Public Safety	1,885,212	-	-	-	(1,885,212)	-	(1,885,212)
Public Works	1,472,237	-	-	-	(1,472,237)	-	(1,472,237)
Culture and Recreation	998,967	-	-	-	(998,967)	-	(998,967)
Health and Sanitation.....	4,309,372	1,796,421	-	-	(2,512,951)	-	(2,512,951)
Public Instruction.....	6,534,940	-	5,007,006	-	(1,527,934)	-	(1,527,934)
Human Services and Welfare	6,724,421	-	2,374,945	-	(4,349,476)	-	(4,349,476)
Urban Development	9,165,696	-	2,637,051	137,956	(6,390,689)	-	(6,390,689)
Interest on Long-Term Debts	2,634,339	-	-	-	(2,634,339)	-	(2,634,339)
Total Governmental Activities	52,074,105	2,083,887	10,019,002	137,956	(39,833,260)	-	(39,833,260)
Business-Type Activities:							
Aguadilla's Waterfalls Aquatic Park ..	2,021,368	1,816,609	-	-	-	(204,759)	(204,759)
Aguadilla Ice Skating Arena.....	760,657	598,019	-	-	-	(162,638)	(162,638)
Franchise Division Fund.....	211,838	141,395	-	-	-	(70,443)	(70,443)
Total Business-Type Activities....	2,993,863	2,556,023	-	-	-	(437,840)	(437,840)
Total Activities	\$ 55,067,968	\$ 4,639,910	\$ 10,019,002	\$ 137,956	(39,833,260)	(437,840)	(40,271,100)
General Revenues:							
Taxes:							
Property Taxes, levied for General Purposes.....					9,449,710	-	9,449,710
Property Taxes, levied for Debt Service.....					4,945,665	-	4,945,665
Volume of Business Taxes.....					7,272,001	-	7,272,001
Sales and Usage Taxes.....					3,044,714	-	3,044,714
Construction Excise Taxes					2,320,597	-	2,320,597
Intergovernmental					12,378,779	-	12,378,779
Interests					517,942	-	517,942
Miscellaneous					816,445	-	816,445
Capital Contributions.....					(696,632)	696,632	-
Transfers.....					60,095	(60,095)	-
Total General Revenues, Capital Contributions and Transfers.....					40,109,316	636,537	40,745,853
CHANGE IN NET ASSETS.....					276,056	198,697	474,753
Net Assets – Beginning of Year, As Restated					128,348,425	10,778,620	139,127,045
NET ASSETS – ENDING OF YEAR.....					\$128,624,481	\$ 10,977,317	\$139,601,798

See accompanying Notes to the Basic Financial Statements.

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2011

	GENERAL FUND	HEAD START FUND	REAL MARINA FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash and Cash Equivalents	\$ 12,717,670	\$ 141,828	\$ 12,023,877	\$ -	\$ 7,661,936	\$ 32,545,311
Cash with Fiscal Agent	559,245	-	-	9,291,975	7,280,707	17,131,927
Receivables:						
Property Taxes	-	-	-	66,792	-	66,792
Sales and Usage Taxes	-	-	-	-	209,505	209,505
Federal Grants.....	-	4,382,131	-	-	2,788,662	7,170,793
Municipal Revenue Collection Center	102,386	-	-	-	-	102,386
Due from Other Funds.....	5,865,674	-	-	-	-	5,865,674
Prepays	140,255	-	-	-	-	140,255
Others Receivables	-	-	-	-	337,894	337,894
TOTAL ASSETS	\$ 19,385,230	\$ 4,523,959	\$ 12,023,877	\$ 9,358,767	\$ 18,278,704	\$ 63,570,537
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable.....	\$ 238,024	\$ 324,294	\$ 27,280	\$ 2,145,000	\$ 1,214,230	\$ 3,948,828
Accrued Interest	-	-	-	955,855	-	955,855
Due to Governmental Units	351,889	-	-	-	-	351,889
Due to Other Funds	200,000	1,025,014	-	-	4,804,031	6,029,045
Deposits and Bonds	526,794	-	-	-	400	527,194
Deferred Revenues:						
Volume of Business Taxes.....	6,083,932	-	-	-	-	6,083,932
Federal Grants.....	-	3,174,651	-	-	1,882,283	5,056,934
Total Liabilities.....	<u>7,400,639</u>	<u>4,523,959</u>	<u>27,280</u>	<u>3,100,855</u>	<u>7,900,944</u>	<u>22,953,677</u>
Fund Balances:						
Restricted.....	387,953	-	11,996,597	6,257,912	8,777,089	27,419,551
Committed	1,052,576	-	-	-	3,571,354	4,623,930
Assigned	553,787	-	-	-	-	553,787
Unassigned (Deficit)	9,990,275	-	-	-	(1,970,683)	8,019,592
Total Fund Balances	<u>11,984,591</u>	<u>-</u>	<u>11,996,597</u>	<u>6,257,912</u>	<u>10,377,760</u>	<u>40,616,860</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 19,385,230	\$ 4,523,959	\$ 12,023,877	\$ 9,358,767	\$ 18,278,704	\$ 63,570,537

See accompanying Notes to the Basic Financial Statements.

Total Fund Balances – Governmental Funds (Page 23) \$ 40,616,860

Amounts reported for Governmental Activities in the Statement of Net Assets
(Page 21) 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.....	\$ 72,563,909	
Depreciable Capital Assets.....	99,631,536	
Infrastructure Assets.....	51,820,874	
Accumulated Depreciation.....	<u>(54,056,815)</u>	
Total Capital Assets.....		169,959,504

Other Assets used in governmental activities are not financial resources and
therefore are not reported in the funds:

Deferred Charges.....		295,865
-----------------------	--	---------

Some of the Municipality's revenues will be collected after year-end but are not
available soon enough to pay for the current period's expenditures and therefore
are deferred in the funds:

Head Start.....	3,174,651	
CDBG.....	<u>1,298,888</u>	
Total Deferred Revenues.....		4,473,539

Some liabilities are not due and payable in the current period and therefore are not
reported in the funds. Those liabilities consist of:

General Bonds and Special Bonds.....	79,978,670	
Landfill Post-Closure Costs.....	1,664,571	
Compensated Absences.....	4,513,042	
Claims and Judgments.....	266,095	
Deferred Charges.....	37,808	
Property Taxes Advances.....	<u>261,101</u>	
Total Long-Term Liabilities.....		<u>(86,721,287)</u>

Total Net Assets of Governmental Activities (Page 21)..... \$128,624,481

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	GENERAL FUND	HEAD START FUND	REAL MARINA FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES						
Property Taxes	\$ 9,449,710	\$ -	\$ -	\$ 4,945,665	\$ -	\$ 14,395,375
Volume of Business Taxes	7,272,001	-	-	-	-	7,272,001
Sales and Usage Taxes	-	-	-	706,522	2,338,192	3,044,714
Federal Grants	-	6,272,922	-	-	5,541,520	11,814,442
Intergovernmental	7,298,224	-	-	-	5,080,555	12,378,779
Construction Excise Taxes	2,320,597	-	-	-	-	2,320,597
Interests	310,066	-	205,007	-	2,869	517,942
Charges for Service	287,466	-	-	-	1,796,421	2,083,887
Miscellaneous	744,770	-	-	-	71,675	816,445
Total Revenues	<u>27,682,834</u>	<u>6,272,922</u>	<u>205,007</u>	<u>5,652,187</u>	<u>14,831,232</u>	<u>54,644,182</u>
EXPENDITURES						
Current:						
Mayor and Municipal Assembly	1,141,189	-	-	-	-	1,141,189
General Government	12,947,178	-	-	-	1,991,742	14,938,920
Public Safety	1,667,448	-	-	-	76,843	1,744,291
Public Works	1,196,523	-	-	-	-	1,196,523
Culture and Recreation	884,735	-	-	-	52,962	937,697
Health and Sanitation	3,458,000	-	-	-	514,388	3,972,388
Public Instruction	-	6,597,354	-	-	-	6,597,354
Landfill Closure Costs	628,043	-	-	-	-	628,043
Human Services and Welfare	3,307,581	-	-	-	3,340,253	6,647,834
Urban Development	403,305	-	-	-	8,688,867	9,092,172
Capital Outlay	462,886	-	70,220	-	6,015,177	6,548,283
Debt Service:						
Principal	-	-	-	3,294,377	-	3,294,377
Interest and Other Charges	-	-	-	2,634,339	-	2,634,339
Bond Issue Costs	-	-	-	28,123	-	28,123
Total Expenditures	<u>26,096,888</u>	<u>6,597,354</u>	<u>70,220</u>	<u>5,956,839</u>	<u>20,680,232</u>	<u>59,401,533</u>
Excess of Revenues Over (Under) Expenditures	<u>1,585,946</u>	<u>(324,432)</u>	<u>134,787</u>	<u>(304,652)</u>	<u>(5,849,000)</u>	<u>(4,757,351)</u>

continue

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	GENERAL FUND	HEAD START FUND	REAL MARINA FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
OTHER FINANCING SOURCES (USES)						
Proceed of Bonds	\$ -	\$ -	\$ -	\$ -	\$ 5,206,379	\$ 5,206,379
Transfers – In.....	67,382	-	-	1,949,461	60,095	2,076,938
Transfers – Out.....	(1,307,152)	-	(216,851)	-	(1,189,472)	(2,713,475)
Total Other Financing Sources and Uses	(1,239,770)	-	(216,851)	1,949,461	4,077,002	4,569,842
Net Change in Fund Balances.....	346,176	(324,432)	(82,064)	1,644,809	(1,771,998)	(187,509)
Fund Balances – Beginning, As Restated	11,638,415	324,432	12,078,661	4,613,103	12,149,758	40,804,369
FUND BALANCES – ENDING.....	\$ 11,984,591	\$ -	\$ 11,996,597	\$ 6,257,912	\$ 10,377,760	\$ 40,616,860

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See accompanying Notes to the Basic Financial Statements.

Net Change in Fund Balances – Total Governmental Funds (Page 26)..... (\$ 187,509)

Amounts reported for Governmental Activities in the Statement of Activities (Page 22) are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:

Capital Assets	\$ 6,548,283	
Depreciation Expense	<u>(3,063,492)</u>	
Excess of Capital Assets over Depreciation Expense.....		3,484,791

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

CDBG.....	(391,568)	
Head Start.....	<u>(1,265,916)</u>	
		(1,657,484)

Bonds proceeds provide current financial resources to governmental funds, but issuing debt increases Long-Term Liabilities in the Statement of Net Assets. In the current period, proceeds received was (5,206,379)

Repayment of long-term principal is expenditure in the governmental funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets. In the current year the repayments were..... 3,294,377

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

Decrease in Landfill Post-Closure Costs.....	628,043	
Increase in Claims and Judgments	(66,095)	
Bond Issue Costs Amortization	10,368	
Increase in Compensated Absences.....	<u>(24,056)</u>	
Total Additional Expenditures		<u>548,260</u>

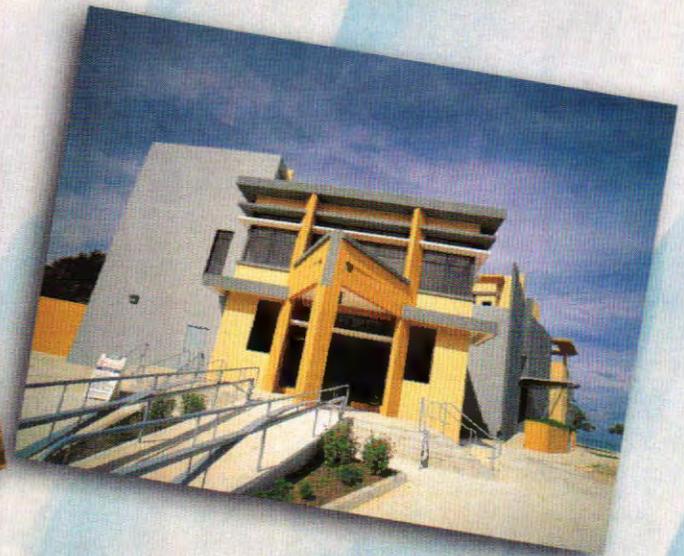
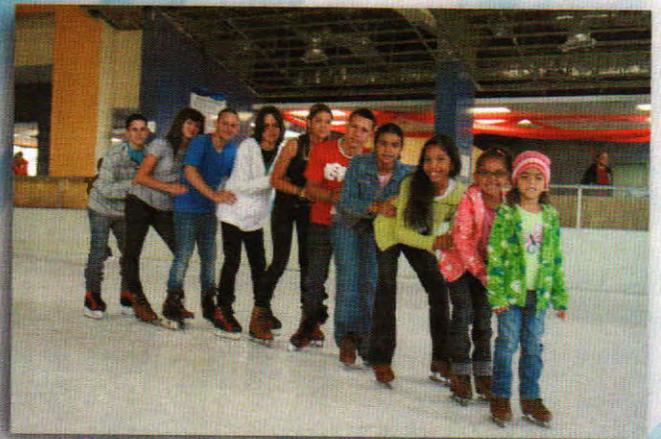
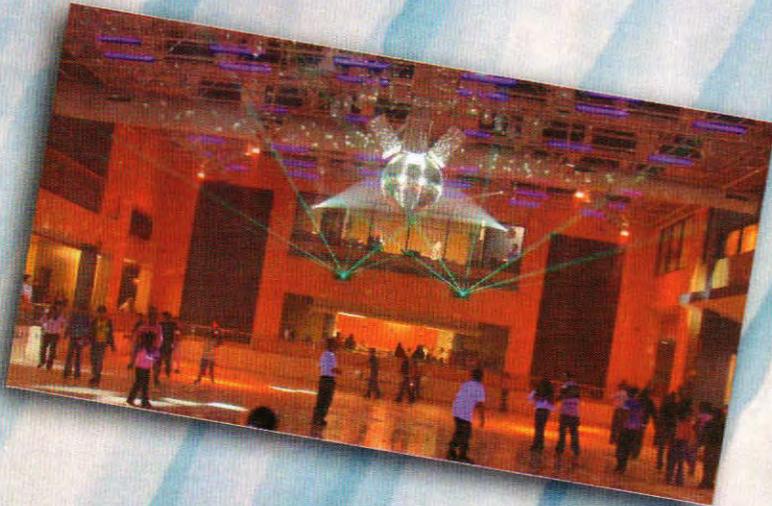
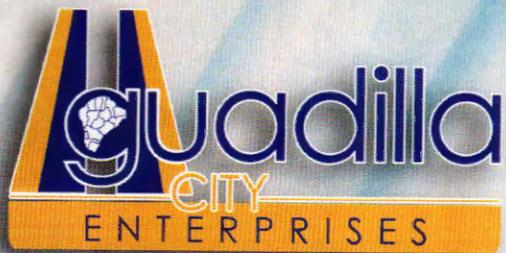
Change in Net Assets of Governmental Activities (Page 22)..... \$ 276,056

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

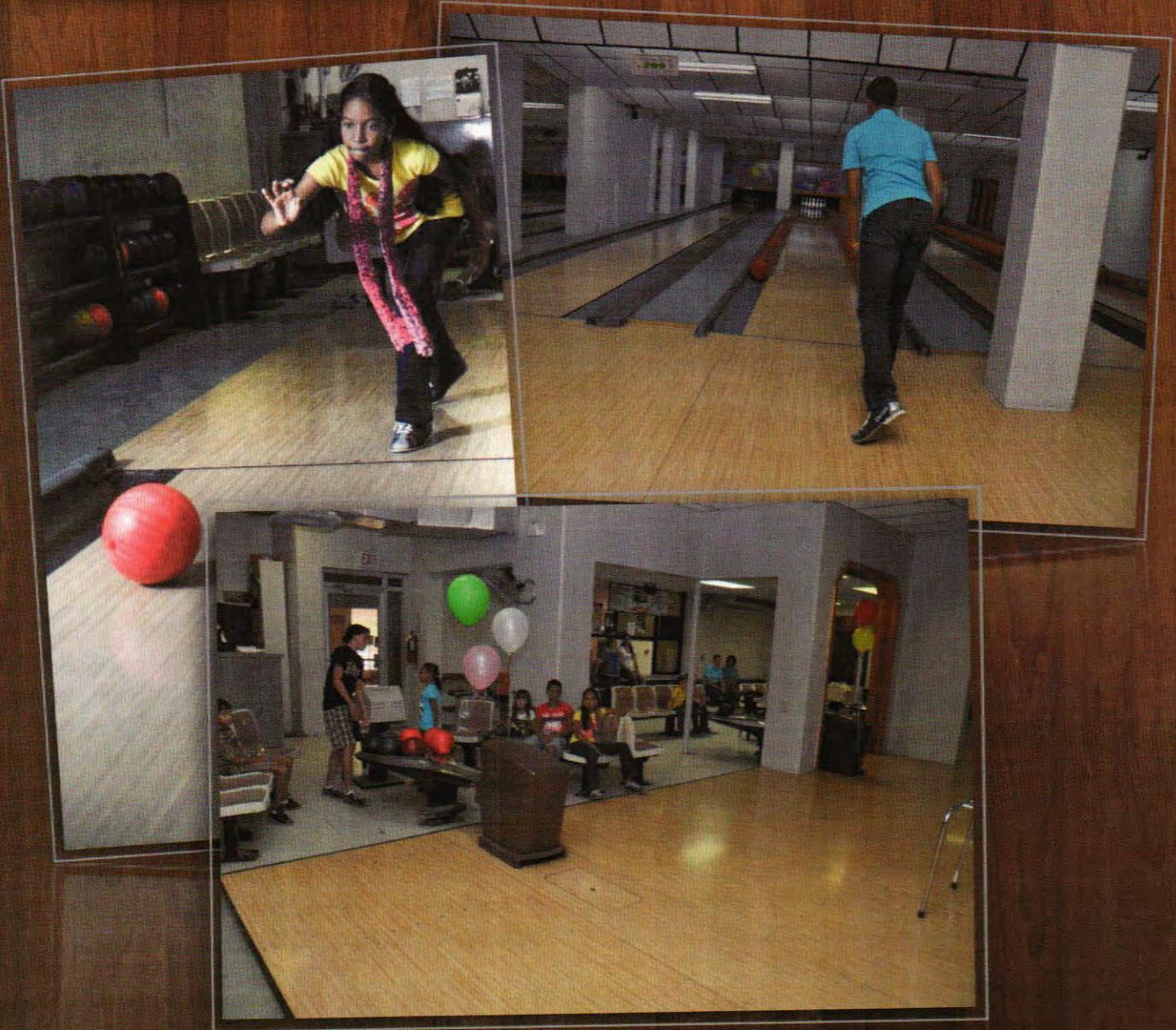
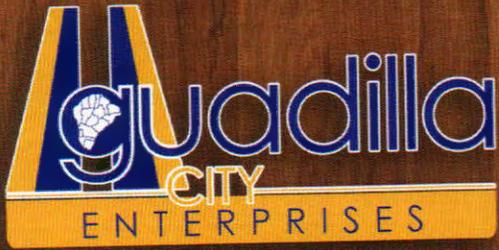
	BUDGET AMOUNTS		ACTUAL AMOUNTS BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES:				
Property Taxes	\$ 8,925,491	\$ 9,509,723	\$ 9,449,710	(\$ 60,013)
Volume of Business Taxes	8,350,000	7,330,400	7,272,001	(58,399)
Intergovernmental Revenues	7,665,711	7,637,479	7,298,224	(339,255)
Construction Excise Taxes	1,100,000	1,930,000	2,320,597	390,597
Interests	300,000	349,600	310,066	(39,534)
Miscellaneous	1,370,008	886,626	1,032,236	145,610
Total Revenues	27,711,210	27,643,828	27,682,834	39,006
Expenditures:				
Current:				
Mayor and Municipal Legislature	1,396,150	1,255,324	1,228,450	26,874
General Government	13,142,126	13,281,757	13,034,084	247,673
Public Safety	1,851,220	1,682,398	1,671,460	10,938
Public Works	1,355,064	1,233,403	1,228,978	4,425
Culture and Recreation	1,045,936	897,086	892,595	4,491
Health and Sanitation	3,733,586	3,472,432	3,461,150	11,282
Public Instruction	-	-	-	-
Landfill Closure Costs	-	-	-	-
Human Services and Welfare	3,476,576	3,420,479	3,338,507	81,972
Urban Development	444,807	1,069,594	1,018,760	50,834
Capital Outlays	7,500	509,274	509,274	-
Total Expenditures	26,452,965	26,821,747	26,383,258	438,489
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,258,245	822,081	1,299,576	477,495
Other Financing Sources (Uses):				
Transfers from Other Funds	-	67,382	67,382	-
Transfers to Other Funds	(1,258,245)	(1,407,574)	(1,307,152)	100,422
Total Other Financing Sources (Uses)	(1,258,245)	(1,340,192)	(1,239,770)	100,422
Net Change in Fund Balance	-	(518,111)	59,806	577,917
Budgetary Fund Balance, July 1, 2010	5,692,566	5,692,566	5,692,566	-
BUDGETARY FUND BALANCE, JUNE 30, 2011	\$ 5,692,566	\$ 5,174,455	\$ 5,752,372	\$ 577,917

See accompanying Notes to the Basic Financial Statements.



Aguadilla Ice Skating Arena is the first and largest of its kind in the caribbean. There are restaurants and several rooms available for activities.





	BUSINESS-TYPE ACTIVITIES – ENTERPRISE FUNDS			
	AGUADILLA'S WATERFALLS AQUATIC PARK	AGUADILLA ICE SKATING ARENA	FRANCHISE DIVISION FUND	TOTAL
ASSETS:				
Current Assets:				
Cash	\$ 802,840	\$ 264,804	\$ 150,623	\$ 1,218,267
Due from/(to) Other Funds	313,300	-	-	313,300
Total Current Assets	1,116,140	264,804	150,623	1,531,567
Noncurrent Assets:				
Capital Assets:				
Buildings and Equipment	6,634,552	6,850,308	501,086	13,985,946
Less Accumulated Depreciation	(3,313,252)	(914,387)	(18,728)	(4,246,367)
Total Noncurrent Assets	3,321,300	5,935,921	482,358	9,739,579
TOTAL ASSETS	4,437,440	6,200,725	632,981	11,271,146
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Expenses	30,783	3,000	6,792	40,575
Due to Other Funds	131,733	18,196	-	149,929
Compensated Absences	33,549	44,170	-	77,719
Total Current Liabilities	196,065	65,366	6,792	268,223
Noncurrent Liabilities:				
Compensated Absences	22,730	2,876	-	25,606
TOTAL LIABILITIES	218,795	68,242	6,792	293,829
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	3,321,300	5,935,921	482,358	9,739,579
Unrestricted	897,345	196,562	143,831	1,237,738
TOTAL NET ASSETS	\$ 4,218,645	\$ 6,132,483	\$ 626,189	\$10,977,317

	BUSINESS-TYPE ACTIVITIES – ENTERPRISE FUNDS			
	AGUADILLA'S WATERFALLS AQUATIC PARK	AGUADILLA ICE SKATING ARENA	FRANCHISE DIVISION FUND	TOTAL
OPERATING REVENUES:				
Charges for Services	\$ 1,816,609	\$ 598,019	\$ -	\$ 2,414,628
Sales	-	-	141,395	141,395
Total Operating Revenues	<u>1,816,609</u>	<u>598,019</u>	<u>141,395</u>	<u>2,556,023</u>
OPERATING EXPENSES:				
Contractual Services	83,547	-	-	83,547
Payroll Expenses	620,907	380,453	40,172	1,041,532
Fringes Benefits	92,536	68,324	8,078	168,938
Utilities	272,151	7,005	-	279,156
Repair and Maintenance	232,290	46,490	1,542	280,322
Supplies and Other Expenses	137,841	106,176	143,318	387,335
Equipment Purchases	25,375	-	-	25,375
Depreciation	<u>169,217</u>	<u>152,209</u>	<u>18,728</u>	<u>340,154</u>
Total Operating Expenses	<u>1,633,864</u>	<u>760,657</u>	<u>211,838</u>	<u>2,606,359</u>
NONOPERATING REVENUES (EXPENSES):				
Loss on Disposition of Capital Assets	<u>(387,504)</u>	-	-	<u>(387,504)</u>
Total Nonoperating Revenues (Expenses)	<u>(387,504)</u>	-	-	<u>(387,504)</u>
Income (Loss) Before Contribution and Transfers	(204,759)	(162,638)	(70,443)	(437,840)
Capital Contributions	-	-	696,632	696,632
Transfer-Out	<u>(60,095)</u>	-	-	<u>(60,095)</u>
CHANGES IN NET ASSETS	(264,854)	(162,638)	626,189	198,697
Net Assets, Beginning	<u>4,483,499</u>	<u>6,295,121</u>	-	<u>10,778,620</u>
NET ASSETS, Ending	<u>\$ 4,218,645</u>	<u>\$ 6,132,483</u>	<u>\$ 626,189</u>	<u>\$10,977,317</u>

	BUSINESS-TYPE ACTIVITIES – ENTERPRISE FUNDS			
	AGUADILLA'S WATERFALLS AQUATIC PARK	AGUADILLA ICE SKATING ARENA	FRANCHISE DIVISION FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers and Users	\$ 1,816,609	\$ 598,019	\$ 141,395	\$ 2,556,023
Payments to Suppliers	(750,755)	(159,657)	(144,860)	(1,055,272)
Payments to Employees.....	(722,374)	(429,822)	(48,250)	(1,200,446)
Net Cash Provided (Used) by Operating Activities.....	<u>343,480</u>	<u>8,540</u>	<u>(51,715)</u>	<u>300,305</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Internal Activities – Receipts from Other Funds.....	131,733	8,124	-	139,857
Operating Subsidies and Transfers to Other Funds.....	(60,095)	-	-	(60,095)
Net Cash Provided by Noncapital Financing Activities	<u>71,638</u>	<u>8,124</u>	<u>-</u>	<u>79,762</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of Capital Assets	(38,179)	(38,723)	-	(76,902)
Capital Contributions from Governmental Funds	-	-	202,338	202,338
Net Cash Provided (Used) by Capital and Related Financing Activities.....	<u>(38,179)</u>	<u>(38,723)</u>	<u>202,338</u>	<u>125,436</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents ...	<u>376,939</u>	<u>(22,059)</u>	<u>150,623</u>	<u>505,503</u>
Cash, Beginning.....	<u>425,901</u>	<u>286,863</u>	<u>-</u>	<u>712,764</u>
Cash, Ending	<u>\$ 802,840</u>	<u>\$ 264,804</u>	<u>\$ 150,623</u>	<u>\$ 1,218,267</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income.....	\$ 182,745	(\$ 162,638)	(\$ 70,443)	(\$ 50,336)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	169,217	152,209	18,728	340,154
(Increase) Decrease in Current Assets and Liabilities:				
Accounts and Others Payable.....	449	14	-	463
Accrued Expenses	(8,931)	18,955	-	10,024
Net Cash Provided (Used) by Operating Activities	<u>\$ 343,480</u>	<u>\$ 8,540</u>	<u>(\$ 51,715)</u>	<u>\$ 300,305</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:				
Capital Contributions from Governmental Funds.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 494,294</u>	<u>\$ 494,294</u>

See accompanying Notes to the Basic Financial Statements.

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Chicken-Inn
Chicken - Burgers - Pizza



**SWEET DREAMS
CREAMERY**

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1. FINANCIAL REPORTING ENTITY

The accompanying financial statements present information on the financial activities of the **Municipality of Aguadilla, Puerto Rico (Municipality)** over which the Mayor and the Municipal Legislature, have direct or indirect governing and fiscal control. These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The provisions of the following Governmental Accounting Standards Board (GASB) Statement have been implemented for the year ended June 30, 2011:

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*

GASB Statement No. 59, *Financial Instruments Omnibus (The Municipality does not have financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice that should be affected by this Statement.)*

A. Organization

The **Municipality** was founded in the year 1775, and operates as a governmental unit of the Government of Puerto Rico (Government), under the Law Number 81 of August 30, 1991, known as "Autonomy Municipalities Law of the Government of Puerto Rico". The governmental system of the **Municipality** is composed of the executive and legislative bodies. The **Municipality** is governed by a Mayor and is elected every four years in the general elections of the Government. The legislative body (Municipal Legislature) consists of 14 Legislators also elected in the general elections of Puerto Rico for a four-year period.

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

B. Reporting Entity

A reporting entity is comprised of (1) the primary government, (2) component unit organizations for which the primary government is financial accountable (blended component units), and (3) other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, and they are financially accountable to the primary government (discrete component units). The primary government consists of all funds, departments, boards and agencies that are not legally separate from the **Municipality** and for which the **Municipality** is financial accountable.

The accompanying basic financial statements include all departments and organizations units whose funds are under the custody and control of the **Municipality**. In evaluating the **Municipality** as a reporting entity, management has addressed all the potential component units. GASB Accounting Standards Codification Section 2600, *Reporting Entity and Component Unit Presentation and Disclosure*, requires the inclusion of organizations that raise and hold funds for the direct benefit of the primary government.

GASB Accounting Standards Codification Section 2100, *Defining the Financial Reporting Entity*, describes the criteria for determining which organizations, functions, and activities should be considered part of the **Municipality** for financial reporting purposes. The primary criteria include appointing a voting majority of an organization's governing body, and the **Municipality's** ability to impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the **Municipality**.

There are two methods of presentation of the component unit in the financial statements: blending – the financial data of the component unit's balances and transactions in a manner similar to the presentation of the **Municipality's** balance; and discrete – presentation of the component unit's financial data in column separate from the **Municipality's** balances and transactions.

The relative importance of each criterion must be evaluated in light of specific circumstances in order to determine which components units are to be included as part of the reporting entity. Our specific evaluations of the criteria applicable to the **Municipality** indicate no organizations meet the criteria to be included as component units. Accordingly, these basic financial statements present only the **Municipality** as the reporting entity.

These financial statements present the respective financial position of the governmental and business type activities, each major fund, and the aggregate remaining fund information of the **Municipality**, as of June 30, 2011, and the respective changes in financial position, where applicable, thereof for the fiscal year then ended.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Statement Presentation

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

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

Management's Discussion and Analysis

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

Government-wide Financial Statements (GWFS)

The GWFS (the *Statement of Net Assets* and the *Statement of Activities*) report information of all the activities of the **Municipality**. For the most part, the effect of interfund activity has been removed from these financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The focus of the *Statement of Net Assets* is designed to be similar to bottom line results for the **Municipality's** governmental activities and business type activities. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations. The *Statement of Net Assets* presents the reporting entities' assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints are placed on them that are imposed by external parties or by laws or regulations. Designations solely imposed by the **Municipality's** management are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, the **Municipality's** policy is to use the restricted resources first.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. In addition, to the extent that indirect costs are allocated to the various functions, the program expenses will include both direct and indirect costs. *Program Revenues* include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded from program revenues are reported instead as *general revenues*.

Governmental Funds and Proprietary Funds Financial Statements (GFFS)

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

Traditional users of governmental financial statements will find the GFFS presentation more familiar. The focus is on major funds, rather than the previous financial model's fund types. This is the manner in which these funds are normally budgeted. This presentation deemed most appropriate to (1) demonstrate legal and covenant compliance, (2) demonstrate the source and use of liquid resources, and (3) demonstrate how the **Municipality's** actual experience conforms to the budgeted fiscal plan.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

Notes to the Basic Financial Statements

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

Required Supplementary Information

The basic financial statements includes a *Budgetary Comparison Statement – General Fund*, which includes reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund as presented in the GFFS.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements

The GWFS are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*. Subject to the additional rules and limitations detailed below, revenue (including interest on deposits and investments) is generally recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchanges-like transactions are generally recorded when the exchange takes place. In exchange transactions, each party to the transaction receives and gives up essentially equal values. An exchange-like transaction is one in which there is an identifiable exchange and the values exchanged, though related, may not be quite equal. The accompanying GWFS include exchange-like transactions such as license fees, fines, penalties, forfeitures, permits, charges for services, and most miscellaneous revenues, which are recorded as revenues when collected because they are generally not measurable until actually received.

The **Municipality** groups its non-exchange transactions into the following four classes in the basic financial statements:

Derived Tax Revenues – in this revenue, which result from assessments that the **Municipality** places on exchange transactions, receivables and revenues are recorded when the underlying exchange has occurred.

Imposed Non-exchange Revenues – in this revenue (such as property taxes and volume of business taxes), which result from assessments made by the **Municipality** on non-governmental entities, including individuals, other than assessments on exchange transactions, receivables are generally recorded in the period when an enforceable legal claim has arisen. Property taxes and volume of business taxes are recognized as revenues (net of amounts considered not collectible) in the fiscal year when resources are required to be used or the first fiscal year that the use of the resources is permitted.

Government Mandated Non-exchange Transactions – in this revenue (such as intergovernmental grants and contributions), receivables and revenues are generally recorded when all eligibility requirements imposed by the provider have been met. For part of the grants, the **Municipality** must expend resources on the specific purpose or project before the provider reimburses any amounts. Therefore, revenue is generally recognized as qualifying reimbursable expenditures are incurred.

Voluntary Non-exchange Transactions – in this revenue (such as donations and certain grants and entitlements) receivables and revenues are generally accounted for in the same manner as government mandated non-exchange transactions discussed above.

Events that are neither exchange nor non-exchange transactions are recorded when it is probable that a loss has been incurred and the amount of loss is reasonably estimable.

Receipts on any type of revenue sources collected in advance for use in the following fiscal year are recorded as deferred revenues.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

Governmental Funds Financial Statements

The GFFS are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For these purposes, the **Municipality** considers revenues to be available if they are collected within sixty (60) days after the end of the current fiscal period. Significant revenues subject to accrual include federal grants and sales and usage taxes. Revenues that the **Municipality** earns by incurring obligations are recognized in the same period as when the obligations are recognized. At June 30, 2011, all revenues sources met this availability criterion.

Property taxes, volume of business taxes, licenses and permits, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the **Municipality**.

In applying the "susceptible to accrual" concept to intergovernmental revenues (federal grants) pursuant to GASB Accounting Standards Codification Section N50, *Nonexchange Transactions*, (the **Municipality** may act as either provider or recipient), the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and deferred revenue by the recipient.

There are essentially two types of revenue. For the majority of grants, moneys must be expended by the **Municipality** on the specific purpose or project before any amounts will be reimbursed. Revenue is, therefore, recognized as expenditures are incurred to the extent available. For the other revenue, moneys are virtually unrestricted and are generally revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenue at the time of receipt or earlier if the susceptible to accrual criteria is met.

In a manner similar to GWFS, but subject to and limited by the availability criteria discussed above, all revenues, expenses, gains, losses, assets and liabilities resulting from exchange, exchange-like transactions are also generally recorded when the exchange takes place while all revenues, expenses, gains, losses and assets resulting from non-exchange transactions are recorded when an enforceable legal claim arises or when all eligibility requirements imposed by the provider have been met, as applicable.

The **Municipality** generally accrues a governmental fund liability and expenditures (including salaries, professional services, supplies, utilities, etc.) in the period in which the government incurs the liability, to the extent that these liabilities are normally expected to be liquidated in a timely manner and in full with current available financial resources. The accompanying balance sheet – governmental funds generally reflects only assets that will not be converted into cash to satisfy current liabilities. Long-Term assets and those assets that will not be converted into cash to satisfy current liabilities are generally not accounted for in the accompanying balance sheet – governmental funds. At the same time, long-term liabilities (generally, those unmatured that will not require the use of current financial resources to pay them) are not accounted for in the accompanying balance sheet – governmental funds. Modifications to the accrual basis of accounting include:

- 1) Principal and interest on bonds payable are recorded when they matured (when payment is due), except for principal and interest of bonds due on July 1, 2011, which are recorded as governmental fund liabilities of June 30, 2011 which is the date when resources were available in the debt service fund.
- 2) Obligations from compensated absences and the estimated liability for municipal solid waste landfill post-closure care costs are recorded only when they mature (when payment is due).
- 3) Certain accounts payable, intergovernmental payables and other accrued liabilities not due and payable (unmatured) or not normally expected to be liquidated in full and in a timely manner with available and expendable financial resources, are recorded in the accompanying *Statement of Net Assets*. Such liabilities are recorded in the governmental funds when they mature.
- 4) Executory purchase orders and contracts are recorded as a reservation of fund balance in the GFFS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

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

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

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

Head Start Fund – This is the fund used to account for all transactions of the Head Start Program. The objectives to this program are to provide comprehensive health, educational, nutritional, social and other developmental services primarily to economically-disadvantaged pre-school children and infants and toddlers so that the children will attain school readiness.

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

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

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

Proprietary Funds Financial Statements (PFFS)

The PFFS are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*. As with the GWFS, revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

GASB Accounting Standards Codification Section P80.102 – .105, *Proprietary Funds Accounting and Financial Reporting*, provides governments two options for reporting their enterprise funds. All enterprise funds reported herein, apply all applicable GASB pronouncements, and private-sector standards of accounting and financial reporting issued prior to December 1, 1989, unless they conflict with or contradict GASB pronouncements. **Municipality** also has the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The **Municipality** has elected not to follow subsequent private-sector guidance.

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

Aguadilla's Waterfalls Aquatic Park – This is used to account for the operation of the Aquatic Park Las Cascadas. This is an amusement park with pools and various water related attractions.

Aguadilla Ice Skating Arena – This is the fund used to account for the operations of the Ice Skate Arena. This park consists of an ice skate ring, food court, and meeting rooms.

Franchise Division Fund – This is the fund used to account for the operation of the franchise division. This consists of various franchises that are in development stages with principal operations in municipal facilities in the food market.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

C. Stewardship, Compliance, and Accountability

Budgetary Information

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

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

For budgetary purposes, encumbrance accounting is used. The encumbrances (i.e., purchase orders, contracts) are considered expenditures when incurred. For GAAP reporting purposes, encumbrances outstanding at year-end are reported as assigned fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. In addition, under the budgetary basis of accounting, revenues are recorded when cash is received.

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

The **Municipality** follows these procedures, in accordance with law, in order to establish the budgetary data reflected in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund:

Original Budget

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

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

Final Budget

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

- 1) Certain annual appropriations are budgeted on a project basis. If such projects are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, and unexpended grant appropriations, are carried forward to the following year. In certain circumstances, other regular annual appropriations may be carried forward after appropriate approval. Annually appropriated funds, not authorized to be carried forward, lapse at the end of the fiscal year. Appropriations carried forward from the prior year are included in the final budgetary data.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

- 2) Appropriations may be adjusted during the year with the approval of the Mayor and the Municipal Legislature, e.g. supplemental appropriations. Additionally, the Mayor is authorized to make certain transfer of surplus within the departments. Such adjustments are reflected in the final budgetary data.

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

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

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

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

D. Assets, Liabilities, and Net Assets

1) Cash, Cash Equivalents, Cash with Fiscal Agent, and Investment

The **Municipality's** cash and investment are composed of demand deposits in commercial banks, demand deposits in the Governmental Development Bank of Puerto Rico (GDB), and cash equivalents in commercial banks. The **Municipality** has adopted the *Statement of Uniform Investment Guidelines for the Municipalities of the Government of Puerto Rico*, issued by the GDB as promulgated by Law No. 113 of August 3, 1995. The Director of Finance of the **Municipality**, follow the guidelines, is responsible for investing the available resources in certificates of deposit and other short-term investments. Investments are made from the available combined funds of the **Municipality** and, accordingly, it is not practical to disclose certificates of deposit and other short-term investments individually by fund in the combined financial statements. Interest earned on certificates of deposit and other short-term investments are recognized as revenue in the General Fund and in Real Marina Fund in accordance with amount invested. Cash in the Special Revenue and Capital Project Funds are restricted; accordingly, resources available were not used for pool investments. Cash Equivalents are investments with an original maturity of 90 days or less.

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

2) Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statement as "interfund balances".

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

Receivables consist of all revenues earned but not collected at June 30, 2011. These account receivables are shown net of estimated allowances for uncollectible accounts, which are determined upon past collection experience, historical trends, and current economic conditions. Intergovernmental receivables in the general fund represent mostly contributions from the Puerto Rico Electric Power Authority (PREPA) as payment in lieu of taxes, property tax accounts that are levied by Municipal Revenue Collection Center (MRCC), a governmental entity created by the Government. Intergovernmental receivables in the other governmental funds represent amounts owed to the **Municipality** for reimbursement of expenditures incurred pursuant to federally funded grant and contributions and state appropriations, and the amount in the debt service fund represents the distribution of property tax collected which is restricted for the debt service.

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

3) *Inventories*

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

4) *Deferred Charges*

Deferred charges in the accompanying *Statement of Net Assets* consist of bond issuance costs, net of accumulated amortization. Deferred charges are amortized over the term of the related debt using the straight-line method. In the GFFS, bond issuance costs are recorded in the current period as expenditures, whether or not withheld from the actual debt proceeds received.

5) *Capital Assets*

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

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

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

Capital outlay is recorded as expenditures of the General Fund and other governmental funds and as assets in the GFFS to the extent the **Municipality** capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset acquired. Depreciation and amortization expense is recorded only in the GWFS. No depreciation is recorded for land and construction in progress. The estimated useful lives of major capital asset categories are:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

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

The accounting policy for Works of Art is that they are capitalized at their historical cost or fair value at date of donation whether they are held as individual items or in a collection. Capitalized collections or individual items that is exhaustible, such as exhibits whose useful lives are diminished by display or educational or research applications, are depreciated over their estimated useful lives. Depreciation is not required for collections or individual items that are inexhaustible. At June 30, 2011, all Work of Art are considered inexhaustible.

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

6) Deferred and Unearned Revenues

In the GWFS, deferred revenues arise only when the **Municipality** receives resources before it has a legal claim to them. In the GFFS, arises when one of the following situations occur: (1) potential revenue does not meet both the measurable and available criteria for revenue recognition in the current period (unavailable revenue), and (2) the **Municipality** receives resources before it has a legal claim to them (unearned revenue).

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

The liabilities reported in the GWFS include the general and special obligation bonds, long-term notes, other long-term liabilities (e.g., vacation, sick leave, claims and judgments, long-term liabilities to other governmental entities and third parties, and landfill post closure care costs). Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

8) Compensated Absences

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

In accordance with the above criteria and requirements in conformance with GASB Accounting Standards Codification Section C60, *Compensated Absences*, the **Municipality** has accrued a liability for compensated absences, which has been earned but not taken by **Municipality's** employees, including its share of social security and Medicare payments made on behalf of the employees in the accrual for vacation and sick leave pay using salary rates effective at June 30, 2011. All vacation pay is accrued when incurred in the GWFS and PFFS. For the GWFS, the current portion is the amount estimated to be used in the following year. For the GFFS, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and government-wide presentations.

9) *Claims and Judgments*

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

10) *Accounting for Pension Costs*

The **Municipality** adopted the provisions of GASBS No. 50, *Pension Disclosure*, which amended GASBS No. 27, *Accounting for Pensions by State and Local Governments 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 multiple-employer cost-sharing plan. Accordingly, pension costs recognized in the accompanying basic financial statements are equal to the statutorily required contributions, with a liability recorded for any unpaid required contributions.

For the purpose of applying the requirements of GASBS No. 27, the state government of the Government 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 multiemployer cost-sharing defined 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 Government and the basic financial statements of such retirement systems are part of the financial reporting entity of the Government.

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

11) *Landfill*

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

12) *Net Assets/Fund Balance*

A) *Net Assets*

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

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

Net assets invested in capital assets, net of related debt is comprised of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital Assets, Net of Accumulated Depreciation.....	\$169,959,504	\$ 9,739,579
Outstanding Balance on Related Debt.....	(82,123,670)	-
Unspent Capital Debt Proceeds.....	<u>16,060,368</u>	<u>-</u>
Total Invested in Capital Assets, Net of Related Debt	<u>\$103,896,202</u>	<u>\$ 9,739,579</u>

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

When both restricted and unrestricted resources are available for use, it is the **Municipality's** policy to use restricted resources first, then unrestricted resources as they are needed.

B) *Fund Balance*

The **Municipality** implemented **GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions** effective with the June 30, 2011 financial statements. Fund balances for the governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government honors constraints on the specific purposes for which amounts in those funds can be spent.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

Comprehensive Fund Balance Policy

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

In February 2009, the Governmental Accounting Standards Board (GASB) issued **Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54)**. This new standard has substantially altered the categories and terminology used to describe the fund balance in governmental funds. The purpose of **GASB 54** is to provide clarity to understand the extent of restrictions on the use of balances of the funds presented in the financial statements. One objective of this standard was to improve, including the understandability, the usefulness of fund balance information by providing clear fund balance classifications. **GASB 54** abandons the reserved, unreserved, and designated classifications of fund balance and replaced them with five classifications: nonspendable, restricted, committed, assigned, and unassigned. The requirements of this statement are effective for the **Municipality's** financial statements for the fiscal year ending June 30, 2011.

GASB 54 requires local governments to focus on the constraints imposed upon resources when reporting fund balance in governmental funds. The fund balance classifications indicate the level of constraints placed upon how resources can be spent and identify the sources of those constraints. The following five classifications serve to inform readers of the financial statements of the extent to which the **Municipality** is bound to honor constraints on the specific purposes for which resources in a fund can be spent.

- *Nonspendable Fund Balance* – Fund balance reported as “nonspendable” represents fund balance that is (a) not in a spendable form such as prepaid items or (b) legally or contractually required to be maintained intact such as an endowment.
- *Restricted Fund Balance* – Fund balance reported as “restricted” consists of amounts that can be spent only on the specific purposes stipulated by law or by the external providers of those resources.
- *Committed Fund Balance* – Fund balance reported as “committed” are self-imposed limitations set in place prior to the end of the fiscal period. These amounts can be used only for the specific purposes determined by a formal action of the Municipal Legislature, which is the highest level of decision-making authority, and that require the same level of formal action to remove the constraint.
- *Assigned Fund Balance* – Fund balance reported as “assigned” consists of amounts that are subject to a purpose constraint that represents an intended use established by the Municipal Legislature or by a designated official. The purpose of the assignment must be narrower than the purpose of the General Fund. Formal action is *not* necessary to impose, remove, or modify a constraint in Assigned Fund Balance. Additionally, this category is used to reflect the appropriation of a portion of existing fund balance to eliminate a projected deficit in the subsequent year’s budget.
- *Unassigned Fund Balance* – Fund balance reported as “unassigned” represents the residual classification of fund balance and includes all spendable amounts not contained within the other classifications.

Policy on Committing Funds

In accordance with **GASB 54**, it is the policy of the **Municipality** that fund balance amounts will be reported as “Committed Fund Balance” only after formal action and approval by Municipal Legislature. The Municipal Legislature has the authority to separate funds for specific purposes. Any separate fund as Committed Fund Balance requires the adoption of a resolution by a simple majority of votes. The adoption of the resolution should be carried out before June 30 of the fiscal year to implement. If the actual amount of the commitment is not available through June 30, the resolution should establish the process or formula required to calculate the exact amount as soon as information is available in the following fiscal year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

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

It is the policy of the **Municipality** that the Municipal Legislature may commit fund balance for any reason that is consistent with the definition of Committed Fund Balance contained within **GASB 54**. Examples of reasons to commit fund balance would be to display intentions to use portions of fund balance for future capital projects, stabilization funds, or to earmark special General Fund streams unspent at year-end that are intended to be used for specific purposes.

After approval by the Municipal Legislature, the amount reported as Committed Fund Balance cannot be reversed without utilizing the same process required to commit the funds. Therefore, in accordance with **GASB 54**, it is the policy of the **Municipality** that funds can only be removed from the Committed Fund Balance category after resolution and approval by the Municipal Legislature.

Policy on Assigning Funds

In accordance with **GASB 54**, funds that are *intended* to be used for a specific purpose but have not received the formal approval action at the Municipal Legislature level may be recorded as Assigned Fund Balance. Likewise, redeploying assigned resources to an alternative use does not require formal action by the Municipal Legislature.

Having reviewed the requirements for assigning fund balance, therefore, is the policy of the **Municipality** that Mayor shall have the authority to assign fund balance of the **Municipality** based on the intentions of the use of funds by the Municipal Legislature. In addition, the Mayor can delegate to the Finance Director or other employee of the **Municipality**, the authority to assign the funds.

Policy on Unassigned General Fund Balance

It is the goal of the **Municipality** to achieve and maintain an Unassigned General Fund Balance equal to 15% of budgeted expenditures. The **Municipality** considers a balance of less than 10% to be a cause for concern, barring unusual or deliberate circumstances, and a balance of more than 20% as excessive. An amount in excess of 20% is to be considered for reservation to accumulate funding for the purchase of machinery and equipment, for capital projects, and/or reduces tax levy requirements, and shall be determined in conjunction with the annual budget process. In the event that the Unassigned General Fund Balance is less than the policy anticipates, the **Municipality** shall plan to adjust budget resources in the subsequent fiscal years to restore the balance.

Appropriation from Unassigned General Fund Balance shall require the approval of the Municipal Legislature and shall be only for specific disbursements, such as one-time expenditures and capital asset purchases, and not for ongoing expenditures unless a viable plan designated to sustain the expenditures is simultaneously adopted.

Policy on the Allocation of Priorities of Use of the Fund Balance

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

C) Components of Fund Balance

	GENERAL FUND	HEAD START FUND	REAL MARINA FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Nonspendable:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted For:						
Improvement of Streets and Sidewalks	-	-	-	-	1,326,991	1,326,991
Improvement and Construction of Facilities	-	-	-	-	5,830,412	5,830,412
Capital Outlay	-	-	-	-	9,338	9,338
Welfare	-	-	-	-	1,376,402	1,376,402
Public Safety	-	-	-	-	228,542	228,542
Environmental Protection Activities	-	-	-	-	5,404	5,404
Construction of Real Marina	-	-	11,996,597	-	-	11,996,597
Debt Repayment	-	-	-	6,257,912	-	6,257,912
Solid Waste and Landfill	387,953	-	-	-	-	387,953
Total Restricted	387,953	-	11,996,597	6,257,912	8,777,089	27,419,551
Committed To:						
Improvement of Streets and Sidewalks	773,027	-	-	-	57,527	830,554
Improvement and Construction of Facilities	-	-	-	-	1,012,334	1,012,334
Economic Development	-	-	-	-	173,347	173,347
Sanitation	-	-	-	-	2,034,267	2,034,267
Recreation	-	-	-	-	293,879	293,879
General Government	279,549	-	-	-	-	279,549
Total Committed	1,052,576	-	-	-	3,571,354	4,623,930
Assigned To:						
General Government	329,539	-	-	-	-	329,539
Capital Outlay	224,248	-	-	-	-	224,248
Total Assigned	553,787	-	-	-	-	553,787
Unassigned:	9,990,275	-	-	-	(1,970,683)	8,019,592
Total Fund Balances	\$ 11,984,591	\$ -	\$ 11,996,597	\$ 6,257,912	\$ 10,377,700	\$ 40,616,860

E. Interfund Transactions

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

Interfund Transfers – Legally required transfers that are reported when incurred as transfers-in by the recipient fund and as transfers-out by the disbursing fund, with receivables and payables presented as amounts due to and due from other funds.

Intra-Entity Transactions – Advances between funds are also presented as amounts due to and due from other funds. However, these transfers and related amounts receivables and payables are considered internal balances and activities that have been eliminated in the government-wide financial statements.

F. Risk Financing

The **Municipality** carries commercial insurance to cover property and casualty, theft, tort claims and other losses. Insurance policies are negotiated by the Puerto Rico Treasury Department and costs are allocated among all the municipalities of Puerto Rico. Also, principal officials of the **Municipality** are covered under various surety bonds. Cost of insurance allocated to the **Municipality** and deducted from the gross property tax collections by the MRCC for the year ended June 30, 2011 amounted to approximately \$801,852. The current insurance policies have not been cancelled or terminated. In addition, MRCC deducted approximately \$784,063 for workers compensation insurance covering all municipal employees for the same period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

G. Cash Flows

Statement of Cash Flows is presented for proprietary fund types. Cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less. As of June 30, 2011, there are not investments or cash equivalents reported, only cash in commercial banks.

H. Use of Estimates

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

I. Reclassifications

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

J. Future Adoption of Accounting Pronouncements

The Governmental Accounting Standards Board issued the following pronouncements that have effective dates after June 30, 2011:

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2011.

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties.

This Statement requires disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting. This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged.

The **Municipality's** financial statements were not affected by the implementation of these statements.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements." This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged.

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

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*. Some governments have entered into interest rate swap agreements and commodity swap agreements in which a swap counterparty, or the swap counterparty's credit support provider, commits or experience either an act of default or a termination event as both are described in the swap agreement. Many of those governments have replaced their swap counterparty, or swap counterparty's credit support providers, either by amending existing swap agreements or by entering into new swap agreements. When these swap agreements have been reported as hedging instruments, questions have arisen regarding the application of the termination of hedge accounting provisions in Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Those provisions require a government to cease hedge accounting upon the termination of the hedging derivative instrument, resulting in the immediate recognition of the deferred outflows of resources or deferred inflows of resources as a component of investment income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011. Earlier application is encouraged.

The Municipality's financial statements were not affected by the implementation of these statements.

3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Assets

Total fund balances of the Municipality's governmental funds, \$40,616,860, differ from net assets of governmental activities, \$128,624,481, reported in the Statement of Net Assets. The difference primarily results from the long-term economic focus in the Statement of Net Assets versus the current financial resources focus in the government fund Balance Sheet.

Balance Sheet/Statement of Net Assets				
	Total Governmental Funds	Long-Term Assets, Liabilities (A)	Reclassi- fications and Eliminations	Statement of Net Assets Totals
Assets:				
Cash and Investments	\$ 32,545,311	\$ -	\$ -	\$ 32,545,311
Cash with Fiscal Agent	17,131,927	-	-	17,131,927
Receivables, net				
Property Taxes	66,792	-	-	66,792
Sales and Usage Taxes	209,505	-	-	209,505
Federal Grants	7,170,793	-	-	7,170,793
Municipal Revenue Collection Agency	102,386	-	-	102,386
Due from Other Funds	5,865,674	-	(5,865,674)	-
Prepays	140,255	-	-	140,255
Other Receivables	337,894	-	-	337,894
Capital Assets, Net	-	169,959,504	-	169,959,504
Deferred Charges	-	295,865	-	295,865
Total Assets	\$ 63,570,537	\$ 170,255,369	\$ (5,865,674)	\$ 227,960,232
Liabilities:				
Accounts Payable	\$ 3,948,828	\$ (2,145,000)	\$ -	\$ 1,803,828
Accrued Interests	955,855	-	-	955,855
Due to Governmental Units	351,889	-	-	351,889
Deposits and Bonds	527,194	-	-	527,194
Deferred Revenues	11,140,866	(4,473,539)	-	6,667,327
Due to Other Funds/Internal Balances(*)	6,029,045	-	(5,865,674)	163,371
Long-Term Liabilities	-	88,866,287	-	88,866,287
Total Liabilities	22,953,677	82,247,748	(5,865,674)	99,335,751
Fund Balances/Net Assets:				
Total Fund Balances/Net Assets	40,616,860	88,007,621	-	128,624,481
Total Liabilities and Fund				
Balances/Net Assets	\$ 63,570,537	\$ 170,255,369	\$ (5,865,674)	\$ 227,960,232

* The internal balance (\$163,371) is reported negative Asset in the Statement of Activities for elimination.

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

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

Cost of Capital Assets.....	\$224,016,319
Accumulated Depreciation	(54,056,815)
	<u>\$169,959,504</u>

Bond issuance costs are expended in governmental funds when paid and are capitalized and amortized over the life of the corresponding bonds for purposes of the *Statement of Net Assets*.

Bond Issue Costs.....	\$ 295,865
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Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by deferred revenues in the governmental funds and thus are not included in fund balance.

Deferred Tax and Grants	(\$ 4,473,539)
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Long-term liabilities applicable to the **Municipality's** governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the *Statement of Net Assets*.

Law Number 146 – MRCC.....	\$ 199,520
LIMS – MRCC.....	61,581
Deferred Credit	37,808
Claims	266,095
Landfill Post-Closure Care Costs.....	1,664,571
Compensated Absences.....	4,513,042
General Obligations Bonds.....	48,485,000
Special Obligations Bonds.....	<u>33,638,670</u>
	88,866,287
Escrow Funds for General Obligations Bonds (Short-Term).....	<u>(2,145,000)</u>
Net Long-Term Liabilities	<u>\$ 86,721,287</u>

Also, an elimination of the Due from/to Other Funds of \$5,865,674 was excluded in the *Statement of Net Assets*, maintaining an internal balance liability with the Proprietary Funds of \$163,371.

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

The net change in fund balances for governmental funds, **(\$187,509)**, differs from the change in net assets for governmental activities **\$276,056**. The differences arise primarily from the long-term economic focus in the *Statement of Activities* versus the current financial resources focus in the governmental funds. The differences are presented and explained follow.

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

Federal Grants.....	<u>(\$ 1,657,484)</u>
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3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continuation)

Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities					
	Total Governmental Funds	Long-Term Revenues/ Expenses (B)	Capital- Related Items (C)	Long-Term Debt Transactions (D)	Statement of Activities Totals
Revenues:					
Property Taxes	\$ 14,395,375	\$ -	\$ -	\$ -	\$ 14,395,375
Volume of Business Taxes	7,272,001	-	-	-	7,272,001
Sales and Usage Taxes	3,044,714	-	-	-	3,044,714
Federal Grants	11,814,442	(1,657,484)	-	-	10,156,958
Intergovernmental	12,378,779	-	-	-	12,378,779
Construction Excise Taxes	2,320,597	-	-	-	2,320,597
Interests	517,942	-	-	-	517,942
Charges for Services	2,083,887	-	-	-	2,083,887
Miscellaneous	816,445	-	-	-	816,445
Total Revenues	54,644,182	(1,657,484)	-	-	52,986,698
Expenditures/Expenses:					
Current					
Mayor and Municipal Legislature	1,141,189	-	122,540	-	1,263,729
General Government	14,938,920	-	1,975,952	152,565	17,067,437
Public Safety	1,744,291	-	140,921	-	1,885,212
Public Works	1,196,523	-	275,714	-	1,472,237
Culture and Recreation	937,697	-	61,270	-	998,967
Health and Sanitation	3,972,388	-	336,984	-	4,309,372
Public Instruction	6,597,354	-	-	(62,414)	6,534,940
Landfill Closure Costs	628,043	-	-	(628,043)	-
Human Services and Welfare	6,647,834	-	76,587	-	6,724,421
Urban Development	9,092,172	-	73,524	-	9,165,696
Capital Outlay	6,548,283	-	(6,548,283)	-	-
Debt Service:					
Principal	3,294,377	-	-	(3,294,377)	-
Interest and Other Charges	2,634,339	-	-	-	2,634,339
Bond Issue Costs	28,123	-	-	(10,368)	17,755
Total Expenditures/Expenses	59,401,533	-	(3,484,791)	(3,842,637)	52,074,105
Other Financing Sources (Uses)/					
Changes in Net Assets					
Net Transfers (to) from Other Funds	60,095	-	-	-	60,095
Capital Contributions	(696,632)	-	-	-	(696,632)
Proceed of Bonds	5,206,379	-	-	(5,206,379)	-
Total Other Financing Sources (Uses)/	4,569,842	-	-	(5,206,379)	(636,537)
Net Change for the Year	\$ (187,509)	\$ (1,657,484)	\$ 3,484,791	\$ (1,363,742)	\$ 276,056

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

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

Capital Outlays of Governmental Activities.....	(\$ 6,548,283)
Depreciation Expenses.....	<u>3,063,492</u>
Differences.....	(\$ <u>3,484,791</u>)

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

Principal Payment Made.....	(\$ <u>3,294,377</u>)
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Some expenses reported in the *Statement of Activities* do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (bond issuance costs). Certain long-term liabilities reported in the prior year *Statement of Net Assets* were paid during the current period resulting in expenditures in the governmental funds (landfill closure costs, claims and judgments, and compensated absences). This is the amount by which the decrease in long term liabilities exceeded expenses reported in the *Statement of Activities* that do not require the use of current financial resources:

Landfill Closure Costs.....	<u>(628,043)</u>
Bond Issue Cost Amortization.....	17,755
Claims and Judgments.....	66,095
Compensated Absences.....	<u>24,056</u>
	<u>107,906</u>

Bond issuance costs are expended in governmental funds when paid, and are capitalized and amortized over the life of the corresponding bonds for purposes of the *Statement of Activities*.....

<u>(28,123)</u>
(\$ <u>3,842,637</u>)

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

General Obligation Bonds.....	(\$ 1,705,000)
Special Obligation Bonds.....	<u>(3,501,379)</u>
	(\$ <u>5,206,379</u>)

4. BUDGETARY RESULTS RECONCILED TO RESULTS IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Budgetary Results Reconciliation

The budgetary process is based upon accounting for certain transactions on a basis other than GAAP basis. The results of operations are presented in the Budgetary Comparison Statement in accordance with the budgetary process (Budget basis) to provide a meaningful comparison with the budget.

The major differences between the Budget basis "Actual" and GAAP basis are timing and perspective differences. Timing differences represent transactions that are accounted for in different periods for Budget basis and GAAP basis reporting. The fund balance of the General Fund as of June 30, 2011 on a Budget basis is reconciled to the fund balance on a GAAP basis follows:

Budgetary Fund Balance, June 30, 2011	\$ 5,752,372
Timing Differences:	
Encumbrances	1,606,363
Cancellation of Encumbrances	(60,080)
Payment of Prior Year Encumbrances	(691,950)
Non-budgetary items	(628,043)
Prepaid	140,255
Perspective Differences:	
Due from Other Funds not Available	5,865,674
Fund Balance, June 30, 2011 – GAAP	<u>\$ 11,984,591</u>

5. CASH AND INVESTMENTS

Cash in Banks

Municipality's cash and investments at June 30, 2011 are composed of: (1) demand deposits in commercial banks, (2) demand deposits in the Government Development Bank of Puerto Rico (GDB, fiscal agent), and (3) cash equivalents in commercial banks. Cash equivalents of \$19.8 million are certificates of deposits and are recorded at cost, which approximates fair value.

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

Municipality follows the practice of pooling cash. At June 30, 2011, the pool cash account in commercial banks had a balance of \$32.5 million of which \$12.7 million in the General Fund, \$141,800 in Head Start Fund, \$12.0 million in Real Marina Fund and \$7.7 million in Other Governmental Funds. For the Proprietary Funds, the Aguadilla's Waterfalls Aquatic Park has cash in commercial bank in the amount of \$802,840, Aguadilla Ice Skating Arena has a balance of \$264,804 and Franchise Division has a balance of \$150,623. The balance in the pooled cash account is available to meet current operating requirements and any unrestricted excess, if any, is generally invested in certificates of deposit with commercial banks. Any deficiency in the pooled cash account is assumed by the general fund and covered through future budgetary appropriation.

Cash with fiscal agent in the debt service fund consists principally of property tax collections amounting to \$9.3 million that are restricted for the payment of the **Municipality's** debt service, as required by law. Cash with Fiscal Agent of \$559,245 in the General Fund are restricted for future expenditures, and \$7.3 million in other governmental funds consist principally of unspent proceeds of bonds that are restricted for the acquisition, construction or improvement of major capital assets. The amounts deposit in GDB is maintained in interest bearing accounts and is not collateralized.

Municipality follows the provisions of GASB Accounting Standards Codification Section C20, *Cash Deposit with Financial Institutions*, related with cash deposit and interest-earning investment contract with financial institutions. Accordingly, the following is essential information about credit risk, interest rate risk, custodial credit risk, and foreign exchange exposure of deposits and investments of the **Municipality** at June 30, 2011:

5. CASH AND INVESTMENTS (continuation)

Credit Risk

This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2011, the **Municipality** has invested only in cash equivalents of \$19.8 million consisting of certificate of deposit in commercial banks, which are insured by the FDIC, generally up to a maximum of \$250,000. As previously mentioned, public funds deposited by the **Municipality** in commercial banks must be fully collateralized for the amounts deposited in excess of the FDIC coverage. No investments in debt or equity securities were made during the Fiscal Year ended June 30, 2011. Therefore, the **Municipality's** management has concluded that the credit risk related to any possible loss related to defaults by commercial banks on the **Municipality's** deposits is considered low at June 30, 2011.

Custodial Credit Risk

This is the risk that, in the event of the failure of a depository financial institution, the **Municipality** will not be able to recover its cash and investments or will not be able to recover collateral securities that are in the possession of an outside party. Pursuant to the Investment Guidelines for the Government adopted by GDB, the **Municipality** may invest in obligations of the Government, obligations of the United States, certificates of deposit, commercial paper, banker's acceptance, or in pools of obligations of the municipalities of Puerto Rico, which are managed by GDB. At June 30, 2011, the **Municipality** has balances deposited in commercial banks amounting to \$32.1 million which are insured by the FDIC up to the established limit and the excess are fully collateralized as explained above. Deposits in GDB, amounting to \$17.1 million are uninsured and uncollateralized. However, no losses related to defaults by GDB on deposit transactions have been incurred by the **Municipality** through June 30, 2011. It is management's policy to only maintain deposits in banks affiliated to FDIC to minimize the custodial credit risk, except for GDB. Therefore, the **Municipality's** management has concluded that at June 30, 2011, the custodial credit risk associated with the **Municipality's** cash and cash equivalents is considered low.

Interest Rate Risk

This is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The **Municipality** manages its exposure to declines in fair values by: (1) not including debt or equity investments in its investments portfolio at June 30, 2011, (2) limiting the weighted average maturity of its investments in certificates of deposit to periods of four months or less, and (3) keeping most of its banks deposits and certificates of deposit in interest bearing accounts generating interest at prevailing market rates. Therefore, at June 30, 2011, the interest risk associated with the **Municipality's** cash and cash equivalent is considered low.

Foreign Exchange Risk

This is the risk that changes in exchange rates will adversely affect the value of an investment or a deposit. According to the aforementioned investment guidelines, adopted by the **Municipality**, the **Municipality** is prevented from investing in foreign securities or any other types of investments for which foreign exchange risk exposure may be significant. Accordingly, management has concluded that the foreign exchange risk related to the **Municipality's** deposits is considered low at June 30, 2011.

6. RECEIVABLES

Following is the account receivables of other governmental funds as of June 30, 2011:

Federal Grants	AMOUNT
Office of the Governor-Elderly Office	\$ 367,653
Office of Commissioner of Municipal Affairs	90
U.S. Department of Homeland Security	252,520
U.S. Environmental Protection Agency	31,865
U.S. Department of Agriculture	433,722
U.S. Department of Housing and Urban Development	1,702,812
Total	<u>\$ 2,788,662</u>

7. DEFERRED AND UNEARNED REVENUES

Government-wide *Statement of Net Assets* report *deferred* revenues for resources receive before it has a legal claim to them. Governmental funds balance sheet report *deferred revenues* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period (unavailable). Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenues* and *unearned revenues* reported in the basic financial statements were as follows:

Governmental-wide:		
Volume of Business Taxes	\$	6,083,932
Other Governmental Funds		<u>583,395</u>
Total Deferred/ Unearned Revenues	\$	<u>6,667,327</u>
		UNAVAILABLE UNEARNED
Governmental Funds:		
Volume of Business Taxes	\$	- \$ 6,083,932
Head Start Program		3,174,651 -
Other Governmental Funds		<u>1,882,283</u> -
Total Deferred/ Unearned Revenues	\$	<u>5,056,934</u> \$ <u>6,083,932</u>

8. INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

A. *Interfund Receivable and Payable Balances*

Due to/from Other Funds at June 30, 2011 are summarized as follows:

RECEIVABLE FUND	PAYABLE FUND	AMOUNT
Governmental Funds:		
General Funds	Head Start Fund	\$ 1,025,014
General Funds	Proprietary Funds	149,929
General Funds	Other Governmental Funds	<u>4,690,731</u>
Subtotal		<u>5,865,674</u>
Proprietary Funds	General Fund	200,000
Proprietary Funds	Other Governmental Funds	<u>113,300</u>
Subtotal		<u>313,300</u>
Total		<u>\$ 6,178,974</u>

B. *Interfund Transfers*

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

SOURCES	TRANSFER TO	AMOUNT	PURPOSE
Governmental Funds:			
General Fund	Debt Service Fund	\$ 610,520	Debt Payments
Other Governmental Funds	Debt Service Fund	1,093,967	Debt Payments
Other Governmental Funds	General Fund	67,382	Interests
Real Marina Fund	Debt Service Fund	216,851	Debt Payments
Other Governmental Funds	Debt Service Fund	<u>28,123</u>	Bond Issue Cost
		<u>2,016,843</u>	
Proprietary Funds:			
Proprietary Fund	Other Governmental Funds	<u>60,095</u>	Program Income
		<u>\$ 2,076,938</u>	
Capital Contribution:			
General Fund	Proprietary Fund	<u>\$ 696,632</u>	Construction

9. DUE TO GOVERNMENTAL UNITS

As of June 30, 2011, balance due to other governmental units of the General Fund for services rendered to the Municipality, consists of the following:

	AMOUNT
General Service Administration	\$ 158,264
Retirement System Administration	158,233
PR Water and Sewer Authority	33,008
Puerto Rico Department of Labor	2,384
Total Due to Governmental Units	<u>\$ 351,889</u>

10. CAPITAL ASSETS

Capital Assets activities for the fiscal year ended June 30, 2011 was as follows:

DESCRIPTION	BALANCE				BALANCE JUNE 30, 2011
	JULY 1, 2010	ADJUSTMENT	INCREASE	DECREASE	
Governmental Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 59,420,534	\$ 275,611	\$ -	\$ -	\$ 59,696,145
Construction in Progress	25,112,368	-	4,339,174	(16,583,778)	12,867,764
Total Non-Depreciable Capital Assets	<u>84,532,902</u>	<u>275,611</u>	<u>4,339,174</u>	<u>(16,583,778)</u>	<u>72,563,909</u>
Depreciable Capital Assets:					
Buildings	69,417,775	-	11,424,437	-	80,842,212
Infrastructure	46,358,783	-	5,462,091	-	51,820,874
Motor Vehicles	10,357,834	2,607	1,454,465	-	11,814,906
Machinery and Equipment	6,359,122	163,402	451,894	-	6,974,418
Total Depreciable Capital Assets	<u>132,493,514</u>	<u>166,009</u>	<u>18,792,887</u>	<u>-</u>	<u>151,452,410</u>
Less Accumulated Depreciation:					
Buildings	(24,057,269)	-	(1,201,892)	-	(25,259,161)
Infrastructure	(13,536,783)	-	(695,773)	-	(14,232,556)
Motor Vehicles	(9,294,922)	23,189	(597,140)	-	(9,868,873)
Machinery and Equipment	(4,101,757)	(25,781)	(568,687)	-	(4,696,225)
Total Accumulated Depreciation	<u>(50,990,731)</u>	<u>(2,592)</u>	<u>(3,063,492)</u>	<u>-</u>	<u>(54,056,815)</u>
Total Depreciable Capital Assets (Net)	<u>81,502,783</u>	<u>163,417</u>	<u>15,729,395</u>	<u>-</u>	<u>97,395,595</u>
CAPITAL ASSETS, NET	<u>\$ 166,035,685</u>	<u>\$ 439,028</u>	<u>\$ 20,068,569</u>	<u>\$ (16,583,778)</u>	<u>\$ 169,959,504</u>

10. CAPITAL ASSETS (continuation)

DESCRIPTION	BALANCE			BALANCE JUNE 30, 2011
	JULY 1, 2010	INCREASE	DECREASE	
Business-Type Activities:				
Non-Depreciable Capital Assets:				
Construction in Progress	\$ 387,504	\$ -	\$ (387,504)	\$ -
Total Non-Depreciable Capital Assets	387,504	-	(387,504)	-
Depreciable Capital Assets:				
Buildings	12,656,277	265,803	-	12,922,080
Motor Vehicles	67,640	15,745	-	83,385
Equipment	716,274	296,440	-	1,012,714
Total Depreciable Capital Assets	13,440,191	577,988	-	14,018,179
Less Accumulated Depreciation:				
Buildings	(3,457,822)	(264,891)	-	(3,722,713)
Motor Vehicles	(62,912)	(4,936)	-	(67,848)
Equipment	(417,712)	(70,327)	-	(488,039)
Total Accumulated Depreciation	(3,938,446)	(340,154)	-	(4,278,600)
Total Depreciable Capital Assets (Net)	9,501,745	237,834	-	9,739,579
CAPITAL ASSETS, NET	\$ 9,889,249	\$ 237,834	\$ (387,504)	\$ 9,739,579

Depreciation expenses were charged to governmental functions/programs as follows:

	AMOUNT
Governmental Activities:	
Major and Municipal Legislature	\$ 122,540
General Government	1,975,952
Public Safety	140,921
Public Works	275,714
Culture and Recreation	336,984
Health and Sanitation	61,270
Human Services and Welfare	76,587
Urban Development	73,524
Total Depreciation Expenses	<u>\$ 3,063,492</u>
Business-Type Activities:	
Aguadilla's Waterfalls Aquatic Park	\$ 169,217
Aguadilla's Ice Skating Arena	152,209
Franchise Division	18,728
Total Depreciation Expenses	<u>\$ 340,154</u>

11. LONG-TERM LIABILITIES

A. General Obligations Bonds and Special Obligations Bonds

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

The following is a summary of general and special obligation bonds of the Municipality as of June 30, 2011:

During October 2010, the Municipality issued special obligation bonds, Series of 2011 in the amount of \$2,260,000 for general construction and bond issue cost. The principal and variable interest at 6.00% for the first year and at 7.50% for the remaining installments are payable annually ranging from \$160,000 to \$305,000 on the 1st day of July of each year through July 2020.

During May 2011, the Municipality issued general obligation bonds, Series of 2011 in the amount of \$1,705,000 for the 6th floor of the Aguadilla City Center and bond issue cost. The principal and variable interest at 6.00% for the first year and at 7.50% for the remaining installments are payable annually ranging from \$25,000 to \$145,000 on the 1st day of July of each year through July 2035.

During the year, the Municipality received the confirmation of an additional obligation granted by US Department of Agriculture, Rural Development (RD) for the amount of \$1,241,379 as an addition of the original loan of \$4,610,000 for a total amount of \$5,851,379, to be used to various projects. The principal and interest are payable semi-annually during 25 years, but the terms will be determined by RD upon completion of the constructions activities.

Variable interest rates on bonds are reviewed periodically by GDB and are based on the fluctuation of GDB's weighted average rate for its commercial paper program. Under this program, GDB issues commercial paper: (1) in the taxable and tax-exempt

markets of the USA, (2) in the Eurodollar market, and (3) to corporations having tax exemptions under the Puerto Rico Industrial Incentives Acts and, which qualify for benefits provided by the former Section 936 of the US Internal Revenue Code.

Type of Obligation and Purpose	Maturity Date	Interest Rate	Amount
General Obligation Bonds:			
General Obligation Bonds - Property Taxes Income:			
\$590,000, Series 1999 - General Construction	2013	4.86 to 6.11%	\$ 185,000
\$2,840,000, Series 1999 - General Construction	2013	4.86 to 6.11%	840,000
\$5,065,000, Series 1999 - General Construction	2013	4.86 to 6.56%	3,690,000
\$3,210,000, Series 1999 - General Construction	2023	2.70 to 5.60%	2,335,000
\$805,000, Series 1999 - General Construction	2023	2.70 to 5.60%	590,000
\$3,520,000, Series 2000 - General Construction	2014	2.70 to 4.73%	1,335,000
\$1,340,000, Series 2000 - General Construction	2024	2.70 to 5.60%	1,045,000
\$3,015,000, Series 2000 - General Construction	2020	2.70 to 5.29%	2,065,000
\$2,165,000, Series 2001 - General Construction	2025	2.70 to 5.60%	1,745,000
\$1,255,000, Series 2003 - General Construction	2008	4.37 to 6.00%	1,065,000
\$1,795,000, Series 2005 - General Construction	2029	4.37 to 5.00%	1,540,000
\$1,795,000, Series 2005 - General Construction	2029	3.27 to 5.00%	1,540,000
\$1,935,000, Series 2005 - General Construction	2029	4.27 to 6.50%	1,670,000
\$3,130,000, Series 2006 - General Construction	2030	6.00 to 6.50%	2,830,000
\$1,010,000, Series 2005 - General Construction	2019	4.27 to 5.00%	700,000
\$2,330,000, Series 2007 - General Construction	2032	3.93 to 7.50%	2,220,000
\$4,385,000, Series 2008 - General Construction	2032	3.93 to 7.50%	4,180,000
\$1,160,000, Series 2008 - General Construction	2033	7.00%	1,120,000
\$260,000, Series 2009 - General Construction	2033	5.40 to 7.50%	250,000
\$185,000, Series 2009 - General Construction	2033	5.40 to 7.50%	175,000
\$1,475,000, Series 2009 - General Construction	2033	4.75 to 7.50%	1,430,000
\$220,000, Series 2009 - General Construction	2033	4.75 to 7.50%	210,000
\$3,040,000, Series 2010 - General Construction	2034	6.00 to 7.50%	2,995,000
\$2,110,000, Series 2010 - General Construction	2024	6.00 to 7.50%	2,030,000
\$775,000, Series 2010 - General Construction	2034	6.00 to 7.30%	715,000
\$1,705,000, Series 2011 - General Construction	2035	6.00 to 7.50%	1,705,000
Subtotal			40,205,000
General Obligation Bonds - Rental Income:			
\$9,340,000, Series 2004 - General Construction	2028	5.00%	8,280,000
Total General Obligations Bonds			48,485,000
continue			

11. LONG-TERM LIABILITIES (continuation)

Type of Obligation and Purpose	Maturity Date	Interest Rate	Amount
Special Obligations Bonds:			
Special Obligations Bonds - General Revenues:			
\$4,795,000, Series 2003 - General Construction	2012	5.00 to 6.00%	\$ 3,850,000
\$250,000, Series 2005 - General Construction	2012	4.75%	41,000
\$250,000, Series 2005 - Purchase of Equipment	2029	5.00%	215,000
\$1,245,000, Series 2005 - Purchase of Equipment	2012	4.50%	203,000
\$4,220,000, Series 2006 - General Construction	Undetermine ¹	4.25%	2,979,100
\$1,940,000, Series 2006 - General Construction	Undetermine ¹	4.50%	1,585,482
\$2,105,000, Series 2006 - General Construction	Undetermine ¹	Undetermine ¹	1,242,967
\$690,000, Series 2006 - General Construction	Undetermine ¹	Undetermine ¹	509,703
\$4,610,000, Series 2005 - General Construction	Undetermine ¹	Undetermine ¹	4,160,929
\$1,100,000, Series 2009 - General Construction	Undetermine ¹	4.50%	1,054,359
\$1,000,000, Series 2008 - General Construction	Undetermine ¹	4.25%	992,130
Subtotal			16,833,670
Special Obligations Bonds - CDBG:			
\$12,995,000, Series 2002 - General Construction	2022	5.00%	7,795,000
Special Obligations Bonds - Sales & Usage Taxes:			
\$555,000, Series 2008 - General Construction	2032	7.50%	535,000
\$6,410,000, Series 2008 - General Construction	2032	7.50%	6,215,000
\$2,260,000, Series 2011 - General Construction	2020	7.50%	2,260,000
Subtotal			9,010,000
Total Special Obligations Bonds			33,638,670
Total General and Special Obligations Bonds			\$ 82,123,670

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

According to Sections 103 and 148 through 150 of the US Internal Revenue Code and Sections 1.148 through 1.150 of the US Treasury Regulation, the **Municipality's** tax-exempt bonds are subject to the arbitrage rebate requirements. At June 30, 2011, the **Municipality** had no federal arbitrage liability on bonds since interest income earned from the investment of unspent bond proceeds were made in bank deposits that generate yields lower than the rates applicable to the debt service payments.

Legal Debt Limit and Legal Debt Margin

On March 9, 2009, the Government of Puerto Rico approves Law Number 7 that provides for revision of the valuation of property subject to taxation and imposes special property taxes for the Government. Accordingly, as of June 30, 2011, the **Municipality** debt limits (10% of valuation of property subject to taxation) increase to \$336,216,389, plus the balance of the special ad valorem taxes in the Debt Service Fund. In addition, before any new bonds are issued, the revenues of the Debt Service Fund should be sufficient to cover the projected debt service requirement. The total amount of debt applicable to the debt limit was \$40,205,000, net of certain assets in the Debt Service Fund. After considered the payments of July 1, 2011, the resulting legal debt margin was \$285,383,905. Additional legal debt margin was determine for the issuance of the special obligations bonds that are paid through retention made by the MRCC from monthly advance of annual property tax and subsidy send to the **Municipality**.

11. LONG-TERM LIABILITIES (continuation)

B. Other Long-Term Liabilities

Following are the other long-term liabilities as of June 30, 2011 and corresponding change during the fiscal year:

DESCRIPTION	BALANCE JULY 1, 2010	NEW ISSUES	RETIREMENTS AND ADJUSTMENTS	BALANCE JUNE 30, 2011	AMOUNTS DUE WITHIN ONE YEAR	AMOUNTS DUE AFTER ONE YEAR
Governmental Funds:						
Law Number 146-MRCC	\$ 209,021	\$ -	\$ (9,501)	\$ 199,520	\$ 9,501	\$ 190,019
LIMS-MRCC	179,457	-	(117,876)	61,581	61,581	-
Deferred Credits	41,771	7,665	(11,628)	37,808	-	37,808
Landfill Obligation	2,292,614	-	(628,043)	1,664,571	-	1,664,571
Claims and Judgments	200,000	66,095	-	266,095	-	266,095
Compensated Absences	4,488,986	476,200	(452,144)	4,513,042	3,161,464	1,351,578
TOTAL	\$ 7,411,849	\$ 549,960	\$ (1,219,192)	\$ 6,742,617	\$ 3,232,546	\$ 3,510,071
Proprietary Funds:						
Compensated Absences	\$ 93,565	\$ 10,024	\$ -	\$ 103,589	\$ 77,719	\$ 25,870

Borrowing from MRCC

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

On November 28, 2001, the **Municipality** entered into a repayment agreement with the GDB and MRCC to pay for the proportional debt to cover the Land Information Management System (LIMS), system established by MRCC with the capacity to maintaining cadastre and photos of all real property of Puerto Rico. The original debt was \$945,607 to be paid during 10 years plus annual interest of 5.95%.

Deferred Credits

This amount represents the unpaid balance of the bond issue cost of the following obligations: \$1,160,000, Series 2008; \$220,000, Series 2009; \$185,000, Series 2009; \$260,000, Series 2009; and \$1,705,000 of General Obligations Bonds; and \$3,009,000, Series 2008; \$1,000,000, Series 2008; \$1,100,000, Series 2009; and \$2,260,000, Series 2011 of Special Obligation Bonds.

Landfill Obligation

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

The **Municipality** commenced the post-closure care procedures required by the administrative order for a time period of no less than 30 years, as required by the administrative order and federal regulations. The **Municipality** has currently estimated the maximum future post-closure care costs to be incurred in those 30 years at \$1.6 million as of June 30, 2011. However, due to the nature of post-closure care of municipal landfills, the estimated future costs are subject to annual revision due to changes in applicable regulations, market prices and conditions, and other unforeseeable events.

11. LONG-TERM LIABILITIES (continuation)

The Municipality is required to provide financial assurance for the post-closure care activities in accordance with federal regulations, and has identified current and future resources to cover costs relating to the closure of the landfill as of June 30, 2011. The Municipality has demonstrated financial assurance to comply with such requirements and is pending of the final evaluation and determination from EPA.

Claims and Judgments

This amount represents the amount accrued for possible claims arising from litigations.

Compensated Absences

The GWFS, *Statement of Net Assets*, includes approximately \$4.5 million in the governmental funds and \$103,000 in proprietary funds for the estimated accrued vacation benefits, accrued sick leave benefits and payroll related benefits, representing the Municipality's commitment to fund such costs from future operations.

C. *Changes in Long-Term Liabilities*

The following is a summary of changes in long-term liabilities for the year ended June 30, 2011:

DESCRIPTION	BALANCE JULY 1, 2010	NEW ISSUES	RETIREMENTS AND ADJUSTMENTS	BALANCE JUNE 30, 2011	AMOUNTS DUE WITHIN ONE YEAR	AMOUNTS DUE AFTER ONE YEAR
Governmental Funds:						
General	\$ 48,700,000	\$ 1,705,000	\$ (1,920,000)	\$ 48,485,000	\$ 2,165,000	\$ 46,320,000
Special	31,159,291	3,501,379	(1,022,000)	33,638,670	1,324,000	32,314,670
Others	7,411,849	549,960	(1,219,192)	6,742,617	3,232,546	3,510,071
TOTAL	\$ 87,271,140	\$ 5,756,339	\$ (4,161,192)	\$ 88,866,287	\$ 6,721,546	\$ 82,144,741
Proprietary Funds:						
Others	\$ 93,565	\$ 10,024	\$ -	\$ 103,589	\$ 77,719	\$ 25,870

D. *Debt Compliance*

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

11. LONG-TERM LIABILITIES (continuation)

The annual requirements to amortize the long-term liabilities outstanding as of June 30, 2011 are as follows:

YEAR ENDING JUNE 30,	General Obligation Bonds		Special Obligation Bonds		Other Long-Term Obligations		TOTAL	
	PRINCIPAL PAYMENT	INTEREST PAYMENT	PRINCIPAL PAYMENT	INTEREST PAYMENT	PRINCIPAL PAYMENT	INTEREST PAYMENT	PRINCIPAL	INTEREST
Governmental Funds:								
2012	\$ 2,165,000	\$ 2,180,196	\$ 1,324,000	\$ 1,002,791	\$ 3,232,546	\$ 14,242	\$ 6,721,546	\$ 3,197,229
2013	2,300,000	2,564,707	1,110,000	1,148,472	9,501	11,820	3,419,501	3,724,999
2014	2,480,000	2,529,699	1,145,000	1,130,825	9,501	11,228	3,634,501	3,671,752
2015	2,255,000	2,427,190	1,185,000	1,085,310	9,501	10,638	3,449,501	3,523,138
2016	1,995,000	2,377,159	1,235,000	1,023,830	9,501	10,046	3,239,501	3,411,035
2017-2021	12,090,000	10,428,146	6,835,000	3,861,403	47,505	41,368	18,972,505	14,330,917
2022-2026	12,450,000	6,437,454	4,465,000	1,898,414	47,505	26,594	16,962,505	8,362,462
2027-2031	9,140,000	2,759,277	2,660,000	788,475	47,505	11,818	11,847,505	3,559,570
2032-2035	3,610,000	468,208	1,155,000	77,513	9,500	591	4,774,500	546,312
Unmatured	-	-	12,524,670	-	3,320,052	-	15,844,722	-
TOTAL	\$ 48,485,000	\$ 32,172,036	\$ 33,638,670	\$ 12,017,033	\$ 6,742,617	\$ 138,345	\$ 88,866,287	\$ 44,327,414
Proprietary Funds:								
2012	\$ -	\$ -	\$ -	\$ -	\$ 77,719	\$ -	\$ 77,719	\$ -
2013	-	-	-	-	25,606	-	25,606	-
TOTAL	\$ -	\$ -	\$ -	\$ -	\$ 103,325	\$ -	\$ 103,325	\$ -

12. DEBT RETIREMENT

Revenues of the debt service fund consist of the ad-valorem property taxes which are recognized as revenue when collected from taxpayers and reported by the MRCC to the **Municipality** (See Note 13).

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

13. PROPERTY TAXES

The **Municipality** is authorized by Act No. 81 to impose and collect property taxes from any natural or legal person that, at January 1st of each calendar year: (1) is engaged in trade or business and is the owner of personal or real property used in trade or business, or (2) owns residential real property with a value in excess of \$15,000 (at 1957 market price).

The MRCC is responsible for the assessment of all real and personal property located within the **Municipality** and for the levy, administration and collection of the corresponding tax contribution.

The personal property tax is self-assessed by the taxpayer on a return, which is to be filed and paid in full by May 15 of each year with the MRCC and based on current values as of December 31 of previous year. Real property tax is assessed by the MRCC on each piece of real estate and on each building or residence. The property tax contribution is levied each year over the appraised value of the real property at the beginning of the calendar year. The real property assessment is based on the current value existing in the year 1957.

13. PROPERTY TAXES (continuation)

The MRCC is responsible for the billing of real property taxes and collections of both, personal and real property taxes on behalf of all the municipalities of Puerto Rico. Prior to the beginning of each fiscal year, the MRCC informs the **Municipality** of the estimated amount of property taxes expected to be collected for the ensuing fiscal year. Throughout the year, the MRCC advances funds to the **Municipality** based on the initial estimated collections. The MRCC is required by law to prepare a settlement statement on a fiscal year basis, whereby a comparison is made between the amounts advanced to the **Municipality** and amounts actually collected from taxpayers. This settlement has to be completed on a preliminary basis not later than three months after fiscal year-end, and a final settlement made not later than six months after year-end. If the MRCC remits to the **Municipality** property taxes advances, which are less than the tax actually collected, a receivable from the MRCC is recorded at June 30. However, if advances exceed the amount actually collected, a borrowing from MRCC is recorded at June 30. At the time of the preparation of the financial statement, the difference between the advances and the final settlement is pending of final determination.

The tax rate for fiscal year 2011 is 10.53% for real property and 8.53% for personal property of which 1.03% of both are for the redemption of public debt issued by the Government and 9.50% and 7.50%, respectively, belongs to the **Municipality**. Taxpayers pay 10.33% for real property and 8.33% for personal property and the remaining 0.20% is paid by the Government's Secretary of the Treasury as a subsidy. The percentages are distributed as follows: (1) 6.00% and 4.00%, respectively, represents the **Municipality's** basic tax rate that is appropriated for general purposes and therefore accounted for through the general fund. A portion of such amount is deposited in an equalization fund together with a percentage of the net revenues of the Puerto Rico electronic lottery and a subsidy from the Government. The remaining portion belonging to the **Municipality** of 3.50% represents the ad-valorem property taxes withheld by the MRCC and restricted for debt service, which is accounted for through the debt service fund (See Note 12). The **Municipality** has reached the maximum statutory tax rate limit for the basic tax while there is no limitation for the ad-valorem tax rate.

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

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

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

14. VOLUME OF BUSINESS TAXES

The volume of business taxes is levied each year based on the prior year's gross revenues for all commercial and industrial organizations doing business in the **Municipality** and which are not totally or partially exempt from this tax under the Industrial Incentives Acts of the Government of Puerto Rico. This is a self-assessed tax based on the business volume in gross sales as shown in the tax return that is due five working days after April 15 of each year. Entities with sales volume of \$3 million or more must include audited financial statements together with the tax return. During the fiscal year ended June 30, 2011, the tax rates were as follows:

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

Taxes are payable in two equal semi-annual installments on July 1 and January 1 following the date of levy. If they are paid with declaration on or before the due date, the taxpayer is granted a 5% of discount. The volume of business tax receivable represents filed tax returns that were uncollected as of June 30, 2011. Collections of taxes during current fiscal year corresponding of the tax return based on the prior year gross sales are applicable to the next fiscal year and recorded as deferred revenues in the General Fund.

14. VOLUME OF BUSINESS TAXES (continuation)

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

15. SALES AND USAGE TAXES

Municipality imposes a Sales and Usage Taxes of 1.5% (1.0% collected and belong to the **Municipality** and 0.5% collected by the Puerto Rico Secretary of the Treasury) on the sales price of a taxable item or on the purchase price of all usage, storage or consumption of a taxable item. All merchants required to collect the Sales and Usage Taxes, are required to file a monthly Sales and Usage Taxes Return Form, no later than the 10th of the following month from the month being reported. The Act also provides for restrictions on the use of the resources (including the 0.5% collected by the Puerto Rico Secretary of Treasury) to be invested in solid waste and recycling programs, capital improvements and health and public safety costs.

The amount collected by the Puerto Rico Secretary of Treasury will be deposited in accounts or special funds in GDB, subject to restrictions imposed and distributed as follows:

- a. 0.2% will be deposited in a "Municipal Development Fund" to finance costs as restricted by the Act;
- b. 0.2% will be deposited in a "Municipal Redemption Fund" to finance loans to municipalities subject to restrictions imposed by the Act; and
- c. 0.1% will be deposited in a "Municipal Improvement Fund" to finance capital improvement projects. These funds will be distributed based on legislation from the Government's Legislature.

Sales and Usage Taxes Receivable represents filed sales tax returns that were collected subsequent to June 30, 2011, but pertaining to the current year period.

16. CONSTRUCTION EXCISE TAXES

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

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

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

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

17. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues consist primarily of funds received from the Government, "in lieu of tax" payments from the Quasi-public Corporation, Puerto Rico Electric Power Authority (PREPA), and federal financial assistance received from federal and state governments.

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

18. PENSION PLAN

A. *Employee's Retirement System of the Government of Puerto Rico*

Description of the Plan

Employees of the **Municipality** participate in the Employee's Retirement System of the Government of Puerto Rico and its Instrumentalities (ERS). The ERS is cost-sharing multiple-employer defined benefit pension plan sponsored by the Government under the Act No. 447, approved on May 15, 1951, as amended. ERS covers all regular employees of the Government and its instrumentalities and of certain municipalities and components units not covered by their own retirement systems.

Participation is mandatory except for members of the Legislature, Government Secretaries, Head of Agencies and Public Instrumentalities, Assistants to the Governor, the Comptroller of the Puerto Rico, Gubernatorial Board and Committee appointees and Experimental Service Station employees. ERS provides retirement, death and disability benefits. Disability retirement benefits are available to members for occupational and non-occupational disabilities. Retirement benefits depend upon age at retirement and number of years of credited service. Benefits vest after ten years of plan participation.

Members who have attained at least 55 years of age and have completed at least 25 years of creditable service or members who have attained at least 58 years of age and have completed at least 10 years of creditable service are entitled to an annual benefit, payable monthly for life. The amount of the annuity shall be 1.5% of the average salary, as defined, multiplied by the number of years of creditable service up to 20 years, plus 2% of the average salary, as defined, multiplied by the number of years of creditable service in excess of 20 years. In no case will the annuity be less than \$200 per month.

Participants who have completed at least 30 years of creditable service are entitled to receive the Merit Annuity. Participants who have not attained 55 years of age will receive up to a maximum of 65% of the average salary, as defined, or if they have attained 55 years of age will receive up to a maximum of 75% of the average salary, as defined. Disability retirement benefits are available to members for occupational disability up to a maximum benefit of 50% of the average salary, as defined. However, for non-occupational disability, a member must have at least 10 years of creditable services.

The contribution requirements for both employees and employers are established by law and are not actuarially determined. Employees are required to contribute 5.775% for the first \$550 of monthly salary plus 8.275% for the excess of this amount, or on the alternative, 8.275% of their monthly gross salary. The **Municipality** is required by Act No. 447 to contribute 9.275% of its employees' gross salaries.

Act No. 1 of 1990 made certain amendments applicable to new participants joining the ERS effective April 1, 1990. These changes consist principally of the establishment of contributions at 8.275% of their monthly gross salary, an increase in the retirement age to 65, a decrease in the annuity benefit to 1.5% of the average salary, as defined, for all years of creditable services, a decrease in the maximum disability, and death benefits annuities from 50% to 40% of average salary, as defined, and the elimination of the Merit Annuity for participants who have completed 30 years of creditable services.

Law Number 305 was enacted on September 24, 1999, amended the Act Number 447 for the purpose of establishing a new program (System 2000). System 2000 became effective on January 1, 2000. Employees participating in the current system (ERS) as of December 31, 1999, may elect either to stay in the defined-benefit plan or transfer to the new program. Persons joining the government on or after January 1, 2000, will only be allowed to become members of System 2000.

18. PENSION PLAN (continuation)

System 2000 is a hybrid defined contribution plan, also known as a cash balance plan. Under this new plan there will be a pool of pension assets, which will be invested by the System, together with those of the current defined-benefit plan. Benefits at retirement age will not be guaranteed by the Government. The annuity will be based on a formula which assumes that each year the employees' contribution (with a minimum of 8.275% up to a maximum of 10%) of their monthly salary, and will be invested in an account which will either: (a) earn a fixed rate based on the two-year Constant Maturity Treasury Note or, (b) earn a rate equal to 75% of the return of the System's investment portfolio (net of management fees), or (c) earn a combination of both alternatives. Participants receive periodic account statements similar to those of defined contribution plans showing their accrued balances. Disability pensions are not being granted under System 2000. The employers' contributions (9.275% of the employees' salary) will be used to fund the current plan.

If at time of retirement accumulated benefits amount to \$10,000 or less may elect to receive a lump sum distribution up to the accumulated benefits. Under the new program the retirement age is reduced from 65 to 60 for those employees who joined the current plan on or after April 1, 1990.

Funding Policy

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

Contribution requirements are established by law and are as follows:

Municipality	9.275% of gross salary
Employees:	
Hired on or before March 31, 1990	5.775% of gross salary up to \$6,600 8.275% of gross salary over \$6,600
Hired on or after April 1, 1990	8.275% of gross salary

Annual Contribution

Total employee contributions to the above-mentioned plans during the year ended June 30, 2011, 2010 and 2009 amounted to approximately \$2,268,159. The **Municipality's** contributions during those years are recognized as total pension expenditures/expenses in the category of administration as follow:

FISCAL YEAR	LAW NO. 447	SYSTEM 2000
2011	\$ 350,801	\$ 423,178
2010	411,622	439,754
2009	421,420	443,282

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

The Employee's Retirement System of the Government of Puerto Rico provides additional information of the ERS and System 2000. They issue a publicly available financial report that includes financial statements and required supplementary information for ERS, as a component unit of the Government. That report may be obtained by writing to the Administration at PO Box 42003, Minillas Station, San Juan, PR 00940-2003.

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

The Pension Plan of Defined Contributions of the Head Start Project of the Municipality of Aguadilla (the Plan) is a non-contributory defined contribution plan in which all employees of the Head Start Project (the Sponsor) are eligible to participate on or after the date in which the employee completes one year of continued service, at June 30, 2011 the Plan has 197 active participants. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and Sections 1165 (a) and (e) of the Puerto Rico Internal Revenue Code of 1994, as amended. Participants can make contributions up to 10 percent of their gross annual compensation, as defined in the Plan, not to exceed the limit established by law. The deposit administration contract is maintained with "Cooperativa de Seguros de Vida de Puerto Rico". The Sponsor contributes 3 percent of the gross compensation per participant. Total contributions to the Plan for fiscal year ended June 30, 2011 were \$54,302 (Sponsor and participants) and benefits paid was \$81,208. Interest revenues were \$55,558 and administration fees \$4,632, for a net increase in Plan Assets of \$24,020. As June 30, 2011 the Net Fund Assets of the Plan is \$2,332,405.

18. PENSION PLAN (continuation)

Participants are vested in accordance with the following vesting schedule:

A participant will be fully vested and may retire after reaching the age of 55 with 10 years of service.

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

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

19. CONTINGENCIES

A. Claims and Judgments

The Municipality is, at present, a defendant in a number of legal matters that arise from alleged improper application of policies and negligence in the ordinary course of the Municipality's activities. The legal counsel of the Municipality has advised that at this stage in the proceedings of lawsuits that an opinion cannot be formed as to the probable outcome, with the exception of various uninsured lawsuits for which our legal counsel estimate in \$266,095 the probable unfavorable outcome.

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

B. Federal Grants

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

20. COMMITMENTS

A. Operating Leases

The Municipality leases equipment under various operating lease agreements, which generally have terms of one year or less and are automatically renewed for the same term. Rental expenditures/expenses recorded in the general fund for the year ended June 30, 2011, amounted to approximately \$50,000. Management believes that the summary of the future minimum rental commitments under noncancelable real property and equipment lease with terms exceeding one year is not material to the basic financial statements taken as a whole.

B. Construction and Improvement Commitments

The Municipality had encumbrances at June 30, 2011 for the construction, improvements, or renovation of several municipal facilities in the following funds:

	Encumbered For	Amount	Reported within Fund Balance Classification
General Fund	Construction of Infrastructure	\$ 530,000	Committed to Improvement and Construction of Facilities
	Improvement of Facilities	190,000	Committed to Improvement and Construction of Facilities
	Consulting Services	235,000	Committed to General Government
	Purchase of Vehicles	224,000	Assigned to Capital Outlay
Non Major Funds	Improvement of Facilities	1,055,571	Committed to Improvement and Construction of Facilities
	Resurfacing of Streets	531,251	Committed Improvement of Streets and Sidewalks
	Construction of Real Marina	200,000	Committed to Improvement and Construction of Facilities
	Post-Closure Care Costs	184,187	Committed to Sanitation

20. COMMITMENTS (continuation)

C. Other Commitments

At June 30, 2011, the non-major Special Revenue Funds had a deficit of \$487,341 as follows: FEMA Fund \$199, Building Rent Fund \$7,370, Municipal Police Fund \$39,608, State Department of Labor Fund \$405,930, Public Relations Activities Fund \$24,939, and Child Care Fund \$9,295; and non-major Capital Projects Funds had a deficit of \$1,483,342 as follows: Construction & Improvement of Recreational Facilities \$234,196, Streets and Sidewalks Improvement Projects Fund \$958,708, Las Cascadas Hotel \$146,426, Roads Construction & Improvement \$2,001, Ice Skate Arena Third Floor Reimbursement Fund \$22,746, City Hall Annex Construction Fund \$13,500, and Anthropologic Museum Construction Fund \$105,765. The deficits result from the accrual of expenditures without accruing intergovernmental revenues for reimbursement of expenditures. As required by current standards, the Municipality recorded intergovernmental revenues for reimbursement-based (expenditure-driven) grants on GFFS when all applicable eligibility requirements have been met and the resources are available. Any amount not covered by the corresponding award will be covered with future budgetary appropriations of the general fund, if necessary.

21. NET ASSETS/FUND BALANCES RESTATEMENTS

A. Net Assets Restatements

During the year, the Municipality adjusted the governmental net assets for capital assets not previously recognized and for unrecognized revenues. The following schedule reconciles the June 30, 2010 Net Assets, as previously reported to Beginning Net Assets, as restated, July 1, 2010, for Governmental Activities.

	GOVERNMENTAL ACTIVITIES
Net Assets, as Previously Reported, At June 30, 2010	\$ 127,887,856
Adjustments to Capital Assets	439,028
Adjustments to Accounts Payable	21,541
Beginning Net Assets, as Restated, At July 1, 2010	\$ 128,348,425

B. Fund Balances Restatements

The following reconciles the June 30, 2010 Fund Balance, as previously reported to Beginning Fund Balance, as restated, July 1, 2010 for the following funds:

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS
Fund Balance, as Previously Reported, At June 30, 2010	\$ 11,727,026	\$ 12,039,606
Reclassification of Fund Balances	1,190	(1,190)
Adjustments to Accounts Payable	-	21,541
Adjustments Due From (To) Other Funds	(89,801)	89,801
Beginning Fund Balance, as Restated, At July 1, 2010	\$ 11,638,415	\$ 12,149,758

22. SUBSEQUENT EVENTS

The franchises were operating as Enterprise Funds until July 31, 2011. Effective August 1, 2011, new franchises were created by the Municipality to operate as for profit entities.

END OF NOTES

COMBINING FINANCIAL STATEMENTS AND SCHEDULES



“Miguel A. García Méndez Walk”, located between the Aguadilla City Municipal Hall Building and the New Annex Building under construction.



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SPECIAL REVENUES FUNDS

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

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

FEMA Fund – Accounts for the grant awards of the Public Assistance Grants from the US Department of Homeland Security. These awards are used for the rehabilitation of housing and infrastructure of the **Municipality** in the event of a natural disaster.

Edward Byrne Formula Fund – Accounts for the grant award to reduce and prevent illegal drug activity, crime and violence and to improve the funding of the criminal justice system.

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

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

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

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

Public Relations Activities Fund – Accounts for recreational activities provided to the citizens.

Sports Activities Income Fund – Accounts for state appropriations related to sport activities.

Homeland Security Program Fund – Accounts for the funds of the Home Land Security Program which are restricted for the training of the personnel in case of a terrorist attack. The purchase of equipment is allowed and accounted for in this fund.

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

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

Homeless Prevention and Rapid Re-Housing Fund (HPRP) – Accounts for the funds that provide homelessness prevention assistance to household who would otherwise become homeless and to provide assistance to rapidly re-house person who are homeless.

SPECIAL REVENUES FUNDS

(continued)

Wide Brownfield Assessment Fund – Accounts for develop and implement a program to assess local “brownfields” properties or properties whose expansion, redevelopment or reuse may be complicated by the presence of hazardous substances, so that planning may be done to address the contamination.

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

Aguadilla Bowling Arena Fund – Accounts for the revenue and expenditures of the new Aguadilla Bowling Arena.

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

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

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

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

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

CAPITAL PROJECTS FUNDS

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

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

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

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

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

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

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

CAPITAL PROJECT FUNDS

(continued)

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

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

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

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

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

Roads Construction and Improvement Fund – Accounts for major improvements in some roads that area property of the Municipality of as well as property that belong to the Government of Puerto Rico.

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

Ice Skate Arena Third Floor Reimbursement Fund – Accounts for the construction of the third floor of the Ice Skate Arena in which the Yola's Restaurant will be located.

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

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

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

Anthropologic Museum Construction Fund – Accounts for the construction of the new Convention Center. This project is new and is financed through the issuance of the special obligation bond of \$1,100,000.

Canalization of "Rio Ojo de Agua" River Fund – Accounts for the canalization of a river. This year, the Municipality received an intergovernmental revenue of \$3,000,000 for this project.

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	SPECIAL REVENUES FUND	CAPITAL PROJECTS FUND	TOTAL NON-MAJOR FUNDS
ASSETS			
Cash and Investments	\$ 5,615,257	\$ 2,046,679	\$ 7,661,936
Cash with Fiscal Agent	-	7,280,707	7,280,707
Receivables:			
Property Taxes.....	-	-	-
Sales and Usage Taxes.....	209,505	-	209,505
Federal Grants.....	2,354,940	433,722	2,788,662
Municipal Revenue Collection Center.....	-	-	-
Due from Other Funds.....	129,994	83,793	213,787
Others Receivables.....	332,394	5,500	337,894
Total Assets.....	<u>\$ 8,642,090</u>	<u>\$ 9,850,401</u>	<u>\$ 18,492,491</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 428,530	\$ 785,700	\$ 1,214,230
Accrued Interest.....	-	-	-
Due to Governmental Units	-	-	-
Due to Other Funds	2,506,377	2,511,441	5,017,818
Deposits and Bonds.....	400	-	400
Deferred Revenues:			
Volume of Business Taxes	-	-	-
Federal Grants.....	1,882,283	-	1,882,283
Total Liabilities	<u>4,817,590</u>	<u>3,297,141</u>	<u>8,114,731</u>
Fund Balances:			
Restricted.....	1,610,348	7,166,741	8,777,089
Committed	2,701,493	869,861	3,571,354
Assigned	-	-	-
Unassigned (Deficit)	<u>(487,341)</u>	<u>(1,483,342)</u>	<u>(1,970,683)</u>
Total Fund Balances.....	<u>3,824,500</u>	<u>6,553,260</u>	<u>10,377,760</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,642,090</u>	<u>\$ 9,850,401</u>	<u>\$ 18,492,491</u>

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – NON – MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUES FUND	CAPITAL PROJECTS FUND	TOTAL NON – MAJOR MAJOR FUNDS
REVENUES			
Property Taxes	\$ -	\$ -	\$ -
Volume of Business Taxes	-	-	-
Sales and Usage Taxes	2,338,192	-	2,338,192
Federal Grants	5,446,673	94,847	5,541,520
Intergovernmental	736,644	4,343,911	5,080,555
Construction Excise Taxes	-	-	-
Interests	167	2,702	2,869
Charges for Services	1,694,354	102,067	1,796,421
Miscellaneous	16,303	55,372	71,675
Total Revenues	<u>10,232,333</u>	<u>4,598,899</u>	<u>14,831,232</u>
EXPENDITURES			
Current:			
Mayor and Municipal Assembly	-	-	-
General Government	1,936,646	55,096	1,991,742
Public Safety	76,843	-	76,843
Public Works	-	-	-
Culture and Recreation	52,962	-	52,962
Health and Sanitation	514,388	-	514,388
Public Instruction	-	-	-
Landfill Closure Costs	-	-	-
Human Services and Welfare	3,340,253	-	3,340,253
Urban Development	2,773,950	5,914,917	8,688,867
Capital Outlay	1,531,135	4,484,042	6,015,177
Debt Service:			
Principal	-	-	-
Interest and Other Charges	-	-	-
Bond Issue Costs	-	-	-
Total Expenditures	<u>10,226,177</u>	<u>10,454,055</u>	<u>20,680,232</u>
Excess of Revenues Over (Under) Expenditures	<u>6,156</u>	<u>(5,855,156)</u>	<u>(5,849,000)</u>
OTHER FINANCING SOURCES (USES)			
Proceed of Bonds	-	5,206,379	5,206,379
Transfers – In	112,317	437,394	549,711
Transfers – Out	(1,113,173)	(565,915)	(1,679,088)
Total Other Financing Sources and Uses	<u>(1,000,856)</u>	<u>5,077,858</u>	<u>4,077,002</u>
Net Change in Fund Balances	(994,700)	(777,298)	(1,771,998)
Fund Balance – Beginning, as Restated	<u>4,819,200</u>	<u>7,330,558</u>	<u>12,149,758</u>
FUND BALANCES – ENDING	<u>\$ 3,824,500</u>	<u>\$ 6,553,260</u>	<u>\$ 10,377,760</u>

See accompanying Notes to the Basic Financial Statements.

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

COMBINING BALANCE SHEET –
NON – MAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUES
JUNE 30, 2011

	STATE ASSIGNMENTS FUND	FEMA FUND	EDWARD BYRNE FORMULA FUND	BUILDING RENT FUND	MUNICIPAL POLICE FUND	STATE DEPARTMENT OF LABOR FUND
ASSETS						
Cash and Investments.....	\$ 707,552	\$ -	\$ 228,541	\$ 686,797	\$ 276,700	\$ 124,716
Cash with Fiscal Agent.....	-	-	-	-	-	-
Receivables:						
Property Taxes.....	-	-	-	-	-	-
Sales and Usage Taxes.....	-	-	-	-	-	-
Federal Grants.....	-	-	-	-	-	-
Due from Other Funds.....	-	-	-	-	-	-
Others Receivables.....	-	-	-	14,368	-	-
Total Assets.....	\$ 707,552	\$ -	\$ 228,541	\$ 701,165	\$ 276,700	\$ 124,716
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable.....	\$ 34,424	\$ 199	\$ -	\$ 15,390	\$ 385	\$ 3,050
Accrued Interest.....	-	-	-	-	-	-
Due to Governmental Units.....	-	-	-	-	-	-
Due to Other Funds.....	41,011	-	-	519,798	315,923	527,596
Deposits and Bonds.....	-	-	-	-	-	-
Deferred Revenues:						
Volume of Business Taxes.....	-	-	-	-	-	-
Federal Grants.....	-	-	-	-	-	-
Total Liabilities.....	75,435	199	-	535,188	316,308	530,646
Fund Balances:						
Restricted.....	632,117	-	228,541	-	-	-
Committed.....	-	-	-	173,347	-	-
Assigned.....	-	-	-	-	-	-
Unassigned (Deficits).....	-	(199)	-	(7,370)	(39,608)	(405,930)
Total Fund Balances (Deficits).....	632,117	(199)	228,541	165,977	(39,608)	(405,930)
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 707,552	\$ -	\$ 228,541	\$ 701,165	\$ 276,700	\$ 124,716

See accompanying Notes to Basic Financial Statements.

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

COMBINING BALANCE SHEET –
NON – MAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUES – CONTINUE
JUNE 30, 2011

	SCRAP REMOVAL & RECYCLING FUND	PUBLIC RELATIONS ACTIVITIES FUND	SPORTS ACTIVITIES INCOME FUND	HOMELAND SECURITY PROGRAM FUND	URBAN DEVELOPMENT ACTION GRANT FUND
ASSETS					
Cash and Investments	\$ 247,986	\$ -	\$ 11,229	\$ -	\$ 27,246
Cash with Fiscal Agent	-	-	-	-	-
Receivables:					
Property Taxes	-	-	-	-	-
Sales and Usage Taxes	-	-	-	-	-
Federal Grants	-	-	-	252,520	-
Due from Other Funds	-	-	-	-	-
Others Receivables	233,773	-	-	-	-
Total Assets	\$ 481,759	\$ -	\$ 11,229	\$ 252,520	\$ 27,246
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 29,224	\$ 9,202	\$ 861	\$ 2,027	\$ 500
Accrued Interest	-	-	-	-	-
Due to Governmental Units	-	-	-	-	-
Due to Other Funds	4,300	15,737	-	250,492	-
Deposits and Bonds	-	-	-	-	-
Deferred Revenues:					
Volume of Business Taxes	-	-	-	-	-
Federal Grants	-	-	-	-	-
Total Liabilities	33,524	24,939	861	252,519	500
Fund Balances:					
Restricted	-	-	-	1	26,746
Committed	448,235	-	10,368	-	-
Assigned	-	-	-	-	-
Unassigned (Deficits)	-	(24,939)	-	-	-
Total Fund Balances (Deficits)	448,235	(24,939)	10,368	1	26,746
TOTAL LIABILITIES AND FUND BALANCES	\$ 481,759	\$ -	\$ 11,229	\$ 252,520	\$ 27,246

See accompanying Notes to Basic Financial Statements.

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

COMBINING BALANCE SHEET –
NON – MAJOR GOVERNMENTAL FUNDS – *SPECIAL REVENUES* – CONTINUE
JUNE 30, 2011

	HOME PROGRAM FUND	HPRP FUND	WIDE BROWNFIELD ASSESSMENT FUND	CENTERS FOR THE ELDERLY FUND	AGUADILLA BOWLING ARENA FUND	CHILD CARE FUND
ASSETS						
Cash and Investments	\$ 823	\$ -	\$ 5,404	\$ 111,432	\$ 293,114	\$ 359,890
Cash with Fiscal Agent	-	-	-	-	-	-
Receivables:						
Property Taxes	-	-	-	-	-	-
Sales and Usage Taxes	-	-	-	-	-	-
Federal Grants	45,700	90	31,865	367,653	-	-
Due from Other Funds	-	-	-	-	-	-
Others Receivables	-	-	-	82,056	-	-
Total Assets	\$ 46,523	\$ 90	\$ 37,269	\$ 561,141	\$ 293,114	\$ 359,890
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 36,497	\$ 90	\$ -	\$ 204,239	\$ 425	\$ 335
Accrued Interest	-	-	-	-	-	-
Due to Governmental Units	-	-	-	-	-	-
Due to Other Funds	10,026	-	31,865	130,241	8,778	12,116
Deposits and Bonds	-	-	-	-	400	-
Deferred Revenues:						
Volume of Business Taxes	-	-	-	-	-	-
Federal Grants	-	-	-	226,661	-	356,734
Total Liabilities	46,523	90	31,865	561,141	9,603	369,185
Fund Balances:						
Restricted	-	-	5,404	-	-	-
Committed	-	-	-	-	283,511	-
Assigned	-	-	-	-	-	-
Unassigned (Deficits)	-	-	-	-	-	(9,295)
Total Fund Balances (Deficits)	-	-	5,404	-	283,511	(9,295)
TOTAL LIABILITIES AND FUND BALANCES	\$ 46,523	\$ 90	\$ 37,269	\$ 561,141	\$ 293,114	\$ 359,890

See accompanying Notes to Basic Financial Statements.

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

COMBINING BALANCE SHEET –
NON – MAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUES – CONTINUE
JUNE 30, 2011

	SALES TAX REVENUE FUND	SECTION 8 FUND	CDBG FUND	EMERGENCY SHELTER GRANT FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS					
Cash and Investments	\$ 2,074,605	\$ 427,276	\$ 31,946	\$ -	\$ 5,615,257
Cash with Fiscal Agent	-	-	-	-	-
Receivables:					
Property Taxes	-	-	-	-	-
Sales and Usage Taxes	209,505	-	-	-	209,505
Federal Grants	-	-	1,615,029	42,083	2,354,940
Due from Other Funds	129,994	-	-	-	129,994
Others Receivables	-	2,197	-	-	332,394
Total Assets	\$ 2,414,104	\$ 429,473	\$ 1,646,975	\$ 42,083	\$ 8,642,090
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 21,205	\$ 3,993	\$ 61,607	\$ 4,877	\$ 428,530
Accrued Interest	-	-	-	-	-
Due to Governmental Units	-	-	-	-	-
Due to Other Funds	606,867	31,627	-	-	2,506,377
Deposits and Bonds	-	-	-	-	400
Deferred Revenues:					
Volume of Business Taxes	-	-	-	-	-
Federal Grants	-	-	1,298,888	-	1,882,283
Total Liabilities	628,072	35,620	1,360,495	4,877	4,817,590
Fund Balances:					
Restricted	-	393,853	286,480	37,206	1,610,348
Committed	1,786,032	-	-	-	2,701,493
Assigned	-	-	-	-	-
Unassigned (Deficits)	-	-	-	-	(487,341)
Total Fund Balances (Deficits)	1,786,032	393,853	286,480	37,206	3,824,500
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,414,104	\$ 429,473	\$ 1,646,975	\$ 42,083	\$ 8,642,090

See accompanying Notes to Basic Financial Statements.

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – NON – MAJOR GOVERNMENTAL
FUNDS – SPECIAL REVENUES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO**

	STATE ASSIGNMENTS FUND	FEMA FUND	EDWARD BYRNE FORMULA FUND	BUILDING RENT FUND	MUNICIPAL POLICE FUND	STATE DEPARTMENT OF LABOR FUND
REVENUES:						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes	-	-	-	-	-	-
Sales and Usage Taxes	-	-	-	-	-	-
Federal Grants	-	-	114,187	-	-	-
Intergovernmental	351,201	-	-	-	71,028	27,668
Construction Excise Taxes	-	-	-	-	-	-
Interests	-	-	167	-	-	-
Charges for Services	-	-	-	949,979	-	-
Miscellaneous	-	-	-	225	13,448	-
Total Revenues	<u>351,201</u>	<u>-</u>	<u>114,354</u>	<u>950,204</u>	<u>84,476</u>	<u>27,668</u>
EXPENDITURES:						
Current:						
Mayor and Municipal Assembly	-	-	-	-	-	-
General Government	4,508	2,254	-	746,982	-	190,708
Public Safety	-	-	-	-	76,843	-
Public Works	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Health and Sanitation	-	-	-	-	-	-
Public Instruction	-	-	-	-	-	-
Landfill Closure Costs	-	-	-	-	-	-
Human Services and Welfare	45,546	-	-	-	-	-
Urban Development	106,559	-	-	-	-	-
Capital Outlay	-	-	-	300,142	13,846	139
Debt Service:						
Principal	-	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-	-
Bond Issue Costs	-	-	-	-	-	-
Total Expenditures	<u>156,613</u>	<u>2,254</u>	<u>-</u>	<u>1,047,124</u>	<u>90,689</u>	<u>190,847</u>
Excess of Revenues Over (Under) Expenditures	<u>194,588</u>	<u>(2,254)</u>	<u>114,354</u>	<u>(96,920)</u>	<u>(6,213)</u>	<u>(163,179)</u>
OTHER FINANCING SOURCES (USES)						
Proceed of Bonds	-	-	-	-	-	-
Transfers – In	-	-	-	-	-	6,341
Transfers – Out	-	(7,396)	-	(207,644)	(6,341)	-
Total Other Financing Sources and Uses	<u>-</u>	<u>(7,396)</u>	<u>-</u>	<u>(207,644)</u>	<u>(6,341)</u>	<u>6,341</u>
Net Change in Fund Balances	194,588	(9,650)	114,354	(304,564)	(12,554)	(156,838)
Fund Balance (Deficits) – Beginning, as Restated	<u>437,529</u>	<u>9,451</u>	<u>114,187</u>	<u>470,541</u>	<u>(27,054)</u>	<u>(249,092)</u>
FUND BALANCES (DEFICITS) – ENDING	<u>\$ 632,117</u>	<u>(\$ 199)</u>	<u>\$ 228,541</u>	<u>\$ 165,977</u>	<u>(\$ 39,608)</u>	<u>(\$ 405,930)</u>

See accompanying Notes to Basic Financial Statements.

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – NON – MAJOR GOVERNMENTAL
FUNDS – SPECIAL REVENUES – CONTINUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO**

	SCRAP REMOVAL & RECYCLING FUND	PUBLIC RELATIONS ACTIVITIES FUND	SPORTS ACTIVITIES INCOME FUND	HOMELAND SECURITY PROGRAM FUND	URBAN DEVELOPMENT ACTION GRANT FUND
REVENUES:					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes	-	-	-	-	-
Sales and Usage Taxes	-	-	-	-	-
Federal Grants	-	-	-	60,441	6,736
Intergovernmental	-	57,837	-	-	-
Construction Excise Taxes	-	-	-	-	-
Interests	-	-	-	-	-
Charges for Services	499,097	3,960	5,882	-	-
Miscellaneous	2,630	-	-	-	-
Total Revenues	501,727	61,797	5,882	60,441	6,736
EXPENDITURES:					
Current:					
Mayor and Municipal Assembly	-	-	-	-	-
General Government	300	-	-	-	362
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Culture and Recreation	-	50,601	2,361	-	-
Health and Sanitation	487,909	-	-	-	-
Public Instruction	-	-	-	-	-
Landfill Closure Costs	-	-	-	-	-
Human Services and Welfare	-	-	-	-	-
Urban Development	-	-	-	-	-
Capital Outlay	96,716	12,337	-	60,441	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
Bond Issue Costs	-	-	-	-	-
Total Expenditures	584,925	62,938	2,361	60,441	362
Excess of Revenues Over (Under) Expenditures	(83,198)	(1,141)	3,521	-	6,374
OTHER FINANCING SOURCES (USES):					
Proceed of Bonds	-	-	-	-	-
Transfers – In	33,660	8,065	4,156	-	-
Transfers – Out	(4,825)	-	-	-	-
Total Other Financing Sources and Uses	28,835	8,065	4,156	-	-
Net Change in Fund Balances	(54,363)	6,924	7,677	-	6,374
Fund Balance (Deficits) – Beginning, as Restated	502,598	(31,863)	2,691	1	20,372
FUND BALANCES (DEFICITS) – ENDING	\$ 448,235	(\$ 24,939)	\$ 10,368	\$ 1	\$ 26,746

See accompanying Notes to Basic Financial Statements.

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – NON – MAJOR GOVERNMENTAL
FUNDS – SPECIAL REVENUES – CONTINUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO**

	HOME PROGRAM FUND	HPRP FUND	WIDE BROWNFIELD ASSESSMENT FUND	CENTERS FOR THE ELDERLY FUND	AGUADILLA BOWLING ARENA FUND	CHILD CARE FUND
REVENUES:						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes	-	-	-	-	-	-
Sales and Usage Taxes	-	-	-	-	-	-
Federal Grants	462,467	362,281	37,269	264,772	-	469,786
Intergovernmental	-	-	-	228,910	-	-
Construction Excise Taxes	-	-	-	-	-	-
Interests	-	-	-	-	-	-
Charges for Services	-	-	-	-	235,436	-
Miscellaneous	-	-	-	-	-	-
Total Revenues	462,467	362,281	37,269	493,682	235,436	469,786
EXPENDITURES:						
Current:						
Mayor and Municipal Assembly	-	-	-	-	-	-
General Government	-	-	-	-	86,258	-
Public Safety	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Health and Sanitation	-	-	26,479	-	-	-
Public Instruction	-	-	-	-	-	-
Landfill Closure Costs	-	-	-	-	-	-
Human Services and Welfare	462,467	362,528	-	493,682	-	478,573
Urban Development	-	-	-	-	-	-
Capital Outlay	-	-	-	-	7,091	508
Debt Service:						
Principal	-	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-	-
Bond Issue Costs	-	-	-	-	-	-
Total Expenditures	462,467	362,528	26,479	493,682	93,349	479,081
Excess of Revenues Over (Under) Expenditures	-	(247)	10,790	-	142,087	(9,295)
OTHER FINANCING SOURCES (USES):						
Proceed of Bonds	-	-	-	-	-	-
Transfers – In	-	-	-	-	-	-
Transfers – Out	-	-	-	-	-	-
Total Other Financing Sources and Uses	-	-	-	-	-	-
Net Change in Fund Balances	-	(247)	10,790	-	142,087	(9,295)
Fund Balance (Deficits) – Beginning, as Restated	-	247	(5,386)	-	141,424	-
FUND BALANCES (DEFICITS) – ENDING	\$ -	\$ -	\$ 5,404	\$ -	\$ 283,511	(\$ 9,295)

See accompanying Notes to Basic Financial Statements.

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – NON – MAJOR GOVERNMENTAL
FUNDS – SPECIAL REVENUES – CONTINUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO**

	SALES TAX REVENUE FUND	SECTION 8 FUND	CDBG FUND	EMERGENCY SHELTER GRANT FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES:					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes	-	-	-	-	-
Sales and Usage Taxes	2,338,192	-	-	-	2,338,192
Federal Grants	-	1,333,643	2,225,794	109,297	5,446,673
Intergovernmental	-	-	-	-	736,644
Construction Excise Taxes	-	-	-	-	-
Interests	-	-	-	-	167
Charges for Services	-	-	-	-	1,694,354
Miscellaneous	-	-	-	-	16,303
Total Revenues	<u>2,338,192</u>	<u>1,333,643</u>	<u>2,225,794</u>	<u>109,297</u>	<u>10,232,333</u>
EXPENDITURES:					
Current:					
Mayor and Municipal Assembly	-	-	-	-	-
General Government	905,274	-	-	-	1,936,646
Public Safety	-	-	-	-	76,843
Public Works	-	-	-	-	-
Culture and Recreation	-	-	-	-	52,962
Health and Sanitation	-	-	-	-	514,388
Public Instruction	-	-	-	-	-
Landfill Closure Costs	-	-	-	-	-
Human Services and Welfare	-	1,370,638	-	126,819	3,340,253
Urban Development	1,315,819	-	1,350,639	933	2,773,950
Capital Outlay	1,039,915	-	-	-	1,531,135
Debt Service:					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
Bond Issue Costs	-	-	-	-	-
Total Expenditures	<u>3,261,008</u>	<u>1,370,638</u>	<u>1,350,639</u>	<u>127,752</u>	<u>10,226,177</u>
Excess of Revenues Over (Under) Expenditures	<u>(922,816)</u>	<u>(36,995)</u>	<u>875,155</u>	<u>(18,455)</u>	<u>6,156</u>
OTHER FINANCING SOURCES (USES):					
Proceed of Bonds	-	-	-	-	-
Transfers – In	-	-	60,095	-	112,317
Transfers – Out	-	-	(886,967)	-	(1,113,173)
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>(826,872)</u>	<u>-</u>	<u>(1,000,856)</u>
Net Change in Fund Balances	<u>(922,816)</u>	<u>(36,995)</u>	<u>48,283</u>	<u>(18,455)</u>	<u>(994,700)</u>
Fund Balance (Deficits) – Beginning, as Restated	<u>2,708,848</u>	<u>430,848</u>	<u>238,197</u>	<u>55,661</u>	<u>4,819,200</u>
FUND BALANCES (DEFICITS) – ENDING	<u>\$ 1,786,032</u>	<u>\$ 393,853</u>	<u>\$ 286,480</u>	<u>\$ 37,206</u>	<u>\$ 3,824,500</u>

See accompanying Notes to Basic Financial Statements.

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

COMBINING BALANCE SHEET –
NON – MAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS
JUNE 30, 2011

	CONSTRUCTION & IMPROVEMENT OF RECREATIONAL FACILITIES FUND	EMERGENCY CENTER CONSTRUCTION FUND	RAMEY SKATE PARK PROJECT FUND	MUNICIPAL LIBRARIES FUND	FOUNTAIN OF YOUTH PROJECT FUND
ASSETS					
Cash and Investments.....	\$ 944,683	\$ 598,000	\$ 56,791	\$ 12,391	\$ -
Cash with Fiscal Agent.....	2,502,031	-	2,106	37,080	527,095
Receivables:					
Property Taxes.....	-	-	-	-	-
Sales and Usage Taxes.....	-	-	-	-	-
Federal Grants.....	-	-	-	-	-
Due from Other Funds.....	-	-	-	-	-
Others Receivables.....	-	-	-	-	-
Total Assets.....	\$ 3,446,714	\$ 598,000	\$ 58,897	\$ 49,471	\$ 527,095
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable.....	\$ 5,657	\$ -	\$ 896	\$ 21	\$ 12,774
Accrued Interest.....	-	-	-	-	-
Due to Governmental Units.....	-	-	-	-	-
Due to Other Funds.....	408,985	-	3,500	-	103,279
Deposits and Bonds.....	-	-	-	-	-
Deferred Revenues:					
Volume of Business Taxes.....	-	-	-	-	-
Federal Grants.....	-	-	-	-	-
Total Liabilities.....	414,642	-	4,396	21	116,053
Fund Balances:					
Restricted.....	3,197,073	-	-	42,827	411,042
Committed.....	69,195	598,000	54,501	6,623	-
Assigned.....	-	-	-	-	-
Unassigned (Deficit).....	(234,196)	-	-	-	-
Total Fund Balances (Deficit).....	3,032,072	598,000	54,501	49,450	411,042
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 3,446,714	\$ 598,000	\$ 58,897	\$ 49,471	\$ 527,095

See accompanying Notes to Basic Financial Statements.

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

COMBINING BALANCE SHEET –
NON – MAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS – CONTINUE
JUNE 30, 2011

	VEHICLES AND PROPERTY ACQUISITION FUND	STREETS AND SIDEWALKS IMPROVEMENT PROJECTS FUND	MUNICIPAL COURTHOUSE CONSTRUCTION FUND	CLOCK TOWER CONSTRUCTION FUND	ACTIVITY CENTER CONSTRUCTION FUND
ASSETS					
Cash and Investments	\$ -	\$ 121,324	\$ -	\$ -	\$ -
Cash with Fiscal Agent	19,221	1,256,600	749,529	76,670	225,174
Receivables:					
Property Taxes	-	-	-	-	-
Sales and Usage Taxes	-	-	-	-	-
Federal Grants	-	433,722	-	-	-
Due from Other Funds	-	83,793	-	-	-
Others Receivables	-	-	-	-	-
Total Assets	\$ 19,221	\$ 1,895,439	\$ 749,529	\$ 76,670	\$ 225,174
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 2,429	\$ 285,808	\$ 390	\$ -	\$ -
Accrued Interest	-	-	-	-	-
Due to Governmental Units	-	-	-	-	-
Due to Other Funds	7,454	1,652,158	7,278	-	-
Deposits and Bonds	-	-	-	-	-
Deferred Revenues:					
Volume of Business Taxes	-	-	-	-	-
Federal Grants	-	-	-	-	-
Total Liabilities	9,883	1,937,966	7,668	-	-
Fund Balances:					
Restricted	9,338	858,654	741,861	76,670	225,174
Committed	-	57,527	-	-	-
Assigned	-	-	-	-	-
Unassigned (Deficit)	-	(958,708)	-	-	-
Total Fund Balances (Deficit)	9,338	(42,527)	741,861	76,670	225,174
TOTAL LIABILITIES AND FUND BALANCES	\$ 19,221	\$ 1,895,439	\$ 749,529	\$ 76,670	\$ 225,174

See accompanying Notes to Basic Financial Statements.

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

COMBINING BALANCE SHEET –
NON – MAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS – CONTINUE
JUNE 30, 2011

	COMMERCIAL PROPERTY ACQUISITION FUND	LAS CASCADAS HOTEL FUND	ROADS CONSTRUCTION & IMPROVEMENT FUND	RAMEY SKATE PARK GAZEBO RENT INCOME FUND	ICE SKATE ARENA THIRD FLOOR REIMBURSEMENT FUND
ASSETS					
Cash and Investments	\$ -	\$ -	\$ 228,568	\$ 84,922	\$ -
Cash with Fiscal Agent	9,397	-	251,640	-	-
Receivables:					
Property Taxes	-	-	-	-	-
Sales and Usage Taxes	-	-	-	-	-
Federal Grants	-	-	-	-	-
Due from Other Funds	-	-	-	-	-
Others Receivables	-	-	-	5,500	-
Total Assets	\$ 9,397	\$ -	\$ 480,208	\$ 90,422	\$ -
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ -	\$ -	\$ 13,872	\$ 2,309	\$ 22,746
Accrued Interest	-	-	-	-	-
Due to Governmental Units	-	-	-	-	-
Due to Other Funds	-	146,426	-	4,098	-
Deposits and Bonds	-	-	-	-	-
Deferred Revenues:					
Volume of Business Taxes	-	-	-	-	-
Federal Grants	-	-	-	-	-
Total Liabilities	-	146,426	13,872	6,407	22,746
Fund Balances:					
Restricted	9,397	-	468,337	-	-
Committed	-	-	-	84,015	-
Assigned	-	-	-	-	-
Unassigned (Deficit)	-	(146,426)	(2,001)	-	(22,746)
Total Fund Balances (Deficit)	9,397	(146,426)	466,336	84,015	(22,746)
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,397	\$ -	\$ 480,208	\$ 90,422	\$ -

See accompanying Notes to the Basic Financial Statements.

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

COMBINING BALANCE SHEET –
NON – MAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS – CONTINUE
JUNE 30, 2011

	CITY HALL ANNEX CONSTRUCTION FUND	CONVENTION CENTER CONSTRUCTION FUND	ART CENTER CONSTRUCTION FUND	ANTHROPOLOGIC MUSEUM CONSTRUCTION FUND	CANALIZATION "OJO DE AGUA" RIVER FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS						
Cash and Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,046,679
Cash with Fiscal Agent.....	1,611,528	3,655	4,561	514	3,906	7,280,707
Receivables:						
Property Taxes.....	-	-	-	-	-	-
Sales and Usage Taxes.....	-	-	-	-	-	-
Federal Grants.....	-	-	-	-	-	433,722
Due from Other Funds.....	-	-	-	-	-	83,793
Others Receivables.....	-	-	-	-	-	5,500
Total Assets.....	\$ 1,611,528	\$ 3,655	\$ 4,561	\$ 514	\$ 3,906	\$ 9,850,401
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 392,064	\$ -	\$ -	\$ 46,734	\$ -	\$ 785,700
Accrued Interest.....	-	-	-	-	-	-
Due to Governmental Units.....	-	-	-	-	-	-
Due to Other Funds.....	118,718	-	-	59,545	-	2,511,441
Deposits and Bonds.....	-	-	-	-	-	-
Deferred Revenues:						
Volume of Business Taxes.....	-	-	-	-	-	-
Federal Grants.....	-	-	-	-	-	-
Total Liabilities.....	510,782	-	-	106,279	-	3,297,141
Fund Balances:						
Restricted.....	1,114,246	3,655	4,561	-	3,906	7,166,741
Committed.....	-	-	-	-	-	869,861
Assigned.....	-	-	-	-	-	-
Unassigned (Deficit).....	(13,500)	-	-	(105,765)	-	(1,483,342)
Total Fund Balances (Deficit).....	1,100,746	3,655	4,561	(105,765)	3,906	6,553,260
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 1,611,528	\$ 3,655	\$ 4,561	\$ 514	\$ 3,906	\$ 9,850,401

See accompanying Notes to the Basic Financial Statements.

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – NON – MAJOR GOVERNMENTAL
FUNDS – CAPITAL PROJECTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO**

	CONSTRUCTION & IMPROVEMENT OF RECREATIONAL FACILITIES FUND	EMERGENCY CENTER CONSTRUCTION FUND	RAMEY SKATE PARK PROJECT FUND	MUNICIPAL LIBRARIES FUND	FOUNTAIN OF YOUTH PROJECT FUND
REVENUES					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes	-	-	-	-	-
Sales and Usage Taxes	-	-	-	-	-
Federal Grants	55,600	-	-	7,291	-
Intergovernmental	80,000	636,000	-	-	-
Construction Excise Taxes	-	-	-	-	-
Interests	-	-	-	-	-
Charges for Services	-	-	-	-	-
Miscellaneous	55,372	-	-	-	-
Total Revenues	190,972	636,000	-	7,291	-
EXPENDITURES					
Current:					
Mayor and Municipal Assembly	-	-	-	-	-
General Government	867	-	-	-	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Health and Sanitation	-	-	-	-	-
Public Instruction	-	-	-	-	-
Landfill Closure Costs	-	-	-	-	-
Human Services and Welfare	-	-	-	-	-
Urban Development	-	-	-	-	-
Capital Outlay	86,744	38,000	-	71,432	12,528
Debt Service:					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
Bond Issue Costs	-	-	-	-	-
Total Expenditures	87,611	38,000	-	71,432	12,528
Excess of Revenues Over (Under) Expenditures	103,361	598,000	-	(64,141)	(12,528)
OTHER FINANCING SOURCES (USES)					
Proceed of Bonds	1,705,000	-	-	-	-
Transfers – In	29,953	-	-	-	-
Transfers – Out	(239,719)	-	(20,911)	-	(3,380)
Total Other Financing Sources and Uses	1,495,234	-	(20,911)	-	(3,380)
Net Change in Fund Balances	1,598,595	598,000	(20,911)	(64,141)	(15,908)
Fund Balance (Deficits) – Beginning, as Restated	1,433,477	-	75,412	113,591	426,950
FUND BALANCES (DEFICITS) – ENDING	\$ 3,032,072	\$ 598,000	\$ 54,501	\$ 49,450	\$ 411,042

See accompanying Notes to Basic Financial Statements.

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – NON – MAJOR GOVERNMENTAL
FUNDS – CAPITAL PROJECTS – CONTINUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO**

	VEHICLES AND PROPERTY ACQUISITION FUND	STREETS AND SIDEWALKS IMPROVEMENT PROJECTS FUND	MUNICIPAL COURTHOUSE CONSTRUCTION FUND	CLOCK TOWER CONSTRUCTION FUND	ACTIVITY CENTER CONSTRUCTION FUND
REVENUES					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes	-	-	-	-	-
Sales and Usage Taxes	-	-	-	-	-
Federal Grants	-	-	-	-	-
Intergovernmental	-	55,000	-	-	-
Construction Excise Taxes	-	-	-	-	-
Interests	-	2,702	-	-	-
Charges for Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenues	-	57,702	-	-	-
EXPENDITURES					
Current:					
Mayor and Municipal Assembly	-	-	-	-	-
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Health and Sanitation	-	-	-	-	-
Public Instruction	-	-	-	-	-
Landfill Closure Costs	-	-	-	-	-
Human Services and Welfare	-	-	-	-	-
Urban Development	-	2,568,517	-	-	-
Capital Outlay	624	1,065,698	97,099	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
Bond Issue Costs	-	-	-	-	-
Total Expenditures	624	3,634,215	97,099	-	-
Excess of Revenues Over (Under) Expenditures	<u>(624)</u>	<u>(3,576,513)</u>	<u>(97,099)</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Proceed of Bonds	-	3,305,106	-	-	-
Transfers – In	-	373,094	-	-	-
Transfers – Out	-	(293,657)	-	-	-
Total Other Financing Sources and Uses	-	3,384,543	-	-	-
Net Change in Fund Balances	(624)	(191,970)	(97,099)	-	-
Fund Balance (Deficits) – Beginning, as Restated	<u>9,962</u>	<u>149,443</u>	<u>838,960</u>	<u>76,670</u>	<u>225,174</u>
FUND BALANCES (DEFICITS) – ENDING	\$ 9,338	(\$ 42,527)	\$ 741,861	\$ 76,670	\$ 225,174

See accompanying Notes to Basic Financial Statements.

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – NON – MAJOR GOVERNMENTAL
FUNDS – CAPITAL PROJECTS – CONTINUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO**

	COMMERCIAL PROPERTY ACQUISITION FUND	LAS CASCADAS HOTEL FUND	ROADS CONSTRUCTION & IMPROVEMENT FUND	RAMEY SKATE PARK GAZEBO RENT INCOME FUND	ICE SKATE ARENA THIRD FLOOR REIMBURSEMENT FUND
REVENUES					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes	-	-	-	-	-
Sales and Usage Taxes	-	-	-	-	-
Federal Grants	-	-	-	-	-
Intergovernmental	-	-	572,911	-	-
Construction Excise Taxes	-	-	-	-	-
Interests	-	-	-	-	-
Charges for Services	-	-	-	102,067	-
Miscellaneous	-	-	-	-	-
Total Revenues	-	-	572,911	102,067	-
EXPENDITURES					
Current:					
Mayor and Municipal Assembly	-	-	-	-	-
General Government	-	-	-	54,229	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Health and Sanitation	-	-	-	-	-
Public Instruction	-	-	-	-	-
Landfill Closure Costs	-	-	-	-	-
Human Services and Welfare	-	-	-	-	-
Urban Development	-	-	346,400	-	-
Capital Outlay	-	-	529,060	1,861	18,245
Debt Service:					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
Bond Issue Costs	-	-	-	-	-
Total Expenditures	-	-	875,460	56,090	18,245
Excess of Revenues Over (Under) Expenditures	-	-	(302,549)	45,977	(18,245)
OTHER FINANCING SOURCES (USES)					
Proceed of Bonds	-	-	-	-	-
Transfers – In	-	-	-	-	14,847
Transfers – Out	(1,540)	-	-	-	-
Total Other Financing Sources and Uses	(1,540)	-	-	-	14,847
Net Change in Fund Balances	(1,540)	-	(302,549)	45,977	(3,398)
Fund Balance (Deficits) – Beginning, as Restated	10,937	(146,426)	768,885	38,038	(19,348)
FUND BALANCES (DEFICITS) – ENDING.	\$ 9,397	(\$ 146,426)	\$ 466,336	\$ 84,015	(\$ 22,746)

See accompanying Notes to Basic Financial Statements.

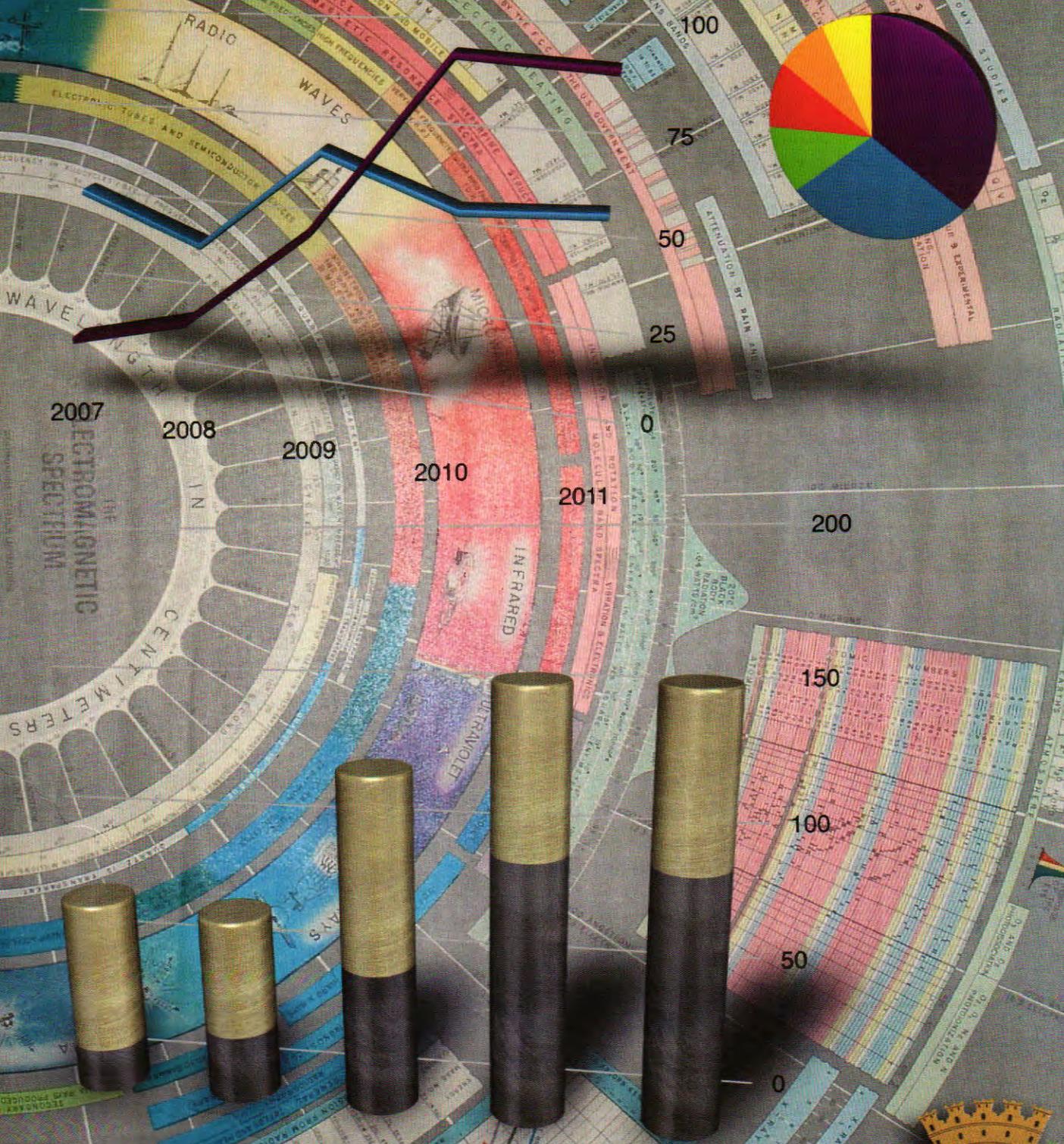
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – NON – MAJOR GOVERNMENTAL
FUNDS – CAPITAL PROJECTS – CONTINUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO**

	CITY HALL ANNEX CONSTRUCTION FUND	CONVENTION CENTER CONSTRUCTION FUND	ART CENTER CONSTRUCTION FUND	ANTHROPOLOGIC MUSEUM CONSTRUCTION FUND	CANALIZATION "OJO DE AGUA" RIVER FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES						
Property Taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes.....	-	-	-	-	-	-
Sales and Usage Taxes.....	-	-	-	-	-	-
Federal Grants.....	-	-	-	31,956	-	94,847
Intergovernmental.....	-	-	-	-	3,000,000	4,343,911
Licenses and Permits.....	-	-	-	-	-	-
Interests.....	-	-	-	-	-	2,702
Charges for Services.....	-	-	-	-	-	102,067
Miscellaneous.....	-	-	-	-	-	55,372
Total Revenues.....	-	-	-	31,956	3,000,000	4,598,899
EXPENDITURES						
Current:						
Mayor and Municipal Assembly.....	-	-	-	-	-	-
General Government.....	-	-	-	-	-	55,096
Public Safety.....	-	-	-	-	-	-
Public Works.....	-	-	-	-	-	-
Culture and Recreation.....	-	-	-	-	-	-
Health and Sanitation.....	-	-	-	-	-	-
Public Instruction.....	-	-	-	-	-	-
Landfill Closure Costs.....	-	-	-	-	-	-
Human Services and Welfare.....	-	-	-	-	-	-
Urban Development.....	-	-	-	-	3,000,000	5,914,917
Capital Outlay.....	2,354,825	-	-	207,926	-	4,484,042
Debt Service:						
Principal.....	-	-	-	-	-	-
Interest and Other Charges.....	-	-	-	-	-	-
Bond Issue Costs.....	-	-	-	-	-	-
Total Expenditures.....	2,354,825	-	-	207,926	3,000,000	10,454,055
Excess of Revenues Over (Under) Expenditures.....	(2,354,825)	-	-	(175,970)	-	(5,855,156)
OTHER FINANCING SOURCES (USES)						
Proceed of Bonds.....	-	-	-	196,273	-	5,206,379
Transfers – In.....	19,500	-	-	-	-	437,394
Transfers – Out.....	(4,635)	-	(2,073)	-	-	(565,915)
Total Other Financing Sources and Uses.....	14,865	-	(2,073)	196,273	-	5,077,858
Net Change in Fund Balances.....	(2,339,960)	-	(2,073)	20,303	-	(777,298)
Fund Balance (Deficits) – Beginning, as Restated.....	3,440,706	3,655	6,634	(126,068)	3,906	7,330,558
FUND BALANCES (DEFICITS) – ENDING.....	\$ 1,100,746	\$ 3,655	\$ 4,561	(\$ 105,765)	\$ 3,906	\$ 6,553,260

See accompanying Notes to Basic Financial Statements.

STATISTICAL SECTION



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STATISTICAL SECTION

This part of the **Municipality of Aguadilla's Comprehensive Annual Financial Report** presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the **Municipality's** overall financial health.

FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the **Municipality's** financial performance and fiscal health has changed over time. The schedules presented from an entity wide perspective only include Fiscal year 2003 and forward, coinciding with the implementation of GASB Statement No. 34. During Fiscal Year 2010-2011, the **Municipality** implemented the requirements of GASB Statement No. 54. A restatement of the Fund Balance data presented is included only for the Fiscal Year 2009-2010. For the Business – Type Activities, schedules are presented for Fiscal Year 2006 and forward. Fund perspective schedules are presented for the last ten years, except where noted. Schedules included are:

Entity Wide Perspective

Net Assets Trend by Component for the Last Nine Fiscal Years (Primary Government).....	91
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Net Assets' Change Trend for the Last Six Fiscal Years (Business-Type Activities)	98

Fund Perspective

Fund Balance for the Last Ten Fiscal Years (Governmental Activities)	99
Changes in Fund Balance for the Last Ten Fiscal Years (Governmental Activities)	100-101

REVENUE CAPACITY

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

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

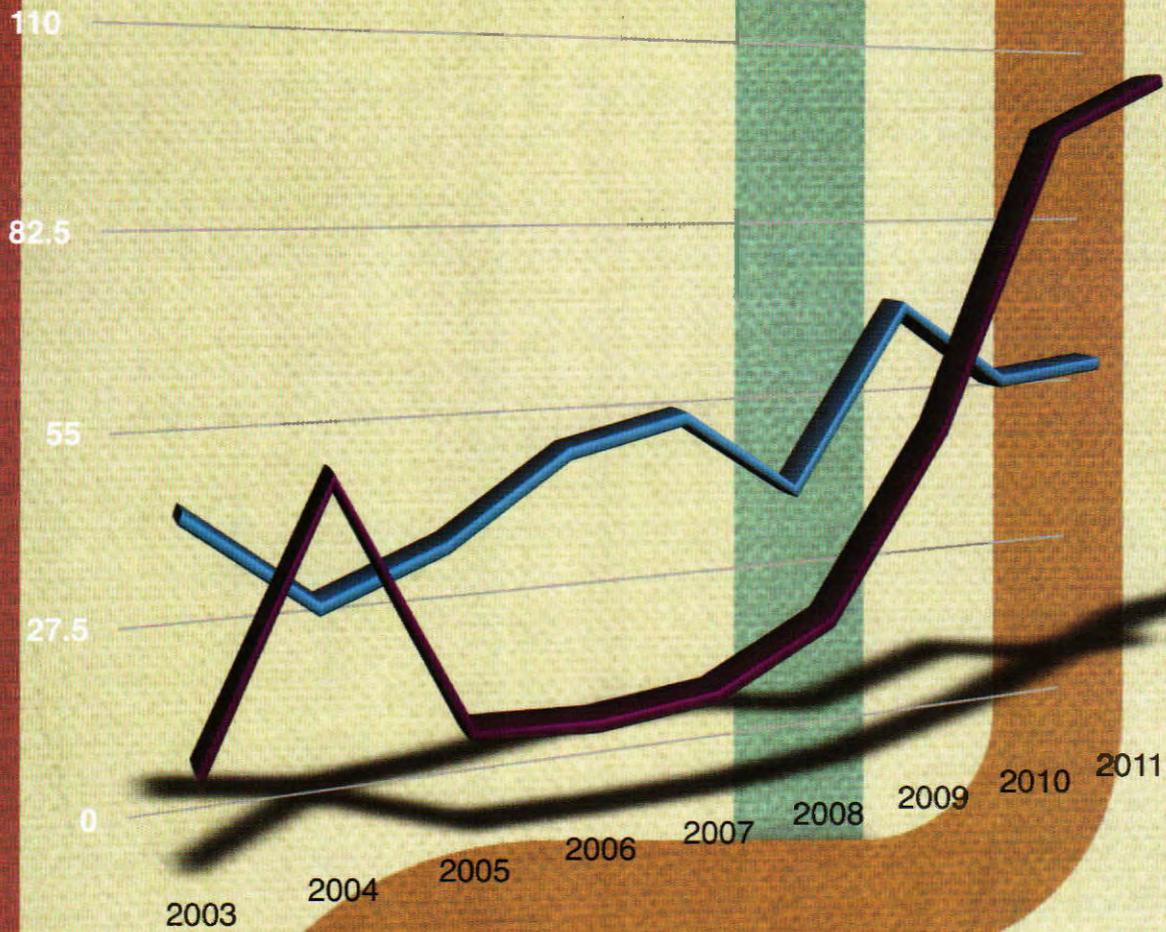
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FINANCIAL TRENDS



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GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

NET ASSETS TREND BY COMPONENT FOR THE LAST NINE FISCAL YEARS
PRIMARY GOVERNMENT

	<u>2011</u>	<u>2010</u>	<u>2009 ^(b)</u>	<u>2008 ^(a)</u>	<u>2007 ^(a)</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
NET ASSETS:									
Investment in Capital Assets, Net of Related Debt	\$ 113,635,781	\$ 109,902,707	\$ 108,994,704	\$ 99,290,451	\$ 105,675,025	\$ 80,151,494	\$ 45,180,649	\$ 48,840,015	\$ 39,924,949
Restricted	20,249,051	20,725,293	23,283,794	25,557,280	17,932,162	18,251,736	42,823,268	30,418,744	14,826,947
Unrestricted	<u>5,716,966</u>	<u>8,038,476</u>	<u>1,974,089</u>	<u>7,400,958</u>	<u>6,010,803</u>	<u>5,261,097</u>	<u>1,965,950</u>	<u>5,658,968</u>	<u>2,645,023</u>
TOTAL NET ASSETS	<u>\$ 139,601,798</u>	<u>\$ 138,666,476</u>	<u>\$ 134,252,587</u>	<u>\$ 132,248,689</u>	<u>\$ 129,617,990</u>	<u>\$ 103,664,327</u>	<u>\$ 89,969,867</u>	<u>\$ 84,917,727</u>	<u>\$ 57,396,919</u>

Note: The Municipality implemented the GASB Statement 34 on the fiscal year ended June 30, 2003.

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

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

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

NET ASSETS TREND BY COMPONENT FOR THE LAST NINE FISCAL YEARS
GOVERNMENTAL ACTIVITIES

	<u>2011</u>	<u>2010</u>	<u>2009 ^(b)</u>	<u>2008 ^(a)</u>	<u>2007 ^(a)</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
NET ASSETS:									
Investment in Capital Assets, Net of Related Debt	\$ 103,896,202	\$ 100,013,458	\$ 98,858,466	\$ 89,487,550	\$ 95,839,734	\$ 70,068,980	\$ 45,180,649	\$ 48,840,015	\$ 39,924,949
Restricted	20,249,051	20,725,293	23,283,794	25,557,280	17,932,162	18,251,736	42,823,268	30,418,744	14,826,947
Unrestricted	<u>4,479,228</u>	<u>7,149,105</u>	<u>1,514,047</u>	<u>5,845,906</u>	<u>5,090,366</u>	<u>3,766,767</u>	<u>1,965,950</u>	<u>5,658,968</u>	<u>2,645,023</u>
TOTAL NET ASSETS	<u>\$ 128,624,481</u>	<u>\$ 127,887,856</u>	<u>\$ 123,656,307</u>	<u>\$ 120,890,736</u>	<u>\$ 118,862,262</u>	<u>\$ 92,087,483</u>	<u>\$ 89,969,867</u>	<u>\$ 84,917,727</u>	<u>\$ 57,396,919</u>

Note: The Municipality implemented the GASB Statement 34 on the fiscal year ended June 30, 2003.

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

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

	2011			2010		2009		2008		2007		2006	
	AGUADILLA'S WATERFALLS AQUATIC PARK ^(b)	AGUADILLA ICE SKATING ARENA	FRANCHISE DIVISION FUND ^(b)	AGUADILLA'S WATERFALLS AQUATIC PARK	AGUADILLA ICE SKATING ARENA	AGUADILLA'S WATERFALLS AQUATIC PARK ^(b)	AGUADILLA ICE SKATING ARENA	AGUADILLA'S WATERFALLS AQUATIC PARK	AGUADILLA ICE SKATING ARENA	AGUADILLA'S WATERFALLS AQUATIC PARK ^(b)	AGUADILLA ICE SKATING ARENA	AGUADILLA'S WATERFALLS AQUATIC PARK	AGUADILLA ICE SKATING ARENA
NET ASSETS:													
Investment in Capital Assets,													
Net of Related Debt	\$ 3,321,300	\$ 5,935,921	\$ 482,358	\$ 3,839,842	\$ 6,049,407	\$ 3,943,828	\$ 6,192,410	\$ 4,052,196	\$ 5,750,705	\$ 4,080,048	\$ 5,755,243	\$ 4,211,713	\$ 5,870,801
Unrestricted	897,345	196,562	143,831	643,657	245,714	366,765	93,277	1,445,284	109,768	829,119	91,318	1,413,131	81,199
TOTAL NET ASSETS	\$ 4,218,645	\$ 6,132,483	\$ 626,189	\$ 4,483,499	\$ 6,295,121	\$ 4,310,593	\$ 6,285,687	\$ 5,497,480	\$ 5,860,473	\$ 4,909,167	\$ 5,846,561	\$ 5,624,844	\$ 5,952,000

Note: The Municipality created the Enterprise Funds for Fiscal Year 2006.

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

^(b) During this Fiscal Year, the General Fund made a Capital Contribution for the creation of the Franchise Division Fund.

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

NET ASSETS' CHANGE TREND FOR THE LAST NINE FISCAL YEARS
PRIMARY GOVERNMENT

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
EXPENSES BY FUNCTIONS/PROGRAMS									
Mayor and Municipal Legislature	\$ 1,263,729	\$ 1,353,353	\$ 2,243,847	\$ 1,514,767	\$ 1,549,319	\$ 1,455,224	\$ 1,572,271	\$ 2,588,597	\$ 2,612,215
General Government	17,085,192	17,319,708	17,416,165	18,759,422	18,433,566	17,639,130	18,691,822	12,285,179	10,973,910
Public Safety	1,885,212	1,826,605	1,845,635	1,763,964	1,666,842	1,776,161	1,712,299	1,626,191	1,593,075
Public Works	1,472,237	1,697,101	1,821,141	1,858,104	1,874,964	1,800,400	1,858,805	1,679,448	1,852,132
Culture and Recreation	3,992,830 ^(a)	3,297,428 ^(a)	3,806,731 ^(a)	3,235,297 ^(a)	3,426,005 ^(a)	3,707,508 ^(a)	3,214,666 ^(a)	2,571,398 ^(a)	1,750,877 ^(a)
Health and Sanitation	4,309,372	4,387,430	7,517,663 ^(c)	4,046,193	3,057,282	2,135,284	3,434,882	3,670,056	3,551,255
Public Instruction	6,534,940	5,717,719	5,371,819	6,046,261	5,381,175	7,057,884	5,509,806	5,831,190	6,048,666
Human Services and Welfare	6,724,421	7,259,936	5,090,701	4,792,506	5,582,451	4,780,771	4,991,988	4,426,804	4,273,982
Urban Development	9,165,696 ^(d)	4,421,722	13,031,468 ^(d)	4,222,382	4,826,215	4,905,990	1,897,109	5,274,018	4,075,892
Loss on disposition of Asset	-	-	57,393	-	135,122	-	-	-	-
Interest on Long-Term Debt	<u>2,634,339</u>	<u>2,812,231</u>	<u>3,804,291</u>	<u>2,572,880</u>	<u>2,544,588</u>	<u>2,359,767</u>	<u>2,065,212</u>	<u>1,341,702</u>	<u>1,665,337</u>
TOTAL EXPENSES	<u>55,067,968</u>	<u>50,093,233</u>	<u>62,006,854</u>	<u>48,811,776</u>	<u>48,477,529</u>	<u>47,618,119</u>	<u>44,948,860</u>	<u>41,294,583</u>	<u>38,397,341</u>
PROGRAM REVENUES									
Charges for Services	4,639,910 ^(a)	3,788,096 ^(a)	3,459,245 ^(a)	3,730,252 ^(a)	3,667,084 ^(a)	3,681,746 ^(a)	2,445,212 ^(a)	1,438,771 ^(a)	1,701,432 ^(a)
Operating Grants and Contributions	10,019,002	12,352,994	12,047,401	10,428,588	10,435,747	9,921,342	10,655,352	11,251,174	11,519,460
Capital Grants and Contributions	137,956	143,179	108,064	114,567	124,280	280,850	144,868	208,654	186,581

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

NET ASSETS' CHANGE TREND FOR THE LAST NINE FISCAL YEARS
PRIMARY GOVERNMENT - CONTINUED

	2011	2010	2009	2008	2007	2006	2005	2004	2003
GENERAL REVENUES									
Taxes:									
Property Taxes, levied for General Purposes	9,449,710	9,890,862	9,511,364	9,625,207	8,670,371	8,723,643	9,567,779	9,838,949	8,705,931
Property Taxes, levied for Debt Service	4,945,665	3,872,149	2,844,609	3,745,245	3,794,815	3,533,617	2,617,520	2,884,125	2,215,706
Volume of Business Taxes	7,272,001	8,335,598	9,486,385	9,490,510	9,132,473	10,016,589	7,557,843	7,393,246	9,275,555
Sales and Usage Taxes	3,044,714 ^(b)	3,670,110 ^(b)	3,360,924 ^(b)	2,611,633 ^(b)	-	-	-	-	-
Construction Excise Taxes	2,320,597	1,737,351	1,523,864	1,824,688	1,853,366	2,632,322	1,382,664	2,002,950	851,182
Intergovernmental	12,378,779 ^(d)	7,474,784	13,761,021 ^(d)	6,825,969	9,641,505	8,470,360	4,873,731	5,600,351	5,015,103
Interests	517,942	565,888	1,288,693	2,407,359	2,319,098	1,469,993	659,993	-	321,919
Miscellaneous	816,445	1,004,529	1,248,887	877,000	915,428	1,255,593	1,342,439	2,572,745	565,405
Special Item - Gain on Sale of Building	-	-	-	-	-	869,000	-	-	1,332,405
Capital Contributions	-	1,671,582 ^(e)	-	-	-	-	-	-	-
TOTAL REVENUES	<u>55,542,721</u>	<u>54,507,122</u>	<u>58,640,457</u>	<u>51,681,018</u>	<u>50,554,167</u>	<u>50,855,055</u>	<u>41,247,401</u>	<u>43,190,965</u>	<u>41,690,679</u>
CHANGE IN NET ASSETS	<u>\$ 474,753</u>	<u>\$ 4,413,889</u>	<u>\$ (3,366,397)</u>	<u>\$ 2,869,242</u>	<u>\$ 2,076,638</u>	<u>\$ 3,236,936</u>	<u>\$ (3,701,459)</u>	<u>\$ 1,896,382</u>	<u>\$ 3,293,338</u>

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

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

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

(d) Increases in Urban Development Expense and Intergovernmental Revenue are explained in details in the Management's Discussion and Analysis.

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

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

NET ASSETS' CHANGE TREND FOR THE LAST NINE FISCAL YEARS
GOVERNMENTAL ACTIVITIES

	2011	2010	2009	2008	2007	2006	2005	2004	2003
EXPENSES BY FUNCTIONS/PROGRAMS									
Mayor and Municipal Legislature	\$ 1,263,729	\$ 1,353,353	\$ 2,243,847	\$ 1,514,767	\$ 1,549,319	\$ 1,455,224	\$ 1,572,271	\$ 2,588,597	\$ 2,612,215
General Government	17,085,192	17,319,708	17,416,165	18,759,422	18,433,566	17,639,130	18,691,822	12,285,179	10,973,910
Public Safety	1,885,212	1,826,605	1,845,635	1,763,964	1,666,842	1,776,161	1,712,299	1,626,191	1,593,075
Public Works	1,472,237	1,697,101	1,821,141	1,858,104	1,874,964	1,800,400	1,858,805	1,679,448	1,852,132
Culture and Recreation	998,967	1,260,932	1,063,943	1,105,616	979,368	1,361,111	3,214,666 ^(a)	2,571,398 ^(a)	1,750,877 ^(a)
Health and Sanitation	4,309,372	4,387,430	7,517,663 ^(c)	4,046,193	3,057,282	2,135,284	3,434,882	3,670,056	3,551,255
Public Instruction	6,534,940	5,717,719	5,371,819	6,046,261	5,381,175	7,057,884	5,509,806	5,831,190	6,048,666
Human Services and Welfare	6,724,421	7,259,936	5,090,701	4,792,506	5,582,451	4,780,771	4,991,988	4,426,804	4,273,982
Urban Development	9,165,696 ^(d)	4,421,722	13,031,468 ^(d)	4,222,382	4,826,215	4,905,990	1,897,109	5,274,018	4,075,892
Loss on disposition of Asset	-	-	57,393	-	135,122	-	-	-	-
Interest on Long-Term Debt	2,634,339	2,812,231	3,804,291	2,572,880	2,544,588	2,359,767	2,065,212	1,341,702	1,665,337
TOTAL EXPENSES	<u>52,074,105</u>	<u>48,056,737</u>	<u>59,264,066</u>	<u>46,682,095</u>	<u>46,030,892</u>	<u>45,271,722</u>	<u>44,948,860</u>	<u>41,294,583</u>	<u>38,397,341</u>
PROGRAM REVENUES									
Charges for Services	2,083,887	1,523,788	1,047,589	776,752	591,734	413,329	2,445,212 ^(a)	1,438,771 ^(a)	1,701,432
Operating Grants and Contributions	10,019,002	12,352,994	12,047,401	10,428,588	10,435,747	9,921,342	10,655,352	11,251,174	11,519,460
Capital Grants and Contributions	137,956	143,179	108,064	114,567	124,280	280,850	144,868	208,654	186,581

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

NET ASSETS' CHANGE TREND FOR THE LAST NINE FISCAL YEARS
GOVERNMENTAL ACTIVITIES - CONTINUED

	2011	2010	2009	2008	2007	2006	2005	2004	2003
GENERAL REVENUES									
Taxes:									
Property Taxes, levied for General Purposes	9,449,710	9,890,862	9,511,364	9,625,207	8,670,371	8,723,643	9,567,779	9,838,949	8,705,931
Property Taxes, levied for Debt Service	4,945,665	3,872,149	2,844,609	3,745,245	3,794,815	3,533,617	2,617,520	2,884,125	2,215,706
Volume of Business Taxes	7,272,001	8,335,598	9,486,385	9,490,510	9,132,473	10,016,589	7,557,843	7,393,246	9,275,555
Sales and Usage Taxes	3,044,714 ^(b)	3,670,110 ^(b)	3,360,924 ^(b)	2,611,633 ^(b)	-	-	-	-	-
Construction Excise Taxes	2,320,597	1,737,351	1,523,864	1,824,688	1,853,366	2,632,322	1,382,664	2,002,950	851,182
Intergovernmental	12,378,779 ^(d)	7,474,784	13,761,021 ^(d)	6,825,969	9,641,505	8,470,360	4,873,731	5,600,351	5,015,103
Interests	517,942	565,888	1,288,693	2,407,359	2,269,507	1,469,993	659,993	-	321,919
Miscellaneous	816,445	1,004,529	1,248,887	877,000	915,428	1,255,593	1,342,439	2,572,745	565,405
Special Item - Gain on Sale of Building	-	-	-	-	-	869,000	-	-	1,332,405
Capital Contributions	(696,632)	1,671,582 ^(e)	(570,481)	(91,933)	-	-	-	-	-
Transfers	60,095	45,472	1,001,022	313,527	1,499,420	216,785	-	-	-
TOTAL REVENUES	<u>52,350,161</u>	<u>52,288,286</u>	<u>56,659,342</u>	<u>48,949,112</u>	<u>48,928,646</u>	<u>47,803,423</u>	<u>41,247,401</u>	<u>43,190,965</u>	<u>41,690,679</u>
CHANGE IN NET ASSETS	<u>\$ 276,056</u>	<u>\$ 4,231,549</u>	<u>\$ (2,604,724)</u>	<u>\$ 2,267,017</u>	<u>\$ 2,897,754</u>	<u>\$ 2,531,701</u>	<u>\$ (3,701,459)</u>	<u>\$ 1,896,382</u>	<u>\$ 3,293,338</u>

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

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

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

(d) Increases in Urban Development Expense and Intergovernmental Revenue are explained in details in the Management's Discussion and Analysis.

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

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

NET ASSETS' CHANGE TREND FOR THE LAST SIX FISCAL YEARS
BUSINESS - TYPE ACTIVITIES

	2011			2010		2009		2008		2007		2006	
	AGUADILLA'S WATERFALLS AQUATIC PARK	AGUADILLA ICE SKATING ARENA	FRANCHISE DIVISION FUND ^(a)	AGUADILLA'S WATERFALLS AQUATIC PARK	AGUADILLA ICE SKATING ARENA								
Expenses	\$ 2,021,368	\$ 760,657	\$ 211,838	\$ 1,375,249	\$ 661,247	\$ 1,955,310	\$ 787,478	\$ 1,396,436	\$ 733,245	\$ 1,373,748	\$ 1,072,889	\$ 1,182,640	\$ 1,163,757
PROGRAM REVENUES													
Charges for Services	1,816,609	598,019	141,395	1,593,627	670,681	1,769,445	642,211	2,298,276	655,224	2,107,900	967,450	1,961,850	1,306,567
GENERAL REVENUES													
Interest	-	-	-	-	-	-	-	-	-	49,591	-	-	-
Capital Contributions	-	-	696,632	-	-	-	570,481	-	91,933	-	-	-	-
Transfers	(60,095)	-	-	(45,472)	-	(1,001,022)	-	(313,527)	-	(1,499,420)	-	(216,785)	-
TOTAL REVENUES	<u>1,756,514</u>	<u>598,019</u>	<u>838,027</u>	<u>1,548,155</u>	<u>670,681</u>	<u>768,423</u>	<u>1,212,692</u>	<u>1,984,749</u>	<u>747,157</u>	<u>658,071</u>	<u>967,450</u>	<u>1,745,065</u>	<u>1,306,567</u>
	<u>\$ (264,854)</u>	<u>\$ (162,638)</u>	<u>\$ 626,189</u>	<u>\$ 172,906</u>	<u>\$ 9,434</u>	<u>\$ (1,186,887)</u>	<u>\$ 425,214</u>	<u>\$ 588,313</u>	<u>\$ 13,912</u>	<u>\$ (715,677)</u>	<u>\$ (105,439)</u>	<u>\$ 562,425</u>	<u>\$ 142,810</u>

Note: The Municipality created the Enterprise Funds for Fiscal Year 2006.

(a) During this Fiscal Year, the General Fund made a Capital Contribution for the creation of the Franchise Division Fund.

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

FUND BALANCES FOR THE LAST TEN FISCAL YEARS
GOVERNMENTAL ACTIVITIES

	2011 ^(b)	2010 ^(b)	2009	2008	2007	2006	2005	2004	2003 ^(a)	2002
General Fund										
Reserved			\$ 645,059	\$ 5,352,209	\$ 1,183,645	\$ 3,656,857	\$ 2,249,745	\$ 1,864,064	\$ 1,252,968	\$ 685,048
Unreserved (Deficit)			9,854,931	5,130,875	8,409,827	4,630,366	1,706,644	1,884,212	1,538,151	592,824
Restricted	\$ 387,953	\$ 1,015,998								
Committed	1,052,576	481,080								
Assigned	553,787	70,755								
Unassigned	9,990,275	10,070,584								
Total General Fund	\$ 11,984,591	\$ 11,638,415	\$ 10,499,990	\$ 10,483,084	\$ 9,593,472	\$ 8,287,223	\$ 3,956,389	\$ 3,748,276	\$ 2,791,119	\$ 1,277,872
All Other Governmental Funds										
Reserved			\$ 36,518,175	\$ 39,363,319	\$ 32,722,895	\$ 38,307,420	\$ 37,382,909	\$ 29,350,576	\$ 24,189,051	\$ 6,677,467
Unreserved (Deficit):										
Special Revenue Fund			(27,438)	(56,517)	-	-	-	144,701	103,370	1,335,641
Capital Project Fund			(252,785)	(146,426)	-	-	-	-	-	-
Restricted	\$ 27,031,598	\$ 27,265,468								
Committed	3,571,354	4,114,734								
Assigned	-	-								
Unassigned	(1,970,683)	(2,214,248)								
Total All Other Governmental Funds	\$ 28,632,269	\$ 29,165,954	\$ 36,237,952	\$ 39,160,376	\$ 32,722,895	\$ 38,307,420	\$ 37,382,909	\$ 29,495,277	\$ 24,292,421	\$ 8,013,108

(a) Implementation of GASB Statement 34 by the Municipality.

(b) The Municipality implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, in fiscal year 2010-2011; and retroactively for fiscal year 2009-2010.

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

CHANGES IN FUND BALANCES FOR THE LAST TEN FISCAL YEARS
GOVERNMENTAL ACTIVITIES

	2011	2010	2009	2008	2007	2006	2005	2004	2003 ^(a)	2002
REVENUES										
Property Taxes	\$ 14,395,375	\$ 13,763,011	\$ 12,355,973	\$ 13,612,115	\$ 12,223,523	\$ 12,257,260	\$ 14,916,518	\$ 11,826,181	\$ 10,921,637	\$ 10,498,622
Volume of Business Taxes	7,272,001	8,335,598	9,486,385	9,490,510	9,132,473	10,016,589	7,557,843	7,393,246	9,275,555	8,470,503
Sales and Usage Taxes	3,044,714	3,670,110	3,360,924	2,611,633	-	-	-	-	-	-
Federal Grants	11,814,442	12,342,379	12,209,978	10,950,356	11,148,041	10,392,610	10,556,191	11,056,456	10,936,225	10,548,776
Intergovernmental	12,378,779 ^(c)	7,474,784	13,761,021	6,825,969	9,641,505	8,470,360	3,575,404	7,159,352	6,651,764	5,451,724
Construction Excise Taxes	2,320,597	1,737,351	1,523,864	1,824,688	1,853,366	2,632,322	1,382,664	2,002,950	851,182	331,624
Interest	517,942	565,888	1,288,693	2,407,359	2,269,507	1,432,080	989,435	1,135,891	579,940	1,636,064
Charges for Services	2,083,887	1,523,788	1,047,589	776,752	591,734	413,579	954,235	920,642	811,811	737,106
Miscellaneous	816,445	1,004,529	1,248,887	877,000	915,428	1,293,256	475,994	1,576,283	953,635	505,850
Total Revenues	<u>54,644,182</u>	<u>50,417,438</u>	<u>56,283,314</u>	<u>49,376,382</u>	<u>47,775,577</u>	<u>46,908,056</u>	<u>40,408,284</u>	<u>43,071,001</u>	<u>40,981,749</u>	<u>38,180,269</u>
EXPENDITURES										
Current										
Mayor and Municipal Legislature	1,141,189	1,248,151	2,162,643	1,435,091	1,463,533	1,379,470	1,498,901	2,547,970	2,516,709	2,247,347
General Government	14,938,920	15,382,208	15,399,642	16,734,299	16,449,942	15,253,685	16,553,913	10,721,141	11,184,863	14,450,802
Public Safety	1,744,291	1,721,657	1,759,031	1,700,773	1,574,827	1,694,440	1,633,078	1,528,952	1,510,667	1,382,003
Public Works	1,196,523	1,385,399	1,561,329	1,598,784	1,619,285	1,556,446	1,617,941	1,401,676	1,535,509	1,674,516
Health and Sanitation	3,972,388	4,311,509	1,001,882	3,725,500	2,920,164	2,458,784	3,167,894	3,357,537	2,554,144	2,515,073
Culture and Recreation	937,697	887,764	3,822,624	1,043,183	897,258	1,303,340	1,127,415	2,529,441	1,706,833	1,086,552
Public Instruction	6,597,354	5,715,424	5,596,055	6,078,591	5,534,232	6,021,802	5,509,806	5,831,190	5,617,329	5,348,974
Landfill Closure Costs	628,043	1,084,877	-	-	-	-	-	-	-	-
Human Service and Welfare	6,647,834	7,182,677	5,028,977	4,731,427	5,504,421	4,727,195	4,942,160	4,376,976	4,663,455	4,634,992
Urban Development	9,092,172 ^(c)	4,306,118	12,832,305	4,077,698	4,183,065	4,747,862	2,588,779	8,171,020	6,897,238	7,231,839
Capital Outlay	6,548,283	11,852,805	11,517,613	11,918,942	9,749,437	5,351,016	1,147,440	728,383	551,855	3,498,471
Collections applied to Property Taxes Advance	-	-	-	-	-	-	-	-	-	5,054,085

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

CHANGES IN FUND BALANCES FOR THE LAST TEN FISCAL YEARS
GOVERNMENTAL ACTIVITIES – CONTINUED

	2011	2010	2009	2008	2007	2006	2005	2004	2003 ^(a)	2002
Debt Service:										
Principal Retirement	3,294,377	6,716,664	3,467,334	2,902,364	2,642,233	2,441,000	2,520,000	1,595,000	3,330,000	1,880,000
Interest Payment and Other Charges	2,634,339	2,812,231	3,804,291	2,572,880	2,544,588	2,359,767	2,065,212	1,341,702	1,665,337	1,613,473
Bond Issue Costs	28,123	28,615	16,201	51,269	-	35,135	-	-	-	-
Total Expenditures	59,401,533	64,636,099	67,969,927	58,570,801	55,082,985	49,329,942	44,372,539	44,130,988	43,733,939	52,618,127
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,757,351)	(14,218,661)	(11,686,613)	(9,194,419)	(7,307,408)	(2,421,886)	(3,964,255)	(1,059,987)	(2,752,190)	(14,437,858)
OTHER FINANCING SOURCES (USES)										
Property Taxes Advance	-	-	-	-	-	-	-	-	-	6,590,175
Bond Issued	5,206,379	8,218,075	7,780,073	16,207,985	1,529,712	6,541,446	12,060,000	7,220,000	18,355,000	-
Transfer-In	2,016,843	6,089,068	5,376,858	2,441,916	3,534,896	2,994,757	559,168	1,952,768	3,482,346	6,351,354
Transfer-Out	(2,653,380)	(6,043,596)	(4,375,836)	(2,128,389)	(2,035,476)	(2,777,972)	(559,168)	(1,952,768)	(3,482,346)	(6,011,139)
Total Other Financing Sources and Uses	4,569,842	8,263,547	8,781,095	16,521,512	3,029,132	6,758,231	12,060,000	7,220,000	18,355,000	6,930,390
SPECIAL ITEM										
Proceeds from Sale	-	-	-	-	-	919,000	-	-	2,189,750	-
NET CHANGE IN FUND BALANCES	\$ (187,509)	\$ (5,955,114)	\$ (2,905,518)	\$ 7,327,093	\$ (4,278,276)	\$ 5,255,345	\$ 8,095,745	\$ 6,160,013	\$ 17,792,560	\$ (7,507,468)
Debt service as a percentage of non capital expenditures ^(b)	12.70%	22.11%	14.82%	13.44%	12.92%	12.35%	11.87%	7.26%	13.08%	8.61%

(a) Implementation of GASB Statement 34 by the Municipality.

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

(c) Increases in Urban Development Expense and Intergovernmental Revenue are explained in details in the Management's Discussion and Analysis.

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REVENUE CAPACITY



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REAL PROPERTY TAX VALUATION

FISCAL YEAR	TAXABLE VALUE	EXEMPT VALUE	GROSS VALUE	EXONERATED VALUE	NET ASSESSED VALUE
2011 ^(c)	\$2,109,256,902	\$1,361,434,923	\$ 747,821,979	\$ 568,825,693	\$ 178,996,286
2010 ^(a)	1,621,210,746	1,046,422,048	574,788,698	437,209,107	137,579,591
2009 ^(b)	182,728,361	11,505,871	171,222,490	83,408,949	87,813,541
2008	182,728,361	11,505,871	171,222,490	83,408,949	87,813,541
2007	175,521,030	12,259,645	163,261,385	82,680,798	80,580,587
2006	172,942,348	14,539,269	158,403,079	79,778,120	78,624,959
2005	171,568,818	12,956,380	158,612,438	79,406,918	79,205,520
2004	167,099,112	12,627,588	154,471,524	77,957,375	76,514,149
2003	163,896,125	12,456,957	151,439,168	76,765,432	74,673,736
2002	158,562,114	11,996,523	146,565,591	76,125,632	70,439,959

PERSONAL PROPERTY TAX VALUATION

FISCAL YEAR	TAXABLE VALUE	EXEMPT VALUE	GROSS VALUE	EXONERATED VALUE	NET ASSESSED VALUE
2011 ^(c)	\$ 753,576,081	\$ 431,502,106	\$ 322,073,975	\$ 231,368,998	\$ 90,704,977
2010 ^(a)	579,211,399	331,659,861	247,551,538	177,834,149	69,717,389
2009 ^(b)	237,181,937	155,645,466	81,536,471	3,456,438	78,080,033
2008	237,181,937	155,645,466	81,536,471	3,456,438	78,080,033
2007	251,403,170	174,123,584	77,279,586	3,534,443	73,745,143
2006	338,127,158	255,890,622	82,236,536	3,857,992	78,378,544
2005	287,529,031	212,548,173	74,980,858	3,548,164	71,432,694
2004	277,018,351	197,776,537	79,241,814	3,143,278	76,098,536
2003	265,123,870	189,410,128	75,713,742	3,015,758	72,697,984
2002	254,230,255	179,251,007	74,979,248	2,854,466	72,124,782

TOTAL PROPERTY TAX VALUATION

FISCAL YEAR	TAXABLE VALUE	EXEMPT VALUE	GROSS VALUE	EXONERATED VALUE	NET ASSESSED VALUE	TAX EFFECTIVE RATE ^(b)
2011 ^(c)	\$2,862,832,983	\$1,792,937,029	\$1,069,895,954	\$ 800,194,691	\$ 269,701,263	7.66
2010 ^(a)	2,200,422,145	1,378,081,909	822,340,236	615,043,256	207,296,980	7.66
2009 ^(b)	419,910,298	167,151,337	252,758,961	86,865,387	165,893,574	7.66
2008	419,910,298	167,151,337	252,758,961	86,865,387	165,893,574	7.66
2007	426,924,200	186,383,229	240,540,971	86,215,241	154,325,730	7.66
2006	511,069,506	270,429,891	240,639,615	83,636,112	157,003,503	7.66
2005	459,097,849	225,504,553	233,593,296	82,955,082	150,638,214	7.66
2004	444,117,463	210,404,125	233,713,338	81,100,653	152,612,685	7.66
2003	429,019,995	201,867,085	227,152,910	79,781,190	147,371,720	7.66
2002	412,792,369	191,247,530	221,544,839	78,980,098	142,564,741	7.66

^(a) See Note 13 for changes on the Taxable, Exempt and Exonerated Value made by the Municipal Revenue Collection Center for the Fiscal Year 2009-2010.

^(b) No revisions on the Taxable, Exempt nor Exonerated Value were made by the Municipal Revenue Collection Center for the Fiscal Year 2008-2009.

^(c) No revisions on the Taxable, Exempt nor Exonerated Value were made by the Municipal Revenue Collection Center for the Fiscal Year 2010-2011.

REAL PROPERTY

<i>FISCAL YEAR</i>	<i>GENERAL PURPOSES</i>	<i>DEBT SERVICES</i>	<i>COMMONWEALTH OF PUERTO RICO</i>	<i>DISCOUNT</i>	<i>TOTAL</i>
2011	6.00%	1.50%	1.03%	0.20%	8.53%
2010	6.00%	1.50%	1.03%	0.20%	8.53%
2009	6.00%	1.50%	1.03%	0.20%	8.53%
2008	6.00%	1.50%	1.03%	0.20%	8.53%
2007	6.00%	1.50%	1.03%	0.20%	8.53%
2006	6.00%	1.50%	1.03%	0.20%	8.53%
2005	6.00%	1.50%	1.03%	0.20%	8.53%
2004	6.00%	1.50%	1.03%	0.20%	8.53%
2003	6.00%	1.50%	1.03%	0.20%	8.53%
2002	6.00%	1.50%	1.03%	0.20%	8.53%

PERSONAL PROPERTY

<i>FISCAL YEAR</i>	<i>GENERAL PURPOSES</i>	<i>DEBT SERVICES</i>	<i>COMMONWEALTH OF PUERTO RICO</i>	<i>DISCOUNT</i>	<i>TOTAL</i>
2011	4.00%	1.50%	1.03%	0.20%	6.53%
2010	4.00%	1.50%	1.03%	0.20%	6.53%
2009	4.00%	1.50%	1.03%	0.20%	6.53%
2008	4.00%	1.50%	1.03%	0.20%	6.53%
2007	4.00%	1.50%	1.03%	0.20%	6.53%
2006	4.00%	1.50%	1.03%	0.20%	6.53%
2005	4.00%	1.50%	1.03%	0.20%	6.53%
2004	4.00%	1.50%	1.03%	0.20%	6.53%
2003	4.00%	1.50%	1.03%	0.20%	6.53%
2002	4.00%	1.50%	1.03%	0.20%	6.53%

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

PROPERTY TAXES – LARGEST TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2011		2002	
	Total Business	Percentage of Total Business	Total Business	Percentage of Total Business
Fomento Industrial	\$ 109,292,160	0.405	N/AV	N/AV
Luan Investment	37,794,320	0.140	N/AV	N/AV
Lifescan Products, LLC	33,257,640	0.123	N/AV	N/AV
Sensormatic Electronic, Corp	23,084,410	0.086	N/AV	N/AV
CFSE	14,737,840	0.055	N/AV	N/AV
Aguadilla Shopping Center	13,411,230	0.050	N/AV	N/AV
MUÑEKI Associates	12,816,800	0.048	N/AV	N/AV
Almacenes Pitusa, Inc	7,801,010	0.029	N/AV	N/AV
Hospital Comunitario Buen Samaritano	5,837,290	0.022	N/AV	N/AV
Ramey Resort, Inc	4,274,960	0.016	N/AV	N/AV
Ten largest taxpayers	262,307,660	0.973		
All other taxpayers	7,393,603	0.027		
Total assessed valuation-all taxpayers	\$ 269,701,263	1.000		

Note: Information for the Fiscal Year 2002 was not available.

FISCAL YEAR	TAX LEVIED FOR THE FISCAL YEAR	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
		AMOUNT	PERCENTAGE OF LEVY		AMOUNT	PERCENTAGE OF LEVY
2011	\$ 15,645,205	\$ 14,773,406	94.43%	-	\$ 14,773,406	94.43%
2010	15,106,409	14,415,455	95.43%	773,232	15,188,687	100.54%
2009	15,435,522	14,702,014	95.25%	254,698	14,956,712	96.90%
2008	14,703,927	14,228,893	96.77%	154,090	14,382,983	97.82%
2007	13,734,824	12,318,562	89.69%	769,887	13,088,449	95.29%
2006	14,408,482	12,902,919	89.55%	565,486	13,468,405	93.48%
2005	14,243,801	13,601,173	95.49%	545,659	14,146,832	99.32%
2004	12,788,535	11,391,023	89.07%	435,158	11,826,181	92.47%
2003	12,902,853	10,921,637	84.65%	428,529	11,350,166	87.97%
2002	11,817,634	10,498,622	88.84%	405,562	10,904,184	92.27%

SOURCE: Department of Finance, Municipality of Aguadilla.

2011

INCOME (IN THOUSANDS)	NUMBER OF FILERS	PERCENTAGE OF TOTAL	TOTAL INCOME (IN THOUSANDS)	PERCENTAGE OF TOTAL
\$5 - \$1,000	1,720	96.90%	141,553	4.94%
\$1,000 - \$100,000	52	2.93%	529,915	18.48%
Over \$100,000	3	0.17%	2,195,616	76.58%
	1,775	100%	\$ 2,867,084	100%

2010

INCOME (IN THOUSANDS)	NUMBER OF FILERS	PERCENTAGE OF TOTAL	TOTAL INCOME (IN THOUSANDS)	PERCENTAGE OF TOTAL
\$5 - \$1,000	1,563	96.18%	118,870	4.23%
\$1,000 - \$100,000	59	3.63%	530,148	18.88%
Over \$100,000	3	0.18%	2,159,015	76.89%
	1,625	100%	\$ 2,808,033	100%

2009

INCOME (IN THOUSANDS)	NUMBER OF FILERS	PERCENTAGE OF TOTAL	TOTAL INCOME (IN THOUSANDS)	PERCENTAGE OF TOTAL
\$5 - \$1,000	1,458	94.86%	118,870	4.23%
\$1,000 - \$100,000	75	4.88%	530,148	18.88%
Over \$100,000	4	0.26%	2,159,015	76.89%
	1,537	100%	\$ 2,808,033	100%

2008

INCOME (IN THOUSANDS)	NUMBER OF FILERS	PERCENTAGE OF TOTAL	TOTAL INCOME (IN THOUSANDS)	PERCENTAGE OF TOTAL
\$5 - \$1,000	1,354	95.82%	98,456	3.93%
\$1,000 - \$100,000	57	4.03%	231,738	9.25%
Over \$100,000	2	0.14%	2,173,759	86.81%
	1,413	100%	\$ 2,503,953	100%

2007

INCOME (IN THOUSANDS)	NUMBER OF FILERS	PERCENTAGE OF TOTAL	TOTAL INCOME (IN THOUSANDS)	PERCENTAGE OF TOTAL
\$5 - \$1,000	1,458	97.46%	105,774	4.63%
\$1,000 - \$100,000	36	2.41%	193,251	8.46%
Over \$100,000	2	0.13%	1,984,780	86.91%
	1,496	100%	\$ 2,283,805	100%

2006

INCOME (IN THOUSANDS)	NUMBER OF FILERS	PERCENTAGE OF TOTAL	TOTAL INCOME (IN THOUSANDS)	PERCENTAGE OF TOTAL
\$5 - \$1,000	1,544	94.72%	98,456	3.90%
\$1,000 - \$100,000	84	5.15%	231,738	9.18%
Over \$100,000	2	0.12%	2,195,487	86.93%
	1,630	100%	\$ 2,525,681	100%

2005

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

2004

<i>INCOME (IN THOUSANDS)</i>	<i>NUMBER OF FILERS</i>	<i>PERCENTAGE OF TOTAL</i>	<i>TOTAL INCOME (IN THOUSANDS)</i>	<i>PERCENTAGE OF TOTAL</i>
\$5 - \$1,000	1,320	95.17%	180,446	14.77%
\$1,000 - \$100,000	66	4.76%	28,541	2.34%
Over \$100,000	1	0.07%	1,012,547	82.89%
	1,387	100%	\$ 1,221,534	100%

2003

<i>INCOME (IN THOUSANDS)</i>	<i>NUMBER OF FILERS</i>	<i>PERCENTAGE OF TOTAL</i>	<i>TOTAL INCOME (IN THOUSANDS)</i>	<i>PERCENTAGE OF TOTAL</i>
\$5 - \$1,000	1,388	95.46%	244,551	10.44%
\$1,000 - \$100,000	65	4.47%	79,661	3.40%
Over \$100,000	1	0.07%	2,018,841	86.16%
	1,454	100%	\$ 2,343,053	100%

2002

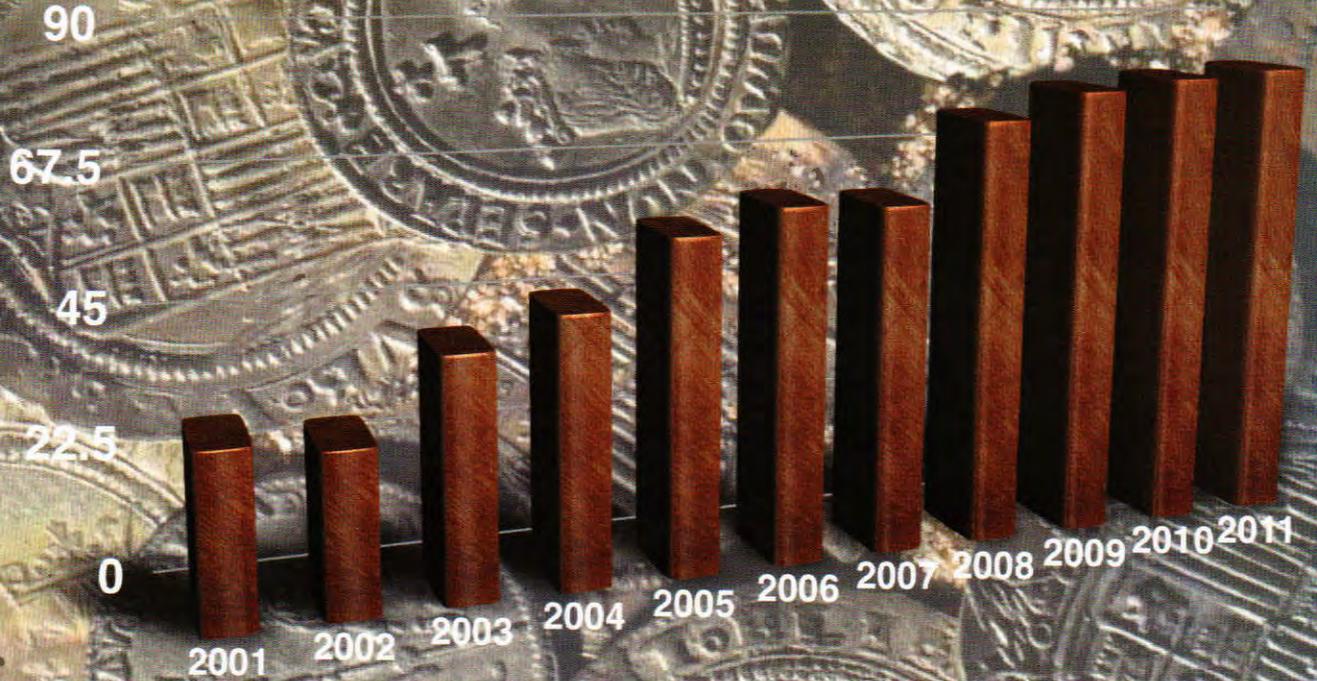
<i>INCOME (IN THOUSANDS)</i>	<i>NUMBER OF FILERS</i>	<i>PERCENTAGE OF TOTAL</i>	<i>TOTAL INCOME (IN THOUSANDS)</i>	<i>PERCENTAGE OF TOTAL</i>
\$5 - \$1,000	1,380	95.63%	248,145	17.26%
\$1,000 - \$100,000	62	4.30%	88,510	6.16%
Over \$100,000	1	0.07%	1,101,172	76.59%
	1,443	100%	\$ 1,437,827	100%

FISCAL YEAR	FINANCIAL INSTITUTIONS ^(a)		OTHER ORGANIZATIONS	
	RATE	DISCOUNT ^(b)	RATE	DISCOUNT ^(b)
2011	1.50%	5.00%	0.40%	5.00%
2010	1.50%	5.00%	0.40%	5.00%
2009	1.50%	5.00%	0.40%	5.00%
2008	1.50%	5.00%	0.40%	5.00%
2007	1.50%	5.00%	0.40%	5.00%
2006	1.50%	5.00%	0.40%	5.00%
2005	1.50%	5.00%	0.40%	5.00%
2004	1.50%	5.00%	0.40%	5.00%
2003	1.50%	5.00%	0.40%	5.00%
2002	1.50%	5.00%	0.40%	5.00%

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

^(b) See Notes to the Basic Financial Statements.

DEBT CAPACITY



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<i>FISCAL YEAR</i>	<i>SPECIAL OBLIGATION BONDS</i>	<i>GENERAL OBLIGATION BONDS</i>	<i>TOTAL OBLIGATION BONDS</i>
2011	\$ 33,638,670	\$ 48,485,000	\$ 82,123,670
2010	31,159,291	48,700,000	79,859,291
2009	33,042,216	45,135,000	78,177,216
2008	30,055,143	43,660,000	73,715,143
2007	30,403,158	29,705,000	60,108,158
2006	31,205,000	29,790,446	60,995,446
2005	27,320,000	29,850,000	57,170,000
2004	22,740,000	23,115,000	45,855,000
2003	18,105,000	22,775,000	40,880,000
2002	2,705,000	24,770,000	27,475,000

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

OUTSTANDING DEBT RATIO - PER PERSONAL INCOME

FISCAL YEAR	TOTAL OUTSTANDING DEBT	PERSONAL INCOME ¹	OUTSTANDING DEBT RATIO
2011	\$ 82,123,670	\$ 1,278,344,326	6.424%
2010	79,859,291	1,198,883,265	6.661%
2009	78,177,216	1,087,710,000	7.187%
2008	73,715,143	952,254,992	7.741%
2007	60,108,158	834,405,389	7.204%
2006	60,995,446	732,521,130	8.327%
2005	57,170,000	702,746,721	8.135%
2004	45,855,000	436,612,937	10.502%
2003	40,880,000	372,254,104	10.982%
2002	27,475,000	339,656,003	8.089%

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

Note 1: Personal Income amounts can be found in the Schedule of Demographic and Economic Statistics.

OUTSTANDING DEBT RATIO - PER CAPITA

FISCAL YEAR	TOTAL OUTSTANDING DEBT	PER CAPITA ¹	OUTSTANDING DEBT RATIO
2011	\$ 82,123,670	60,949	\$ 1,347.42
2010	79,859,291	67,745	1,178.82
2009	78,177,216	67,491	1,158.34
2008	73,715,143	67,181	1,097.26
2007	60,108,158	67,167	894.91
2006	60,995,446	66,926	911.39
2005	57,170,000	69,920	817.65
2004	45,855,000	66,363	690.97
2003	40,880,000	63,605	642.72
2002	27,475,000	65,644	418.55

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

Note 1: Per Capita data can be found in the Schedule of Demographic and Economic Statistics.

OUTSTANDING DEBT RATIO - PER PROPERTY TAX ASSESSED VALUE

FISCAL YEAR	TOTAL OUTSTANDING DEBT	NET ASSESSED VALUE ¹	OUTSTANDING DEBT RATIO
2011	\$ 82,123,670	\$ 269,701,263	30.45%
2010	79,859,291	207,296,980	38.52%
2009	78,177,216	165,893,574	47.12%
2008	73,715,143	165,893,574	44.44%
2007	60,108,158	154,325,730	38.95%
2006	60,995,446	157,003,503	38.85%
2005	57,170,000	150,638,214	37.95%
2004	45,855,000	152,612,685	30.05%
2003	40,880,000	147,371,720	27.74%
2002	27,475,000	142,564,741	19.27%

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

Note 1: Net Assessed Value amounts can be found in the Assessed Value of Property Taxes Tables.

FISCAL YEAR	PRINCIPAL	INTEREST AND FISCAL CHARGES	TOTAL DEBT SERVICE	TOTAL GENERAL GOVERNMENTAL EXPENDITURES	PERCENTAGE OF DEBT SERVICE TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
2011	1,865,000	1,879,173	3,744,173	26,096,888	14.35%
2010	2,475,000	1,782,747	4,257,747	27,278,859	15.61%
2009	2,260,000	2,644,379	4,904,379	27,460,267	17.86%
2008	1,825,000	1,642,131	3,467,131	29,126,672	11.90%
2007	1,595,000	1,558,753	3,153,753	29,125,072	10.83%
2006	1,500,000	1,476,931	2,976,931	25,870,304	11.51%
2005	1,775,000	1,543,582	3,318,582	24,692,725	13.44%
2004	1,320,000	1,135,450	2,455,450	23,704,670	10.36%
2003	1,160,000	984,531	2,144,531	22,735,270	9.43%
2002	1,275,000	1,078,748	2,353,748	28,688,186	8.20%

Source: Department of Finance of the Municipality.

FISCAL YEAR	POPULATION ²	NET ASSESSED VALUE ¹	GENERAL OBLIGATION BONDS	PERCENTAGE OF PERSONAL INCOME ²	PERCENTAGE OF NET ASSESSED	
					VALUE OF TAXABLE PROPERTY	BONDED DEBT PER CAPITA
2011	60,949	\$ 269,701,263	\$ 48,485,000	3.79%	17.98%	\$ 795.50
2010	67,745	207,296,980	48,700,000	4.48%	23.49%	718.87
2009	67,491	165,893,574	45,135,000	4.74%	27.21%	668.76
2008	67,181	165,893,574	43,660,000	5.23%	26.32%	649.89
2007	67,167	154,325,730	29,705,000	4.06%	19.25%	442.26
2006	66,926	157,003,503	29,790,446	4.24%	18.97%	445.13
2005	69,920	150,638,214	29,850,000	6.84%	19.82%	426.92
2004	66,363	152,612,685	23,115,000	6.21%	15.15%	348.31
2003	63,605	147,371,720	22,775,000	6.71%	15.45%	358.07
2002	65,644	142,564,741	2,705,000	0.89%	1.90%	41.21

Source: Department of Finance of the Municipality.

Note 1: Net Assessed Value amounts can be found in the Assessed Value of Property Taxes Tables.

Note 2: Population and Personal Income data can be found in the Schedule of Demographic and Economic Statistics.

Value of Taxable Property		\$	3,362,163,891
Percentage of Legal Margin			<u>0.10</u>
Legal Margin		\$	336,216,389
Debt Outstanding and/or Authorized:			
Principal		\$	40,205,000
Authorized			7,506,000
Less: Fund Balance of Debt Service			
Fund Balance at June 30, 2011	\$	4,613,103	
Accrued Interests 2010 - 2011		955,855	<u>3,657,248</u>
Net Debt			<u>51,368,248</u>
Legal Debt Margin		\$	<u>284,848,141</u>

<i>FISCAL YEAR</i>	<i>LEGAL DEBT LIMIT</i>	<i>TOTAL NET DEBT APPLICABLE TO LIMIT</i>	<i>LEGAL DEBT MARGIN ⁽¹⁾</i>	<i>TOTAL NET DEBT APPLICABLE TO THE LIMIT AS A PERCENTAGE OF DEBT LIMIT</i>
2011	\$ 336,216,389	\$ 51,368,248	\$ 284,848,141	15.28%
2010	220,042,215	44,102,579	175,939,636	20.04%
2009	41,991,030	41,546,765	444,265	98.94%
2008	41,991,030	40,445,123	1,545,907	96.32%
2007	42,692,420	27,932,778	14,759,642	65.43%
2006	51,106,951	35,899,446	15,207,505	70.24%
2005	45,909,785	24,600,721	21,309,064	53.58%
2004	44,411,746	28,467,621	15,944,125	64.10%
2003	42,902,000	24,019,859	18,882,141	55.99%
2002	41,279,237	16,690,790	24,588,447	40.43%

Source: Department of Finance of the Municipality.

Note 1: This amount is obtained by subtracting the Net Debt Applicable to Limit from the Legal Debt Limit.

DEMOGRAPHIC INFORMATION



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LAST TEN FISCAL YEARS

<i>FISCAL YEAR</i>	<i>POPULATION</i>	<i>PERSONAL INCOME</i>	<i>PER CAPITA</i> ¹	<i>INFLATION RATE</i>	<i>LABOR FORCE</i> ²	<i>EMPLOYMENT</i> ²	<i>UNEMPLOYMENT RATE</i>
2011	60,949	\$ 1,278,344,326	\$ 20,974	12.63%	17,779	14,614	17.80%
2010	67,745	1,241,359,380	18,324	12.05%	20,985	16,977	19.10%
2009	67,491	1,087,684,956	16,116	12.05%	20,906	17,185	17.80%
2008	67,181	952,223,494	14,174	12.35%	23,400	20,475	12.50%
2007	67,167	834,415,641	12,423	11.90%	23,546	20,720	12.00%
2006	66,926	732,521,130	10,945	8.17%	23,452	20,239	13.70%
2005	69,920	702,746,721	10,051	4.31%	23,362	20,395	12.70%
2004	66,363	436,612,937	9,306	7.66%	22,066	18,955	14.10%
2003	63,605	372,254,104	8,905	5.39%	21,372	18,166	15.00%
2002	65,644	339,656,003	8,223	4.94%	21,174	17,913	15.40%

Note 1: Per capita data was computed using US Census Bureau and ZIP Atlas.

Note 2: Labor force data was provided by the Human Resources and Occupational Development Council of Puerto Rico.

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OPERATING INFORMATION



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GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

NUMBER OF REGULAR EMPLOYEES BY FUNCTION
FOR THE LAST TEN FISCAL YEARS

FUNCTIONS	FISCAL YEARS									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Mayor and Municipal Legislature	45	64	60	69	50	65	71	72	40	39
General Government	176	183	167	177	143	184	203	185	200	137
Public Safety	64	66	63	66	62	64	61	61	62	50
Public Works	52	56	82	44	34	39	36	39	43	45
Culture and Recreation	46	43	37	36	58	31	30	64	48	27
Health and Sanitation	112	124	136	162	138	139	122	77	65	89
Human Services and Welfare	113	115	100	101	88	90	60	76	64	55
Urban Development	44	53	49	64	55	51	62	53	82	134
TOTAL	652	704	694	719	628	663	645	627	604	576

Source: Office of Human Resources of the Municipality.

Note: A regular employee is scheduled to work seven and a half (7.5) hours per day.

FUNCTIONS	FISCAL YEARS				
	2011	2010	2009	2008	2007
Public Safety					
Patrol Units	33	32	33	30	29
Public Works					
Bridges	15	15	15	15	15
Vehicles	57	55	57	57	57
Equipment	2,508	2,418	2,433	2,407	2,420
Culture and Recreation					
Parks	58	58	58	58	58
Community Centers	14	14	14	14	13
Public Instruction					
Head Start Centers	6	6	6	6	6
Health and Sanitation					
Buildings	2	2	2	2	2
Human Services and Welfare					
Cemeteries	3	3	3	3	3
Geriatrics Centers	6	6	6	5	4
Urban Development					
Buildings	6	6	6	5	4

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

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HOJA DE TRÁMITE

UNIDAD DE CORREO

A : Lcdo. Luis R. Rivera Cruz,
Comisionado OCAM

DE : Noemí Alfonso Valle
Directora de Finanzas

FECHA : 24/Febrero/2012

ASUNTO : ENTREGA COPIA DE ESTADO FINANCIERO

AUDITADO BAJO EL MODELO DE "Comprehensive Annual Financial Report (CAFR)" y UNA COPIA SINGLE AUDIT del Municipio de Aguadilla para el año fiscal terminado el 30 de junio de 2011.

RECIBIDO POR _____

FECHA _____



MUNICIPALITY OF AGUADILLA, PUERTO RICO

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2011

12-2-0525
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UNIVERSITY OF PUERTO RICO



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COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2011

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**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**

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Municipality of Aguadilla, Puerto Rico**, as of and for the year ended June 30, 2011, which collectively comprise the Municipality of Aguadilla, Puerto Rico's basic financial statements and have issued our report thereon dated December 26, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Municipality of Aguadilla, Puerto Rico's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality of Aguadilla, Puerto Rico's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Municipality of Aguadilla, Puerto Rico's internal control over financial reporting.

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.

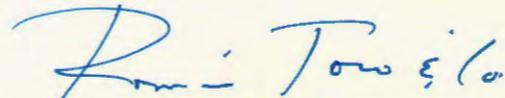
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Municipality of Aguadilla, Puerto Rico's financial statements are free of 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 statements 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2011-III-1.

Municipality of Aguadilla, Puerto Rico's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Municipality of Aguadilla, Puerto Rico's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Municipal Assembly, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



ROMAN TORO & CO., CONTADORES
PUBLICOS AUTORIZADOS, CSP
LICENSE #35 - IN FORCE

Yauco, Puerto Rico
December 26, 2011

Stamp #E18567 was affixed to
the original of this report

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of **Municipality of Aguadilla, Puerto Rico** with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Municipality of Aguadilla, Puerto Rico's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Municipality of Aguadilla, Puerto Rico's management. Our responsibility is to express an opinion on Municipality of Aguadilla, Puerto Rico's compliance based on our audit.

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 Municipality of Aguadilla, Puerto Rico'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. Our audit does not provide a legal determination of Municipality of Aguadilla, Puerto Rico's compliance with those requirements.

In our opinion, the Municipality of Aguadilla complied, in all material respects, with the 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, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, 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 2011-III-1.

Internal Control Over Compliance

Management of Municipality of Aguadilla, Puerto Rico is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Municipality of Aguadilla, Puerto Rico's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Municipality of Aguadilla, Puerto Rico'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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2011-III-1. 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.

Municipality of Aguadilla's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Municipality of Aguadilla's response and, accordingly, we express no opinion on it.

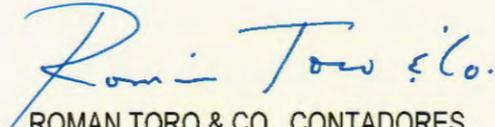
Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Municipality of Aguadilla, Puerto Rico as of and for the year ended June 30, 2011, which collectively comprise the Municipality's basic financial statements, and have issued our report thereon dated December 26, 2011, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality of Aguadilla's basic financial statements. The 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 not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

Schedule of Expenditures of Federal Awards, continued

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

This report is intended solely for the information and use of management, Mayor, others within the entity, Municipal Assembly, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



ROMAN TORO & CO., CONTADORES
PUBLICOS AUTORIZADOS, CSP
LICENSE #35 - IN FORCE

Yauco, Puerto Rico
December 26, 2011

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the original of this report

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR / PASS THROUGH GRANTOR / PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
U.S. Department of Agriculture:			
Direct Programs:			
Community Facilities Loans and Grants.....	10.766		\$1,355,426
Pass-Through Programs:			
Pass-Through: Administration for Childhood Care and Integral Development (ACUDEN):			
Child and Adult Care Food Program.....	10.558	02CH9944	<u>437,086</u>
Total U.S. Department of Agriculture.....			<u>1,792,512</u>
U.S. Department of Housing and Urban Development:			
Direct Programs:			
Community Development Block Grant/Entitlement Grants (CDBG) - Cluster.....	14.218		2,060,931
ARRA Community Development Block Grant ARRA/Entitlement Grants (CDBG-R) – Cluster (Recovery Act funded)	14.253		<u>176,875</u>
Total Community Development Block Grants Cluster			<u>2,237,806</u>
Urban Development Action Grant	14.221		362
Emergency Shelter Grant Program.....	14.231		127,572
Home Investment Partnership Program (HOME).....	14.239		462,467
ARRA Homelessness Prevention And Rapid Re-Housing Program (HPRP) (Recovery Act funded)	14.257		362,528
Section 8 Rental Housing Choice Vouchers	14.871		<u>1,370,638</u>
Total U.S. Department of Housing and Urban Development			<u>4,561,373</u>
U.S. Department of Justice:			
Federal Bureau of Investigation Task Force	16.Unknown		<u>10,695</u>

Continue

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR / PASS THROUGH GRANTOR / PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
U.S. Department of Transportation:			
Pass-Through: Puerto Rico Traffic Safety Commission:			
State and Community Highway Safety	20.600	11-315	<u>23,927</u>
U.S. Environmental Protection Agency:			
Wide Brownfields Assessment Petroleum	66.818		<u>26,479</u>
U.S. Department of Energy:			
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128		<u>31,956</u>
U.S. Department of Health and Human Services:			
Pass-Through Programs:			
Pass-Through: Puerto Rico Office of the Governor – Office for Elderly Persons Affairs:			
Special Program for Aging, Title III, Part B	93.044	TIII B	258,628
Special Program for Aging, Title III, Part C	93.045	TIII C-1 AND C-2	<u>193,596</u>
Total Aging Cluster			<u>452,224</u>
Pass-Through: Administration for Childhood Care and Integral Development (ACUDEN):			
Head Start Program	93.600	O2CH9944	6,336,254
ARRA Early Head Start Program (Recovery Act funded)	93.709	O2CH9944/02	<u>261,100</u>
Total Head Start Program Cluster			<u>6,597,354</u>
Child Care and Development Block Grant	93.575	241-2011-000161	<u>41,995</u>
Total U.S. Department of Health and Human Services			<u>7,091,573</u>
U.S. Department of Homeland Security:			
Pass-Through Programs:			
Pass-Through: Puerto Rico Office of the Governor- Office for Public Safety Affairs:			
Homeland Security Program	97.067	Not Available	<u>60,441</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$13,598,956</u>

See notes to schedule of expenditures of federal awards.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 GENERAL

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activities of the Municipality of Aguadilla, Puerto Rico. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements. The Municipality reporting entity is defined in Note (1) (A) to the general-purpose financial statements. All federal financial awards received directly from federal agency as well as federal financial awards passed through other government agencies are included on the Schedule.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. The accompanying Schedule of Expenditures of Federal Awards is prepared from Municipality's accounting records and is not intended to present the financial position or the results of operations.
- B. The Municipality records the financial transactions and conditions of the grants consistent with accounting principles generally accepted in the United States of America.
- C. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, or when actually paid, whichever occurs first.
- D. For the Section 8 – Rental Housing Choice Vouchers, the amount presented in the Schedule is the total revenues received from HUD. This policy is consistent with HUD's interpretation of Accounting Issue #10, which states that for subsidy programs (such as Section 8), the federal awards expended would equal the net ACC subsidy for the PHA's fiscal period under audit.

NOTE 3 FEDERAL CFDA NUMBER

The CFDA numbers included in this Schedule are determined based on the program name, review of grant contract information and the Office of Management and Budget's Catalogue of Federal Domestic Assistance.

NOTE 4 PASS-THROUGH GRANTOR'S NUMBER

State or local government distribution of federal awards to the Municipality are treated as if 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 identifying number assigned by the pass-through entity for federal awards received as a subrecipient. Numbers identified as N/A are not applicable and numbers identified as N/AV are not available.

NOTE 5 SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the Municipality provided federal awards to subrecipients as follows:

PROGRAM TITLE	FEDERAL CFDA NUMBER	AMOUNT PROVIDED TO SUBRECIPIENTS
Community Development Block Grant-Entitlement Grants (CDBG).....	14.218	\$180,580
Emergency Shelter Grant Program (ESG).....	14.231	122,208
HOME Investment Partnership Program (HOME) (to CHDOs)	14.239	135,593
ARRA Homelessness Prevention And Rapid Re-Housing Program (HPRP)...	14.257	<u>323,819</u>
TOTAL		<u>\$762,200</u>

NOTE 6 MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor's Results Section of the Schedule of Findings and Questioned Costs.

END OF NOTES

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADILLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: Unqualified Opinion Qualified Opinion
 Adverse Opinion Disclaimer Opinion

Internal control over financial reporting:

- Significant control deficiency identified? Yes None reported
 - Material weakness (es) identified? Yes No
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Significant control deficiency identified? Yes None reported
- Material weakness (es) identified? Yes No

Type of auditor's report issued on compliance for Major Programs:

Unqualified Opinion Qualified Opinion
 Adverse Opinion Disclaimer Opinion

Any audit finding disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

Yes No

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.766	Community Facilities Loans and Grants
10.558	Child and Adult Care Food Program
14.218; 14.253	Community Development Block Grants/ Entitlement Cluster (CDBG and CDBG-R)
14.239	Home Investment Partnership Program (HOME)
14.257	Homelessness Prevention And Rapid Re-Housing Program (HPRP)
14.871	Section 8 Rental Housing Choice Vouchers
93.044; 93.045; 93.705	Aging Cluster (Special Program for Aging Cluster)
93.600; 93.709	Head Start Program Cluster

Dollar threshold used to distinguish between

Type A and Type B Programs: \$407,699

Auditee qualified as low-risk auditee?

Yes No

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADILLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2011-III-1

Type of finding: Federal Award.

Situation: Significant deficiency; compliance with pass-through grant contract's requirements.

Federal Programs: Head Start Program (CFDA 93.600); Early Head Start ARRA Program (93.709)

Compliance Requirements: Reporting; grant contracts.

Prior-Year(s) Audit Finding(s): None.

Questioned Costs: None.

Condition:

The Municipality submitted late the required reports of its Head Start program relating to monthly use of budget, administrative costs, bank records, and other documents during the fiscal year ended June 30, 2011 to the state's pass through agency as required by the programs' grant contracts.

Context:

During our review of the program's reports, we noted that various reports and reconciliations of the Head Start and Early Head Start (ARRA funded) programs had not been prepared since January 2011, and during the course of our audit, we were provided evidence of the submittal of such reports which were not submitted within the required timeframe. Based on our procedures, we determined that the following:

1. Monthly budget use, reimbursement requests and financial reports of the Head Start and Early Head Start (ARRA) programs for months of October 2010 through June 2011 were due within the first five days of the next respective months, but were submitted intermittently between August 29, 2011 and November 3, 2011.
2. Bank statements and reconciliations for months of October 2010 through May 2011 were due within the first five days of the next respective month, but were submitted in batches in May 16 and September 7, 2011.
3. Quarterly matching reports (including details of in-kind contributions) of the Early Head Start (ARRA) program for months of November 2010 through June 2011 were due within the first ten days of the next respective quarter, but were submitted in batches in August 29, September 21, and November 3, 2011.
4. Administrative Expense (15%) reports of the Head Start program for the quarters ending in December 2010, March 2011, and June 2011 were due within the first five days of their next respective quarter, but were jointly submitted on October 28, 2011.

The Municipality's Head Start programs' head accountant abandoned his position during the year without prior announcement to management in January 2011. His responsibilities included overseeing the accounting of the programs and reporting requirements compliance. When the head accountant left, the program assigned all these tasks to an assistant accountant while maintaining the head accountant position open as required by law since no official resignation had been made by the employee during the year. Despite offers of assistance from the Municipality's own Finance Department, the program determined such assistance was not necessary. This additional work load proved to be more than the limited staff could reasonably accomplish, and therefore, reports were late in preparation and submittal.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADILLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2011

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

2011-III-1, continued

Criteria:

The Program is required to submit monthly reports of use of the approved budget, along with requisitions for reimbursement of costs and bank reconciliations and statements, within the first 5 days of the next month according to the eighth (8th) clause of the grant contract for the Head Start (241-2010-000189) and the tenth (10th) clauses of the grant contracts for the Early Head Start (241-2010-000196 and 241-2011-000154) programs. The Program is also required to submit a report on administrative costs (which are limited to 15%) and other financial reports on a quarterly basis within the first ten days of the start of the next quarter, as dictated in such clauses, and a detail of matching contributions provided by the programs (including in-kind contributions) submitted quarterly, as dictated in the tenth (10th) and twelfth (12th) clauses of the contracts of the programs, respectively.

Cause:

The program did not assign sufficient staff or perform an adequate distribution of duties when a key position of management was abandoned by the employee. Additionally, resources from the Municipality's Finance Department were not fully taken advantage of in order to prevent and mitigate the situation.

Effect:

The Municipality did not submit the required reports on time, which are necessary to demonstrate to the pass-through agency compliance with contract clauses and federal requirements cited in the Criteria section.

Auditor's recommendation:

The Municipality's and its Head Start program's management should timely replace essential personnel as soon as reasonably possible or provide other mechanisms to assure that the required tasks and program management responsibilities are accomplished and the financial reporting is up-to-date. The Municipality's Finance Department should implement internal controls to provide better oversight to the program's accounting staff, and, when faced with similar situations described above, provide emergency resources to assure compliance even if the program's staff determines them unnecessary in order to assure that all financial reports are submitted on time.

Views of responsible officials and corrective actions:

The Municipality will provide technical support to the Head Start or Early Head Start Programs' staff in the areas of accounting, reports, and internal controls. An action contingency plan is being formed for the redistribution of tasks and replacement of personnel in case a key staff person leaves his or her position to assure all functions continue uninterrupted. The Municipality will contract an external accounting firm to provide technical assistance in the preparation of reports and the MIP system. The Programs will also contract additional personnel which will complement the accounting cycles wherever necessary.

Audit finding status:

Unresolved.

END OF SECTION

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

Year	Finding Number	Finding	CFDA Number	Questioned Cost(s)	Comments
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(1) Prior Audit Findings, fully corrected or not noted during our audit:

None.

(2) Prior Audit Findings, not corrected or partially corrected:

None.

(3) Corrective action taken is significantly different from corrective action previously reported:

None.

(4) Prior Audit Findings, are no longer valid:

None.

END OF SCHEDULE
