

Commonwealth of Puerto Rico  
Municipality of Aguadilla  
Garden of the Atlantic

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Commonwealth of Puerto Rico

Municipality of Aguadilla

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2008

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**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2008**

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# INTRODUCTORY SECTION



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## GARDEN OF THE ATLANTIC



### COMMONWEALTH OF PUERTO RICO MUNICIPALITY OF AGUADILLA

#### LETTER OF TRANSMITTAL

To the Mayor, Members of the Municipal Legislature, and the Citizens of the Municipality of Aguadilla:

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, 2008. Aware of the necessity of a more user-friendly format of financial reports, we have decided to present this year 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. We believe, that the enclosed data is accurate 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. Because the cost 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.

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 Commonwealth of Puerto Rico, with the purpose of providing reasonable assurance that the financial statements of the **Municipality**, for the fiscal year ended June 30, 2008 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 fiscal year ended June 30, 2008 are fairly presented in conformity with the accounting

principles generally accepted in the United States of America. The Independent's Auditor's Report is presented as the first component of the Financial Section of this 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, organizational charts, 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**. The information included in the Statistical Section has not been audited.



#### AN OVERVIEW OF THE MUNICIPALITY

It is said that Columbus landed at the site of Aguadilla in 1493. The **Municipality** was founded in the year 1775 by Luis de Córdova. Aguadilla is known as *La Villa del Ojo de Agua* (Village of the Eye of Water). Aguadilla is also known as *El Nuevo Jardín del Atlántico* (the New 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 67,181 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 Commonwealth of Puerto Rico. The legislative body consists of 14 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 prior to December 1, 1989, generally are followed in both the governmental-wide and proprietary fund financial statements to the extent that 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** and the **Aguadilla Ice Skating Arena (A.I.S.A.)**. The aquatic park opened its doors in 1985 as the only facility of its kind in the Caribbean; and includes 10 different rides. A.I.S.A. opened its doors in 2005 as the only facility of its kind in the Caribbean. Although Puerto Rico hosts several ice skating events during the Christmas season, the A.I.S.A. is the only ice skating facility open year-round. The arena was built by the **Municipality**, under the current Municipal administration of Hon. Carlos Méndez Martínez, Mayor. 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 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.

**WELFARE SERVICES** In 2003, we created an office called Access Office to Integral Services System (OASIS, in Spanish). In this office, we channel the Aguadilla's citizen needs through the different municipal departments, as well as state agencies.

This office deal with donations to indigent persons who demonstrate real medical needs, education, home, sports, and assistance in emergencies and disasters. In addition, if citizens have problems with solid waste disposal, pest control, and similar situations, we register their information and refer it to the corresponding department or agency.

In addition, we are remodeling two elderly centers with an investment of approximately \$1.5 millions ; and two other centers are under construction.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA**

**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 attributes through the Aguadilla area. The **Municipality's** General Fund has separated a budget of approximately \$1.6 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 recycle 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 year, for the seventh time, we celebrated the Pro-Environment Parade, in which 18 educational institutions participated. The participants prepared carriages, dresses, and handcrafts allusive to recycling and natural resources.

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 conditions, it helps to prevent disasters and loss of properties and, more importantly, lives.

**PUBLIC SAFETY** Aguadilla has its own police department, Aguadilla's City Police Department (ACPD). The ACPD only has jurisdiction in the **Municipality of Aguadilla** and provides service and protection to local citizens and travelers alike. Annually, we provide a budget of approximately \$1.6 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.

**LETTER OF TRANSMITTAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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.

**URBAN DEVELOPMENT** The **Municipality** is performing several projects and major improvements in the infrastructure that is property of the **Municipality** as well as property that belongs to the Commonwealth of Puerto Rico. Since last year, we began with the construction of sidewalks and resurfacing the Borinquen Street PR 467 (a state road). The investment made by our **Municipality** is approximately \$4.9 million; the project is financed by a debt from USDA Rural Development.

Other projects that are similar in nature are being performed in two districts of Aguadilla, at a cost of \$5.8 million .

In addition, we are performing some improvements in the sewer system of Barrio Palmar. This project is financed by the **Municipality**, but the capitalization of the construction belongs to the Puerto Rico Water and Sewer Authority.

**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**.

During 2003, the Puerto Rico Planning Board signed a contract by which they transferred faculties (level, rank, category, or class), on a scale up to five to the **Municipality**. The level of faculties transferred was a Level 3. The office can authorize projects for construction and use of structures with an area of less than 2,500 square meters, less than five stories buildings, conforming to use and intensity regulation, in a piece of urban land with areas less than 2,500 square meters. In addition, this office provides permits for projects to urbanize and segregate areas up to 50 pieces. Those projects that do not conform to these requirements are forwarded to the Regional Offices of the Permits and Regulations Administration.



**COMMONWEALTH OF PUERTO RICO  
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**LETTER OF TRANSMITTAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

This department is integrated by an Official of Permits (an Engineer) and other 10 employees that evaluate, inspect, and document the projects. An average of one hundred (100) projects is evaluated monthly. This department investigates complaints of construction and use, and is responsible to help enforcing the law, identifying projects of illegal nature, imposing fines, and referring for legal processing.



**NEW PROJECTS**

In the **Aguadilla Ice Skating Arena (A.I.S.A.)**, we are constructing three activity rooms with ocean view, available for rent. The approximate investment for this project is \$225,000. In the first floor of the **A.I.S.A.**, a new restaurant is under construction, **Yola's 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.

There are currently two projects ongoing constructions at the **Aguadilla's Waterfalls Aquatic Park**. The first is a new water slide and ride, and the second is a new hotel adjacent 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 west 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.

Some of the amenities and facilities that our guests will enjoy includes: 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 manufacturer 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 millions, which will be financed through an emission of bonds of the Governmental Development Bank of Puerto Rico. The repayment of this debt will be absorbed by the revenue that this enterprise fund will generate. 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).

COMMONWEALTH OF PUERTO RICO  
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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 in order to build an **Arts Center Complex**. This project includes an arts center, hotel, apartments for rent or sale, and commercial locals. 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** is under construction at an investment of \$9.7 million approximately. This facility is comprised 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 persons. 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 will have 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.

LETTER OF TRANSMITTAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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.

The design was finally completed early this year. The **Municipality** paid \$2.5 million during this year. The remaining amount will be divided into two payments of approximately \$7 million and \$3.9 million dollar that will be made during 2009. The estimated construction period will be two years.

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 are constructing an **Anthropologic Museum** which will be available for all Aguadilla's Citizens. In addition to this project, an Annex to the City Hall is under construction. The new building will have 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** will sell advertisements to be shown in a gigantic screen in the front of the building.

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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 cybernetic café, music and dance classrooms. Also in the town center, a new gym will be constructed.

**SITES OF INTEREST**

In addition to the Municipal Enterprises described above, 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 latest 1890. 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 also 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 Commonwealth of Puerto Rico in the 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 the ones that 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 local available for rent.



The strategic location that Aguadilla has, have 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 Tyco, 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.

During this year, three companies have established their facilities in Aguadilla: Angio Tech, Honey Well and Johnson & Johnson. Angio Tech is located in Montaña Industrial Park.

Effective November 15, 2006, the Commonwealth of Puerto Rico implemented a State Sales Tax 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 Tax Revenue was \$2 million.

On May 25, 2007, the Fair Labor Standards Act (FLSA) was amended, increasing the federal minimum wage in three steps: on July 24, 2007 the minimum hourly rate was increased to not less than \$5.85; effective July 24, 2008 the rate was increased to \$6.55; and \$7.25 per hour effective July 24, 2009. We are pleased that due to the increase in the cost of living, on 2006, we increased the minimum hourly rate of the Municipality's employees to \$7.85. Even though this increase, our fiscal solvency had not been affected, as shown in the Statistical Section.

### LONG - TERM FINANCIAL PLANNING

As shown in the Balance Sheet - Governmental Funds Financial Statements, the General Fund has a total of \$5.4 million of restricted fund balance. Approximately \$1.4 million are restricted to encumbrances incurred during the year that were outstanding at June 30, 2008. The other \$4.0 million corresponds to funds that were incurred to prepaid projects that are financed through Rural Development Grants. When Rural Development reimburse to the Municipality the costs incurred, this amount of fund balance will be redirected for the development of capital projects.

## 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 **Rafael Hernández Airport** is only nine miles from the location of the proposed **Las Cascadas Hotel**, which provides an incentive for tourists that travel to Puerto Rico. For Fiscal Year 2007-2008, the airport transported 471,006 passengers, nearly a 300% increase in four years. With only 84 flights per week during the high seasons (Summer & Winter) and 59 flights per week the rest of the year, **Hernández Airport** has an Average Load Factor of 80%. Airlines such as Jet Blue and Spirit had increased their flights to/from Aguadilla to several destinations along United States of America and the Caribbean. This airport is considered one of the most active commercial airports on the island. We are in negotiations with the Puerto Rico Ports Authority to solicit the administration of this airport. This important project will provide us the opportunity to improve the tourism in our **Municipality**.



**AWARDS AND ACKNOWLEDGMENTS**

The Office of the Comptroller of Puerto Rico states that all Municipalities must file their financial reports within six months of the end of the fiscal year, in order to apply for a special recognition, we have complied with this requirement always, and this year, for the first time, we present our financial report under the requirements of the CAFR.

Respectfully submitted,



Mrs. Noemi Alfonso Valle  
Finance Director



HON. CARLOS MENDEZ MARTINEZ  
MAYOR

CITY ADMINISTRATOR

CONSULTING OFFICES

PERMITS

HUMAN RESOURCES

PUBLIC RELATIONS

AUDITING

FINANCE

LAND PLANNING

HON. RAFAEL FERNANDEZ NADAL  
MUNICIPAL LEGISLATURE PRESIDENT

ENVIRONMENTAL CONTROL

OASIS

SPORTS & RECREATION

EMERGENCY CONTROL

GERIATRIC CENTER

SECTION & HOUSING PROGRAM

MUNICIPAL SECRETARY

PUBLIC WORKS

TECHNOLOGICAL DEVELOPMENT

FEDERAL PROGRAMS

SCHOOL TRANSPORTATION

PUBLIC BUILDINGS

EMBELLISHMENT AND MAINTENANCE

SANITATION

MUNICIPAL ENTERPRISES

RECYCLING

WATERFALLS AQUATIC PARK

ICE SKATING ARENA

# MUNICIPALITY OF AGUADILLA "GARDEN OF THE ATLANTIC"

**ELECTED OFFICIALS:**

Mayor .....	Hon. Carlos Méndez Martínez
Municipal Legislature:	
President.....	Hon. Rafael Fernández Nadal
Vice-President.....	Hon. Ignacio Suárez Acevedo
Legislator .....	Hon. Ana N. Méndez Barreto
Legislator .....	Hon. José A. Hernández Silva
Legislator .....	Hon. Edwin Matos Cardona
Legislator .....	Hon. David González Pumarejo
Legislator .....	Hon. José R. Barradas Mejías
Legislator .....	Hon. Rafael Crespo Padilla
Legislator .....	Hon. Alberto L. Torres Torres
Legislator .....	Hon. Isabel Gómez Ortiz
Legislator .....	Hon. Carlos M. Cordero Rivera
Legislator .....	Hon. Evelyn Hernández Talavera
Legislator .....	Hon. Mirta Sotomayor González
Legislator .....	Hon. Víctor Grajales Cubero
Legislator .....	Hon. Jorge Román Pérez
Legislator .....	Hon. Edgar Sanabria Alvarez

**APPOINTED OFFICIALS:**

City Administrator.....	Mr. Michael Nazario
Finance Director.....	Mrs. Noemí Alfonso Valle
Audit Department Director.....	Mr. David Morales Feliciano
Human Resources Department Director .....	Mrs. Nannette Guevara
Permits Department Director.....	Ing. Orlando González
Planning and Budget Department Director.....	Mrs. Jessica Acevedo
Public Relations Department Director .....	Mrs. Mery M. Ramos

# FINANCIAL SECTION

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





ROMAN TORO & CO., PSC

Certificate Public Accountants

Honesty - Integrity - Experience

Members of:  
American Institute of Certified Public Accountants  
and PR Society of Certified Public Accountants

José D. Román Toro, CPA, President

PO Box 3043  
Yauco PR 00698-3043  
Tel. (787) 856-6220  
Fax (787) 856-6233

## 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, 2008, 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.

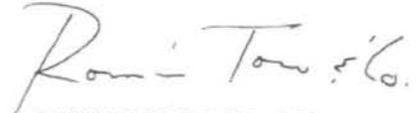
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2008, and the respective changes in financial position, and where applicable, the cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 17 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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, Puerto Rico's basic financial statements. 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 basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.



ROMAN TORO & CO., CSP  
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Yauco, Puerto Rico  
December 9, 2008

Stamp #2373208 was affixed to  
the original of this report

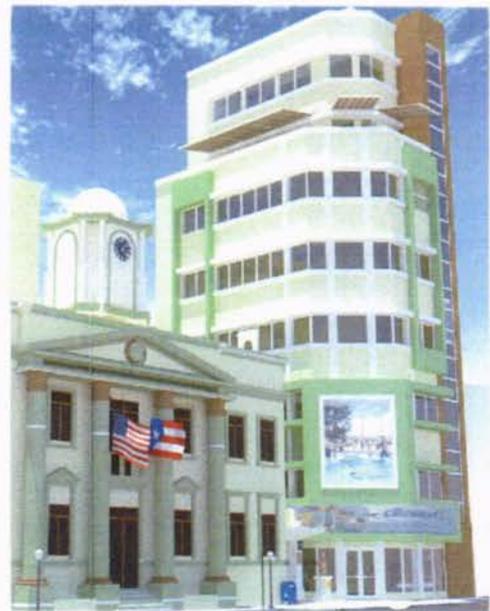
# A QUICK LOOK INTO THE FUTURE



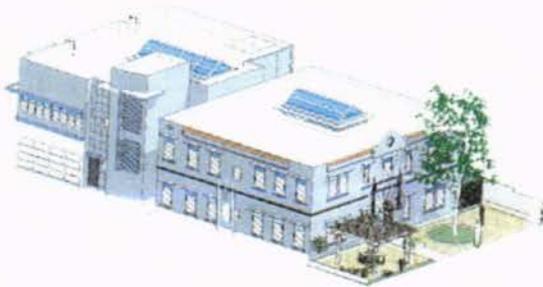
**LAS CASCADAS HOTEL**



**YOLA'S RESTAURANT**



**NEW CITY HALL BUILDING**



**CAMAGUEY CENTER FOR THE ELDERLY**



**TRES PALMAS FAMILY PARK**

As management of the **Municipality of Aguadilla, Puerto Rico (Municipality)**, we offer readers of the **Municipality's** financial statements this narrative overview and analysis of the financial activities of the **Municipality** for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

## FINANCIAL HIGHLIGHTS

### Highlights for Government-wide Financial Statements

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

- The assets of the **Municipality** Governmental Activities, on a government-wide basis, exceeded its liabilities at the close of fiscal year 2008 by \$120,809,007 and 2007 by \$118,623,719, as restated (net assets).
- The assets of the **Municipality** Business-Type Activities, on a government-wide basis, exceeded its liabilities at the close of fiscal year 2008 by \$11,357,953 and 2007 by \$10,755,728 (net assets).
- The total net assets of the **Municipality**, on a government-wide basis, exceeded its liabilities at the close of fiscal year 2008 by \$132,166,960 and 2007 by \$129,379,447, as restated.
- Total Revenues of the **Municipality** Governmental Activities, on a government-wide basis, increased by \$1,119,802 (2.7%) and expenses increased \$651,203 (1.4%) in comparison with year 2007.
- Total Revenues of the **Municipality** Business-Type Activities, on a government-wide basis, decreased by \$171,441 (5.5%) and expenses decreased \$316,956 (12.9%) in comparison with year 2007.
- Total net change in net assets, on a government-wide basis, amounted to \$2,787,513, increased by \$614,114 (28.3%) with respect to prior year (2007) net change.

### Highlights for Fund Financial Statements

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 \$49,240,931, an increase of \$6,924,564 in comparison with the prior year.
- Proprietary funds reported combined fund net assets of \$11,357,953, an increase of \$602,225 in comparison with the prior year, after net transfer of \$221,594 to the general fund. Without this transfer the result of operation of the proprietary funds was positive by \$823,819.
- The General Fund reported an excess of revenues over expenditures and other financing sources and uses of \$389,612 and unreserved fund balance of \$5,130,875.

### General Financial Highlights

- The investment in net capital assets as of June 30, 2008 was \$99,290,451 (net of related debt), \$89,487,550 from governmental activities and \$9,802,901 from business-type activities.
- Long term debt general and special obligations bonds increased to \$73,715,143, approximately an increase of 23.1% (\$13,836,985) with respect to prior year balance.
- Other long term debt increases and net reductions from payments amounted to \$256,485 and \$381,761, respectively. Such decreases represent principally the accumulation of compensated absences during the fiscal year.
- On a budgetary basis, actual revenues exceeded actual expenditures by \$771,055, net of \$833,374 designated general fund for future expenditures (transfers out to other funds).

- Estimated Revenues increase as follow: \$167,208 in volume of business taxes, \$367,518 of intergovernmental, \$201,987 of construction taxes, and \$8,689 of interests; miscellaneous revenues decreases by \$98,000; for a total increase of \$647,402. The **Municipality** does not modify the budget for these additional resources. Also, economies were generated during the year in the amount of \$1,429,819. Total Variances amounted to \$2,077,221 or 7% of estimated resources.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the **Municipality's** basic financial statements, which comprise of three components: (1) **Governmental-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the financial statements. This report also contains required **supplementary information** in addition to the basic financial statements themselves. 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**

C A F R	Introductory Section	INTRODUCTORY SECTION		
		+		
	Financial Section	Management's Discussion and Analysis		
		Government-wide Financial Statements	Fund Financial Statements	
		Statement of Net Assets	Governmental Funds	Proprietary Funds
			Balance Sheet	Statement of Net Assets
		Statement of Activities	Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Revenues, Expenses, and Changes in Fund Net Assets
			Budgetary Comparison Statement	Statement of Cash Flows
		Notes to the Financial Statements		
	Required Supplementary Information Other Than MD&A			
Information on Individual Non-major Funds and Other Supplementary Information That is not Required				
	+			
Statistical Section	STATISTICAL SECTION			

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.

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 the **Municipality's** net assets are an indicator of whether its financial health 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 health of the **Municipality**.

The *Statement of Activities* presents information showing how the government'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.

Both of the 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 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 and Aguadilla Ice Skating Arena.

The government-wide financial statements can be found on pages 18-19 of this report.

- **Fund Financial Statements**

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

**Governmental Funds** – The **Municipality's** basic services are included in governmental funds, which 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 are prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this approach the financial statements focus on near-term inflows and outflows of external resources, as well on balances of expendable resources available at year end.

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

The **Municipality** maintains several individual governmental funds organized according to their type (special revenue, debt service and capital projects). 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 the general fund, head start fund, CDBG fund, Real Marina fund and debt service fund, which are considered to be major funds. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 20-24 of this report.

The **Municipality** adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget (pages 25-26).

**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 and Aguadilla Ice Skating Arena.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Aguadilla's Waterfalls Aquatic Park and Aguadilla Ice Skating Arena, both of which are considered to be major funds of the **Municipality**.

The basic proprietary fund financial statements can be found on pages 27-29 of this report.

- **Notes to the 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 financial statements can be found on pages 30-46 of this report.

- **Combining Statements and Schedules**

The combining statements and schedules 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 47-58 of this report.

## FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE

The following table presents a summary of the Statements of Net Assets as of June 30, 2008 and 2007:

Table 1

Commonwealth of Puerto Rico Municipality of Aguadilla, Puerto Rico Statement of Net Assets As of June 30,						
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and Non-current Assets	\$ 69,777,233	\$ 62,805,946	\$ 1,679,220	\$ 1,187,957	\$ 71,456,453	\$ 63,993,903
Capital Assets (as Restrained)	142,439,739	133,423,286	9,802,901	9,835,291	152,242,640	143,258,577
<b>Total Assets</b>	<b>212,216,972</b>	<b>196,229,232</b>	<b>11,482,121</b>	<b>11,023,248</b>	<b>223,699,093</b>	<b>207,252,480</b>
Current Liabilities	2,931,638	3,179,816	30,603	185,673	2,962,241	3,365,489
Deferred Revenues	9,088,994	8,750,073	-	-	9,088,994	8,750,073
Long-term Liabilities	79,387,333	65,675,624	93,565	81,847	79,480,898	65,757,471
<b>Total Liabilities</b>	<b>91,407,965</b>	<b>77,605,513</b>	<b>124,168</b>	<b>267,520</b>	<b>91,532,133</b>	<b>77,873,033</b>
Net Assets:						
Investment in Capital Assets,						
Net of Related Debt (as Restated)	89,487,550	95,378,272	9,802,901	9,835,291	99,290,451	105,213,563
Restricted	25,878,080	18,028,923	-	-	25,878,080	18,028,923
Unrestricted (as Restated)	5,443,377	5,216,524	1,555,052	920,437	6,998,429	6,136,961
<b>Total Net Assets</b>	<b>\$ 120,809,007</b>	<b>\$ 118,623,719</b>	<b>\$ 11,357,953</b>	<b>\$ 10,755,728</b>	<b>\$ 132,166,960</b>	<b>\$ 129,379,447</b>

### Analysis of Net Assets

Net assets (assets over liabilities) may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$132,166,960 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 \$99,290,451 [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.

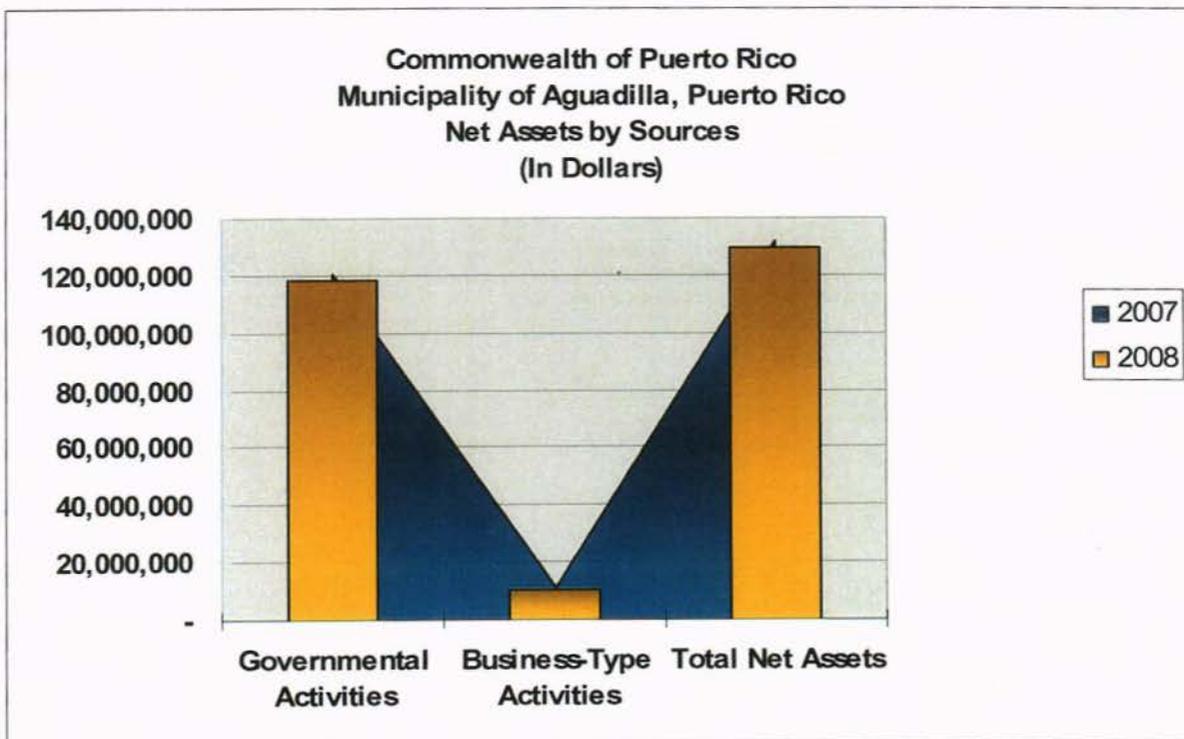
Restricted net assets represent resources that are subject to external restrictions on how they may be used.

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, 2008 the **Municipality** presented unrestricted net assets of \$6,998,429. This balance was affected by long term obligations such as compensated absences \$4,923,318, and other debts for the amount of \$842,437 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 \$1,555,052 in unrestricted net assets reported in connection with the **Municipality's** business-type activities.

An additional portion of the **Municipality's** net assets (\$25,878,080) represents resources that are subject to external restrictions on how they may be used. There was an increase of \$7,849,157 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, 2008 and 2007:

Commonwealth of Puerto Rico Municipality of Aguadilla, Puerto Rico Changes in Net Assets For the Years Ended June 30,						
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 776,752	\$ 228,490	\$ 2,953,500	\$ 3,075,350	\$ 3,730,252	\$ 3,303,840
Operating Grants and Contributions	10,749,388	10,532,508	-	-	10,749,388	10,532,508
Capital Grants and Contributions	114,567	124,280	-	-	114,567	124,280
General Revenues:						
Property Taxes	13,370,452	12,465,186	-	-	13,370,452	12,465,186
Volume of Business Taxes	9,490,510	9,132,473	-	-	9,490,510	9,132,473
Sales Taxes	2,209,104	-	-	-	2,209,104	-
Construction Taxes	1,824,688	1,853,366	-	-	1,824,688	1,853,366
Intergovernmental	6,825,969	9,641,505	-	-	6,825,969	9,641,505
Interests	2,407,359	2,269,507	-	-	2,407,359	2,269,507
Other General Revenues	877,000	1,278,672	-	49,591	877,000	1,328,263
<b>Total Revenues</b>	<u>48,645,789</u>	<u>47,525,987</u>	<u>2,953,500</u>	<u>3,124,941</u>	<u>51,599,289</u>	<u>50,650,928</u>
<b>Governmental Activities Expenses:</b>						
General Administration	20,274,189	19,982,885	-	-	20,274,189	19,982,885
Public Safety	1,763,964	1,666,842	-	-	1,763,964	1,666,842
Public Works	1,858,104	1,874,964	-	-	1,858,104	1,874,964
Culture and Recreation	1,105,616	979,368	-	-	1,105,616	979,368
Health and Sanitation	4,046,193	3,057,282	-	-	4,046,193	3,057,282
Public Instruction	6,046,261	5,381,175	-	-	6,046,261	5,381,175
Human Services and Welfare	4,792,506	5,582,451	-	-	4,792,506	5,582,451
Urban Development	4,222,382	4,826,215	-	-	4,222,382	4,826,215
Interest Costs	2,572,880	2,544,588	-	-	2,572,880	2,544,588
Loss on Disposition of Asset	-	135,122	-	-	-	135,122
<b>Total Expenses</b>	<u>46,682,095</u>	<u>46,030,892</u>	<u>-</u>	<u>-</u>	<u>46,682,095</u>	<u>46,030,892</u>
<b>Business-Type Activities Expenses:</b>						
Aguadilla's Waterfalls Aquatic Park	-	-	1,396,436	1,373,748	1,396,436	1,373,748
Aguadilla Ice Skating Arena	-	-	733,245	1,072,889	733,245	1,072,889
<b>Total Expenses</b>	<u>-</u>	<u>-</u>	<u>2,129,681</u>	<u>2,446,637</u>	<u>2,129,681</u>	<u>2,446,637</u>
Capital Contributions	(91,933)	-	91,933	-	-	-
Transfer-in (Out)	313,527	1,499,420	(313,527)	(1,499,420)	-	-
<b>Changes in Net Assets</b>	<b>2,185,288</b>	<b>2,994,515</b>	<b>602,225</b>	<b>(821,116)</b>	<b>2,787,513</b>	<b>2,173,399</b>
Net Assets - Beginning, as Restated	118,623,719	115,629,204	10,755,728	11,576,844	129,379,447	127,206,048
<b>Net Assets - Ending</b>	<u>\$ 120,809,007</u>	<u>\$ 118,623,719</u>	<u>\$ 11,357,953</u>	<u>\$ 10,755,728</u>	<u>\$ 132,166,960</u>	<u>\$ 129,379,447</u>

### Analysis of Changes in Net Assets

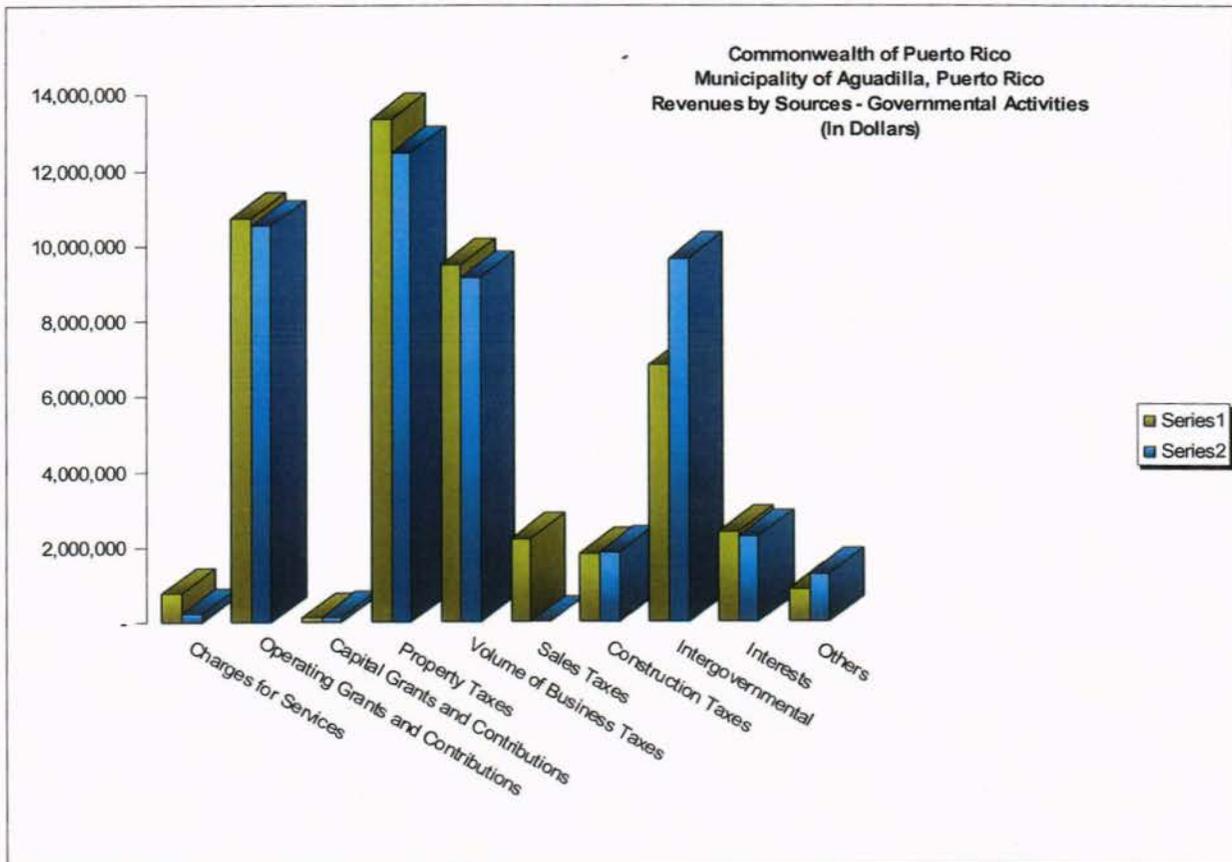
The Municipality's net assets overall increased by \$2,787,513 during fiscal year 2007-2008, compared to a \$2,173,399 increase last fiscal year. The governmental activities component of this change was a \$2,185,288 increase, that represent an approximately \$600,000 of prior year change of \$2,994,515 (due to interfund transfer of \$1,499,420 from enterprise funds). The Municipality business-type activities increase of \$602,225 that compare with the prior year net change of \$678,301 (before consider the transfer to governmental fund of \$1,499,420). A discussion of these changes is presented in the government and business-type activities below.

**Governmental Activities.** The government's net assets increased by \$2,185,288 during the current fiscal year.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. Also, non-capitalized expenses were incurred for maintenance of capital assets.

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

FIGURE 2

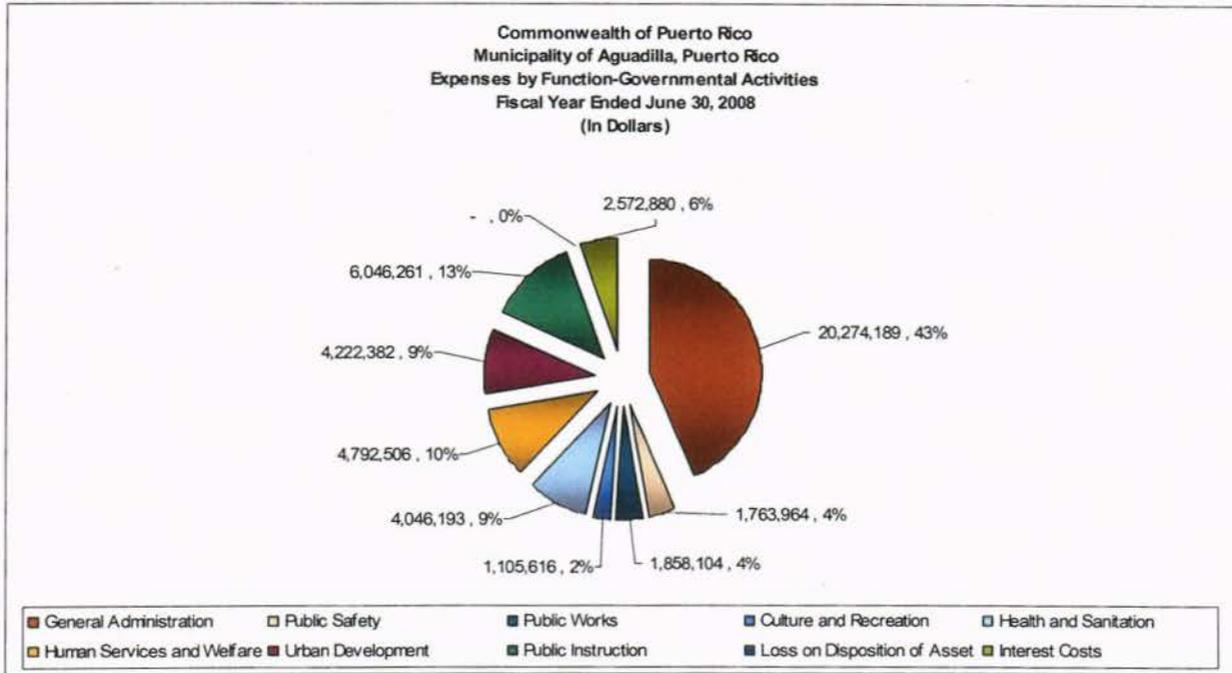


Approximately 21.8% of the **Municipality's** revenues came from grants and contributions, 27.6% from property taxes, volume of business taxes 19.6% and 31% from other sources. The **Municipality's** expenses cover a range of services. The largest expenses are general administration with 43%, education representing approximately 13%, human services and welfare with 10%, and urban development with 9%. Program revenues of the **Municipality** covered 24.5% of total expenses.

Expenses increased 1.1% or \$516,081 (do not include loss on disposition of asset or \$135,122) in comparison with 2007 year. Significant increases were registered on donations and services incurred for the benefit of the community. Also, increases were on interest costs for new financing in prior years and to additional capital assets maintenance and other non-capitalize costs.

Figures 3 present expenses by function of the governmental activities during the fiscal year 2007-2008:

FIGURE 3

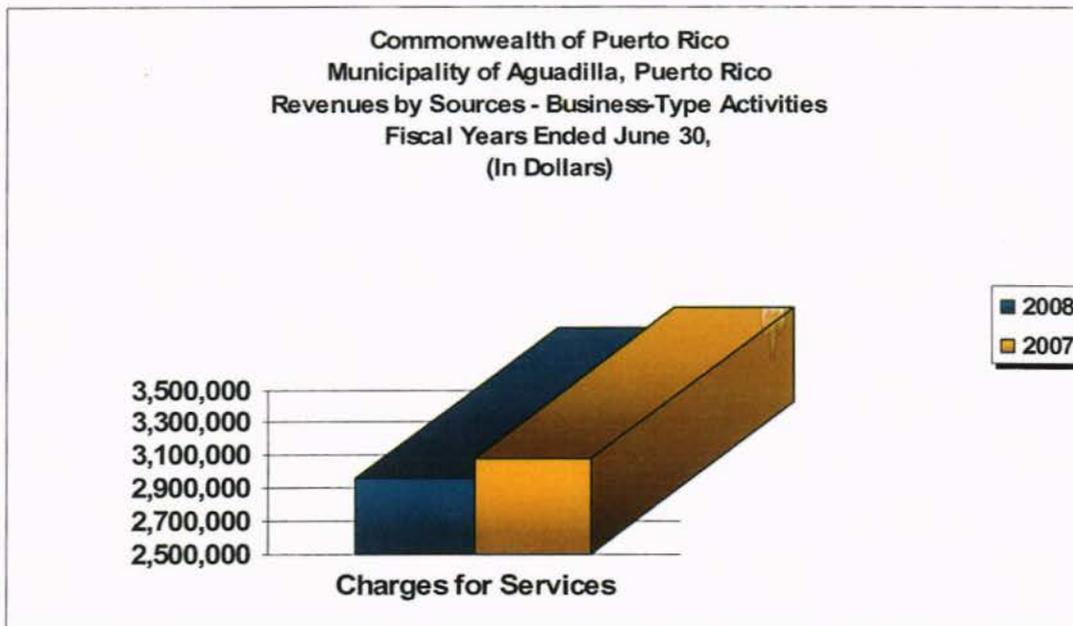


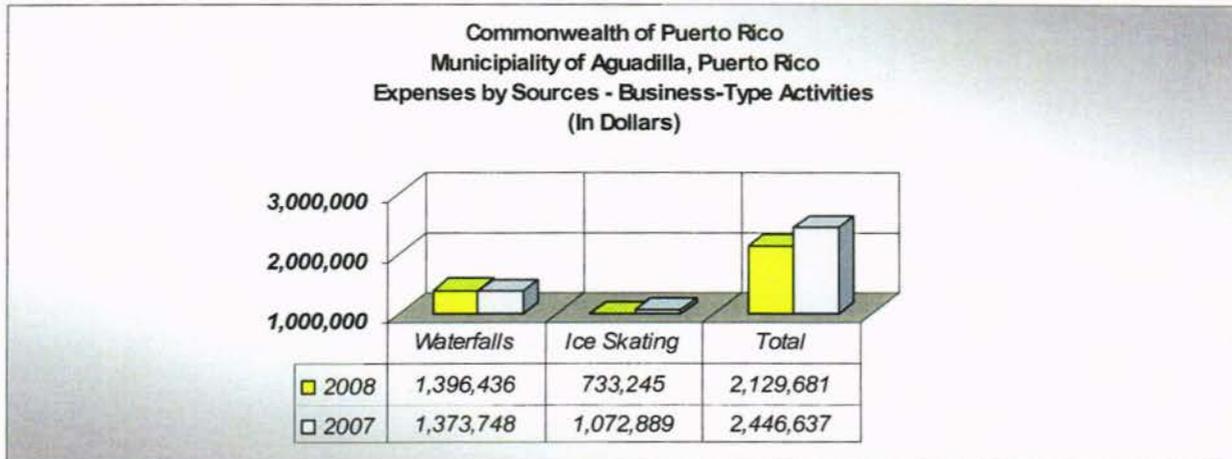
**Business-Type Activities.** The government's net assets increased by \$602,225 during the current fiscal year, after a net transfer of \$221,594 to general fund.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. Charges for services decrease by \$121,850 during year.

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

FIGURES 4





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

**Table 3**

Commonwealth of Puerto Rico  
**MUNICIPALITY OF AGUADILLA, PUERTO RICO**  
Municipality Cost of Programs/Functions  
Fiscal Years ended June 30,

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
<b>Governmental Activities:</b>				
General Government	\$ 20,274,189	\$ 19,982,885	\$ 20,045,386	\$ 19,754,395
Public Safety	1,763,964	1,666,842	1,763,964	1,666,842
Public Works	1,858,104	1,874,964	1,858,104	1,874,964
Culture and Recreation	1,105,616	979,368	1,105,616	979,368
Health and Sanitation	4,046,193	3,057,282	3,498,244	3,057,282
Public Instruction	6,046,261	5,381,175	582,887	(457,799)
Human Services and Welfare	4,792,506	5,582,451	1,301,379	2,679,090
Urban Development	4,222,382	4,826,215	2,312,928	2,911,762
Interest Costs	2,572,880	2,544,588	2,572,880	2,544,588
Loss on Disposition of Asset	-	135,122	-	135,122
<b>Total Expenses</b>	<b>46,682,095</b>	<b>46,030,892</b>	<b>35,041,388</b>	<b>35,145,614</b>
<b>Business-Type Activities:</b>				
Aguadilla's Waterfall Park	1,396,436	1,373,748	(901,840)	(734,152)
Aguadilla Ice Skating Arena	733,245	1,072,889	78,021	105,439
<b>Total Expenses</b>	<b>2,129,681</b>	<b>2,446,637</b>	<b>(823,819)</b>	<b>(628,713)</b>
<b>Total Expenses</b>	<b>\$ 48,811,776</b>	<b>\$ 48,477,529</b>	<b>\$ 34,217,569</b>	<b>\$ 34,516,901</b>

Some of the cost of governmental activities in 2008 was paid by those who directly benefited from the programs (\$776,752) and other governments and organizations that subsidized certain programs with grants and contributions (\$10,749,388). The \$35,041,388 net cost of services was covered by other general revenues including property taxes, volume of business taxes, sales taxes, intergovernmental and others. Business-type activities in 2008 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. In particular, unreserved fund balance may serve as a useful measure of a **Municipality's** net resources available at the end of a fiscal year. For the Fiscal year ended June 30, 2008, the governmental funds reported combined ending fund balances of \$49,240,931, a net increase of \$6,924,564 in comparison with the prior year. This increase was due primarily by issuance of bonds and the enacted new sales taxes law, principally for the investment in capital assets that represent expenditures. Of total combined fund balances, \$5,130,875 (10.4%) constitutes unreserved fund balance of general fund. The remainder of fund balance is reserved for specific purpose to indicate that is not available for new spending.

The general fund is the operating fund of the **Municipality**. Unreserved fund balance of the general fund represents approximately 48.9% of total ending general fund balance. For the year ended June 30, 2008, the fund balance of the general fund increased by \$389,612 when compared with the prior year. The principal component of the net increases is an excess of revenues with corresponding control in operating expenditures.

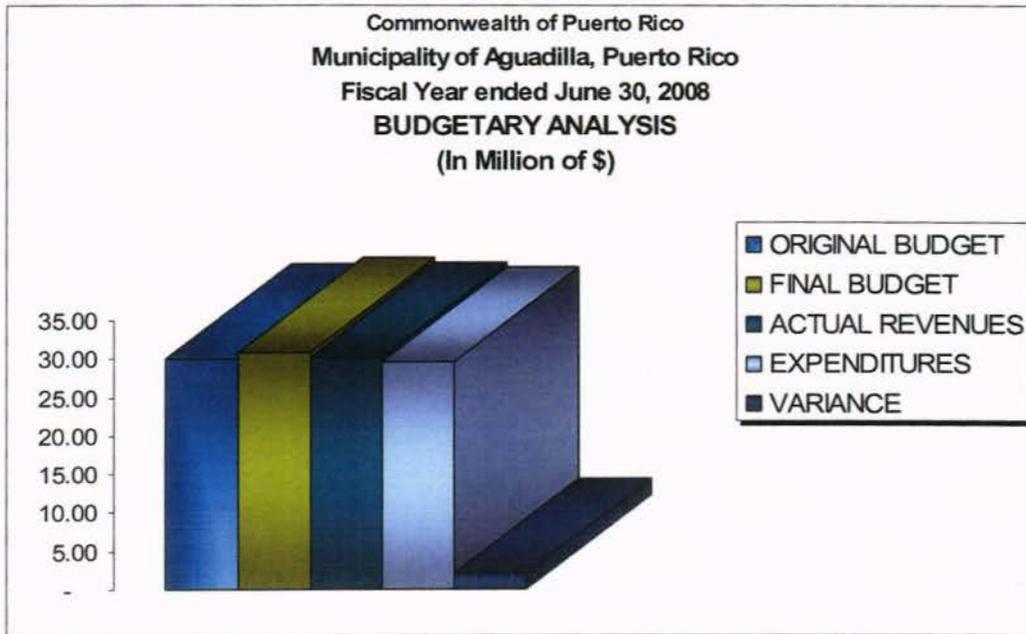
### GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund original budget for the fiscal period 2007-2008 was more than prior year budget by approximately \$5.0 million due to the increase in property taxes, volume of business taxes and construction taxes. Amendments to the original budget for additional \$1.0 million are approved by the Municipal Legislature, by the uses of prior years undesignated fund balance. Actual revenues were greater than the revised budgeted revenues by \$647,402 [\$167,208 in volume of business taxes, \$367,518 in intergovernmental, \$201,987 in construction taxes, \$8,689 of interests, and (\$98,000) in miscellaneous].

Also, economies were generated during the years in the amount of \$1,429,819. 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 \$2,077,221 or 7% of estimated resources.

Figure 5 present the budgetary comparison by their components during the fiscal year 2007-2008:

FIGURE 5



**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets**

At the end of the fiscal year, the Municipality has invested \$152,242,640 (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 \$8,984,063 or 6.27% more than prior year, as restated.

The Municipality acquired a total of \$12,197,421 of capital assets during the fiscal year 2007-2008 as follows:

- Purchase of land - \$1,002,000
- Construction in progress of buildings and facilities - \$10,263,903 (of which \$5,931,778 was terminated and presented as addition to buildings)
- Acquisition of Motor Vehicles - \$203,609
- Acquisition of Machinery and Equipment - \$644,209

Motor vehicles, machinery and equipment were eliminated for a total amount of \$320,839.

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

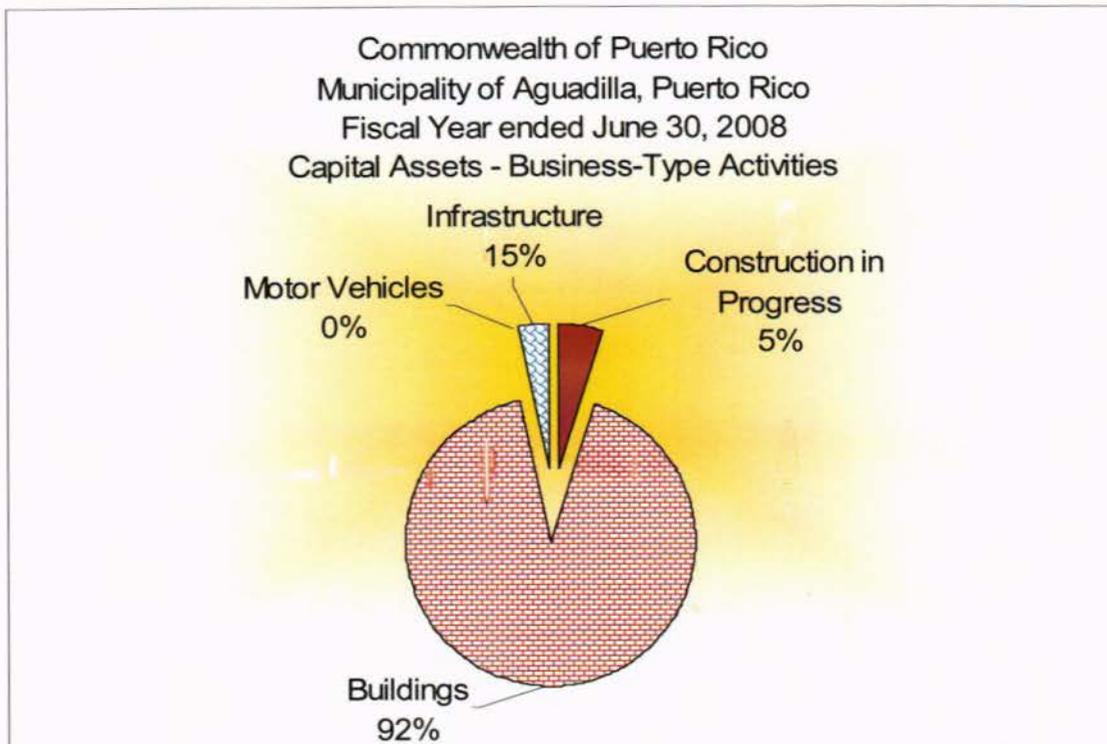
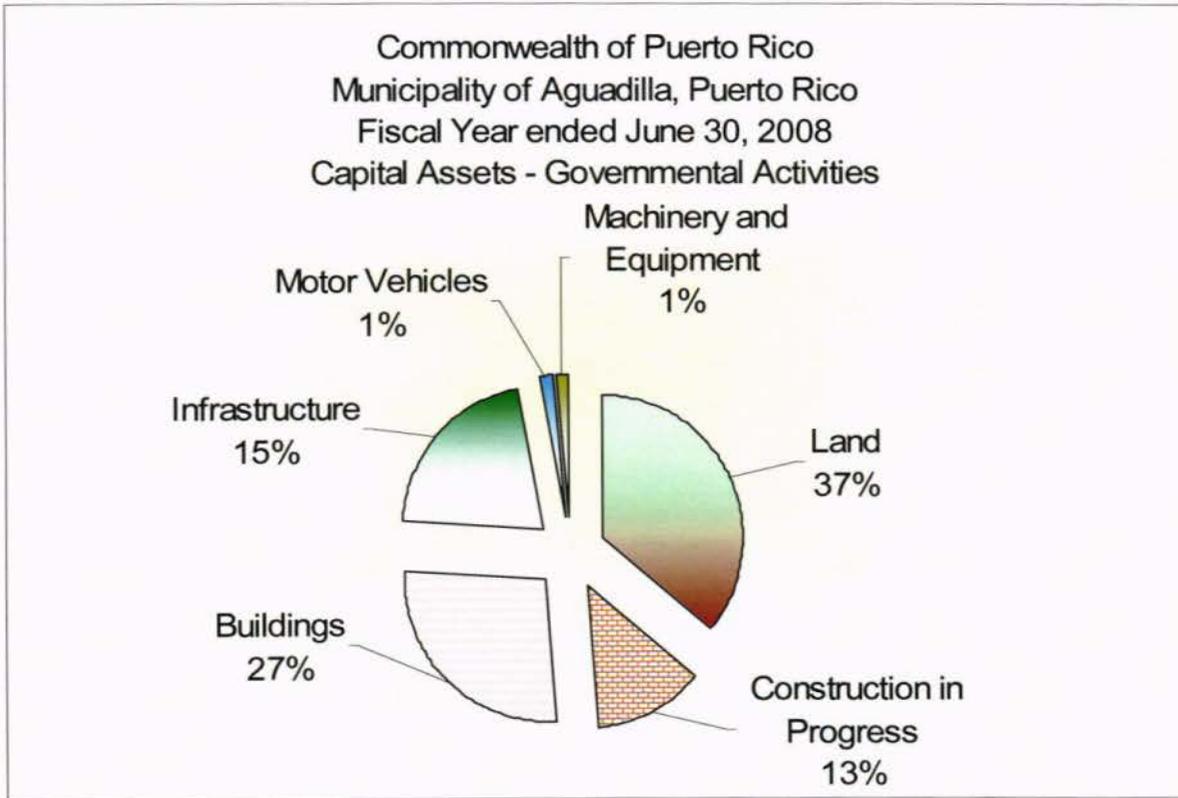
Table 4

Commonwealth of Puerto Rico  
MUNICIPALITY OF AGUADILLA, PUERTO RICO  
Capital Assets, Net  
As of June 30,

Description	2008	2007
<b>Governmental Activities:</b>		
Non-Depreciable Capital Assets:		
Land	\$ 51,554,965	\$ 50,552,965
Construction in Progress	17,901,804	13,711,612
Depreciable Capital Assets:		
Buildings	38,645,486	33,875,425
Infrastructure	30,505,693	30,907,363
Motor Vehicles	1,795,685	2,383,753
Machinery and Equipment	2,036,106	1,992,168
Total Governmental Capital Assets	142,439,739	133,423,286
<b>Business-Type Activities:</b>		
Non-Depreciable Capital Assets:		
Construction in Progress	489,437	347,504
Depreciable Capital Assets:		
Buildings	8,977,556	9,196,657
Motor Vehicles	14,004	23,348
Equipment	321,904	267,782
Total Business-Type Capital Assets	9,802,901	9,835,291
<b>Total</b>	<b>\$ 152,242,640</b>	<b>\$ 143,258,577</b>

Figures 6 present the components of capital assets during the fiscal year 2007-2008:

FIGURES 6



**Long term debt**

New special obligations were issued for new capital projects in the amount of \$1,529,712. Important projects for our communities should be constructed with the funds available in the capital project fund.

At year-end, the **Municipality** had \$60,108,158 in general and special bonds and notes, a decrease of 1.45% with respect to prior year. Following is a summary of the **Municipality's** outstanding debt as of June 30, 2008 and 2007:

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

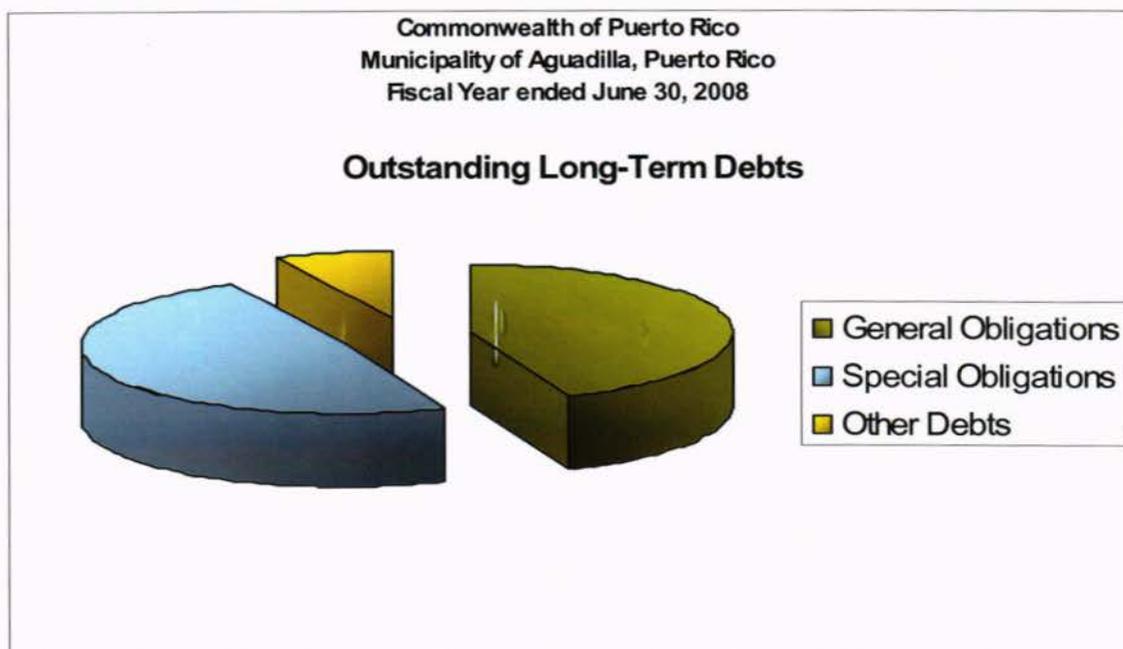
**Table 5**

**Commonwealth of Puerto Rico**  
**MUNICIPALITY OF AGUADILLA, PUERTO RICO**  
**Outstanding Long-term Debt**  
**As of June 30,**

	<u>2008</u>	<u>2007</u>
<b>Governmental Activities (As Restated):</b>		
General and Special Obligation Bonds	\$ 73,715,143	\$ 59,878,158
Law Number 146 - MRCC	228,023	237,524
LIMS - MRCC	395,453	494,316
Deferred Credits	18,961	-
Solid Waste Landfill	-	-
Claims	200,000	200,000
Compensated Absences	<u>4,829,753</u>	<u>5,103,150</u>
<b>Total</b>	<b><u>\$ 79,387,333</u></b>	<b><u>\$ 65,913,148</u></b>
<b>Business-Type Activities:</b>		
Compensated Absences	<u>\$ 93,565</u>	<u>\$ 81,847</u>

Figure 7 present the components of long-term debts during the fiscal year 2007-2008:

FIGURE 7



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

The **Municipality's** selected and appointed officials considered many factors when setting the fiscal year 2007-2008 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 12.5%, which compares with the Commonwealth rate of 12.7%.

The **Municipality** applied a conservative approach in development budget estimates. Amounts available for appropriations in the General Fund for the fiscal year 2008-2009 are \$33.6 million, approximately \$1 million more than the fiscal year 2007-2008. The **Municipality** expects limited increase in revenues for the next year due to Puerto Rico economic rescission. Also, revenues increases are demonstrative of the economic development from new commerce and stability of the manufacturing industry. Budgeted expenditures are expected to stabilize accordingly to the projected revenues. Among planned projects, this budget may be adjusted in accordance with economic injection projected when the construction project promoted by the **Municipality** and others private projects were develop during the year.

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

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

# BASIC FINANCIAL STATEMENTS



COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

STATEMENT OF NET ASSETS  
JUNE 30, 2008

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS:</b>			
Cash and Investments	\$ 35,872,206	\$ 1,585,424	\$ 37,457,630
Cash with Fiscal Agent	24,184,870	-	24,184,870
Intergovernmental Receivables (net):			
Property Taxes	56,279	-	56,279
Sales Tax	202,992	-	202,992
Federal Grants	9,138,881	-	9,138,881
State Appropriations	67,277	-	67,277
Others	11,600	93,796	105,396
Total Current Assets	<u>69,534,105</u>	<u>1,679,220</u>	<u>71,213,325</u>
Deferred Charges	243,128	-	243,128
Capital Assets):			
Land, Improvement and Construction in Progress	69,456,769	489,437	69,946,206
Other Capital Assets [Net of Depreciation]	72,982,970	9,313,464	82,296,434
Total Capital Assets	<u>142,439,739</u>	<u>9,802,901</u>	<u>152,242,640</u>
<b>TOTAL ASSETS</b>	<b><u>212,216,972</u></b>	<b><u>11,482,121</u></b>	<b><u>223,699,093</u></b>
<b>LIABILITIES:</b>			
Accounts Payable and Accrued Expenses	1,222,178	133,743	1,355,921
Accrued Interest	828,793	-	828,793
Due to Governmental Units	352,586	-	352,586
Other	424,941	-	424,941
Deferred Revenues	9,088,994	-	9,088,994
Internal Balances	103,140	(103,140)	-
Long-Term Liabilities:			
Due Within One Year	6,947,663	79,264	7,026,927
Due in More than One Year	72,439,670	14,301	72,453,971
<b>TOTAL LIABILITIES</b>	<b><u>91,407,965</u></b>	<b><u>124,168</u></b>	<b><u>91,532,133</u></b>
<b>NET ASSETS:</b>			
Investment in Capital Assets, Net of Related Debt	89,487,550	9,802,901	99,290,451
Restricted for:			
Capital Projects	10,205,246	-	10,205,246
Head Start Program	3,238,369	-	3,238,369
Debt Service	5,117,950	-	5,117,950
Community Development Projects	3,477,797	-	3,477,797
Other Purposes	3,838,718	-	3,838,718
Unrestricted	5,443,377	1,555,052	6,998,429
<b>TOTAL NET ASSETS</b>	<b><u>\$ 120,809,007</u></b>	<b><u>\$ 11,357,953</u></b>	<b><u>\$ 132,166,960</u></b>

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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
<b>Governmental Activities:</b>							
Mayor and Municipal Legislature	\$ 1,514,767	\$ -	\$ -	\$ -	\$ (1,514,767)	\$ -	\$ (1,514,767)
General Government	18,759,422	228,803	-	-	(18,530,619)	-	(18,530,619)
Public Safety	1,763,964	-	-	-	(1,763,964)	-	(1,763,964)
Public Works	1,858,104	-	-	-	(1,858,104)	-	(1,858,104)
Culture and Recreation	1,105,616	-	-	-	(1,105,616)	-	(1,105,616)
Health and Sanitation	4,046,193	547,949	-	-	(3,498,244)	-	(3,498,244)
Public Instruction	6,046,261	-	5,463,374	-	(582,887)	-	(582,887)
Human Services and Welfare	4,792,506	-	3,491,127	-	(1,301,379)	-	(1,301,379)
Urban Development	4,222,382	-	1,794,887	114,567	(2,312,928)	-	(2,312,928)
Interest on Long-Term Debt	2,572,880	-	-	-	(2,572,880)	-	(2,572,880)
<b>Total Governmental Activities</b>	<b>46,682,095</b>	<b>776,752</b>	<b>10,749,388</b>	<b>114,567</b>	<b>(35,041,388)</b>	<b>-</b>	<b>(35,041,388)</b>
<b>Business-Type Activities:</b>							
Aguadilla's Waterfalls Aquatic Park	1,396,436	2,298,276	-	-	-	901,840	901,840
Aguadilla Ice Skating Arena	733,245	655,224	-	-	-	(78,021)	(78,021)
<b>Total Business-Type Activities</b>	<b>2,129,681</b>	<b>2,953,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>823,819</b>	<b>823,819</b>
<b>Total Activities</b>	<b>\$ 48,811,776</b>	<b>\$ 3,730,252</b>	<b>\$ 10,749,388</b>	<b>\$ 114,567</b>	<b>(35,041,388)</b>	<b>823,819</b>	<b>(34,217,569)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property Taxes, levied for General Purposes					9,625,207	-	9,625,207
Property Taxes, levied for Debt Service					3,745,245	-	3,745,245
Volume of Business Taxes					9,490,510	-	9,490,510
Sales Tax					2,209,104	-	2,209,104
Construction Taxes					1,824,688	-	1,824,688
Intergovernmental					6,825,969	-	6,825,969
Interests					2,407,359	-	2,407,359
Miscellaneous					877,000	-	877,000
Capital Contributions					(91,933)	91,933	-
Transfers					313,527	(313,527)	-
<b>Total General Revenues and Transfers</b>					<b>37,226,676</b>	<b>(221,594)</b>	<b>37,005,082</b>
<b>CHANGES IN NET ASSETS</b>					<b>2,185,288</b>	<b>602,225</b>	<b>2,787,513</b>
Net Assets – As Restated At Beginning of Year					118,623,719	10,755,726	129,379,447
<b>NET ASSETS – ENDING OF YEAR</b>					<b>\$ 120,809,007</b>	<b>\$ 11,357,953</b>	<b>\$ 132,166,960</b>

See accompanying Notes to Basic Financial Statements.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2008

	GENERAL FUND	HEAD START FUND	CDBG FUND	REAL MARINA FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS:</b>							
Cash and Investment	\$ 16,218,940	\$ 1,076	\$ 39,540	\$ 14,625,885	\$ -	\$ 4,986,765	\$ 35,872,206
Cash with Fiscal Agent	-	-	-	-	6,133,460	18,051,410	24,184,870
Intergovernmental Receivables:							
Property Taxes	-	-	-	-	56,279	-	56,279
Sales Tax	-	-	-	-	-	202,992	202,992
Federal Grants	-	4,282,819	2,876,513	-	-	1,979,549	9,138,881
State Appropriations	-	-	-	-	-	67,277	67,277
Due from Other Funds	3,933,815	-	-	-	-	-	3,933,815
Other Receivables	-	-	11,600	-	-	-	11,600
<b>Total Assets</b>	<b>\$ 20,152,755</b>	<b>\$ 4,283,895</b>	<b>\$ 2,927,653</b>	<b>\$ 14,625,885</b>	<b>\$ 6,189,739</b>	<b>\$ 25,287,993</b>	<b>\$ 73,467,920</b>
<b>LIABILITIES AND FUND BALANCES:</b>							
Liabilities:							
Account Payable	\$ 210,084	\$ 194,831	\$ 43,033	\$ 28,410	\$ 1,825,000	\$ 745,820	\$ 3,047,178
Account Interest	-	-	-	-	828,793	-	828,793
Due to Governmental Units	352,586	-	-	-	-	-	352,586
Due to Other Funds	103,140	-	245	-	8,616	3,924,954	4,036,955
Other	424,941	-	-	-	-	-	424,941
Deferred Revenues:							
Volume of Business Tax	8,578,920	-	-	-	-	-	8,578,920
Federal Grants	-	3,692,268	2,755,274	-	-	510,074	6,957,616
<b>Total Liabilities</b>	<b>9,669,671</b>	<b>3,887,099</b>	<b>2,798,552</b>	<b>28,410</b>	<b>2,662,409</b>	<b>5,180,848</b>	<b>24,226,989</b>
Fund Balances:							
Reserve For:							
Encumbrances	1,418,394	-	-	-	-	-	1,418,394
Debt Service	-	-	-	-	3,527,330	-	3,527,330
Capital Projects	-	-	-	14,597,475	-	16,626,741	31,224,216
Other Purposes	3,933,815	396,796	129,101	-	-	3,480,404	7,940,116
Unreserves	5,130,875	-	-	-	-	-	5,130,875
<b>Total Fund Balances</b>	<b>10,483,084</b>	<b>396,796</b>	<b>129,101</b>	<b>14,597,475</b>	<b>3,527,330</b>	<b>20,107,145</b>	<b>49,240,931</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 20,152,755</b>	<b>\$ 4,283,895</b>	<b>\$ 2,927,653</b>	<b>\$ 14,625,885</b>	<b>\$ 6,189,739</b>	<b>\$ 25,287,993</b>	<b>\$ 73,467,920</b>

<b>Total Fund Balances – Government Funds (Page 21)</b>		<b>\$ 49,240,931</b>
Amount reported for Governmental Activities in the Statement of Net Assets (Page 19) 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	\$ 69,456,769	
Depreciable Capital Assets	74,024,082	
Infrastructure Assets	42,507,724	
Accumulated Depreciation	<u>(43,548,836)</u>	
Total Capital Assets		142,439,739
Other Assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Deferred Charges		243,128
Some of the <b>Municipality's</b> revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds:		
Head Start Program	3,692,268	
CDBG Program	<u>2,755,274</u>	
Total Deferred Revenues		6,447,542
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	(71,890,143)	
Compensated Absences	(4,829,753)	
Claims	(200,000)	
Deferred Charges	(18,961)	
Property Tax Advances	<u>(623,476)</u>	
Total Long-Term Liabilities		<u>(77,562,333)</u>
<b>Total Net Assets of Governmental Activities (Page 19)</b>		<b><u>\$ 120,809,007</u></b>

COMMONWEALTH 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, 2008

	GENERAL FUND	HEAD START FUND	CDBG FUND	REAL MARINA FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>							
Property Taxes	\$ 9,866,870	\$ -	\$ -	\$ -	\$ 3,745,245	\$ -	\$ 13,612,115
Volume of Business Taxes	9,490,510	-	-	-	-	-	9,490,510
Sales Taxes	-	-	-	-	-	2,209,104	2,209,104
Federal Assistances	-	5,560,135	1,899,094	-	-	3,491,127	10,950,356
Intergovernmental	6,480,983	-	-	-	-	344,986	6,825,969
Licenses and Permits	1,824,688	-	-	-	-	-	1,824,688
Interest	1,688,151	-	-	719,208	-	-	2,407,359
Charges for Services	228,803	-	-	-	-	547,949	776,752
Miscellaneous	769,653	-	-	-	-	107,347	877,000
Total Revenues	<u>30,349,658</u>	<u>5,560,135</u>	<u>1,899,094</u>	<u>719,208</u>	<u>3,745,245</u>	<u>6,700,513</u>	<u>48,973,853</u>
<b>EXPENDITURES:</b>							
Current:							
Mayor and Municipal Legislature	1,435,091	-	-	-	-	-	1,435,091
General Government	15,156,613	-	84,149	-	-	1,493,537	16,734,299
Public Safety	1,676,051	-	-	-	-	24,722	1,700,773
Public Works	1,598,784	-	-	-	-	-	1,598,784
Culture and Recreation	1,043,183	-	-	-	-	-	1,043,183
Health and Sanitation	3,048,948	-	-	-	-	676,552	3,725,500
Public Instruction	-	5,541,167	-	-	-	537,424	6,078,591
Human Services and Welfare	3,274,516	-	-	-	-	1,456,911	4,731,427
Urban Development	527,594	-	1,470,796	-	-	2,079,308	4,077,698
Capital Outlay	1,365,892	-	9,130	100,598	-	10,443,322	11,918,942
Debt Service:							
Principal	-	-	-	-	2,902,364	-	2,902,364
Interest and Other Charges	-	-	-	-	2,572,880	-	2,572,880
Bond Issue Costs	-	-	-	-	51,269	-	51,269
Total Expenditures	<u>29,126,672</u>	<u>5,541,167</u>	<u>1,564,075</u>	<u>100,598</u>	<u>5,526,513</u>	<u>16,711,776</u>	<u>58,570,801</u>
Excess of Revenues Over (Under) Expenditures	<u>1,222,986</u>	<u>18,968</u>	<u>335,019</u>	<u>618,610</u>	<u>(1,781,268)</u>	<u>(10,011,263)</u>	<u>(9,596,948)</u>

See accompanying Notes to Basic Financial Statements.

	GENERAL FUND	HEAD START FUND	CDBG FUND	REAL MARINA FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>OTHER FINANCING SOURCES (USES):</b>							
Proceed of Note	-	-	-	-	-	16,207,985	16,207,985
Transfers – In	-	-	382,536	-	2,059,380	-	2,441,916
Transfers – Out	(833,374)	-	(593,422)	(593,758)	-	(107,835)	(2,128,389)
Total Other Financing Sources and Uses	(833,374)	-	(210,886)	(593,758)	2,059,380	16,100,150	16,521,512
<b>Net Change in Fund Balance</b>	<b>389,612</b>	<b>18,968</b>	<b>124,133</b>	<b>24,852</b>	<b>278,112</b>	<b>6,088,887</b>	<b>6,924,564</b>
Fund Balance – Beginning, as Restated	10,093,472	377,828	4,968	14,572,623	3,249,218	14,018,258	42,316,367
<b>FUND BALANCE – ENDING</b>	<b>\$ 10,483,084</b>	<b>\$ 396,796</b>	<b>\$ 129,101</b>	<b>\$ 14,597,475</b>	<b>\$ 3,527,330</b>	<b>\$ 20,107,145</b>	<b>\$ 49,240,931</b>

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE  
 STATEMENT OF ACTIVITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

COMMONWEALTH OF PUERTO RICO  
 MUNICIPALITY OF AGUADILLA, PUERTO RICO

<b>Net Change in Fund Balances – Government Funds (Page 24)</b>	<b>\$</b>	<b>6,924,564</b>
Amount reported for Governmental Activities in the Statement of Activities (Page 20) 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 Outlays	\$ 11,918,942	
Depreciation Expense	<u>(2,902,489)</u>	
Excess of Capital Assets over Depreciation Expense		9,016,453
Revenues in the Statement of Activities that do not provide current financial resources are reported as revenues in the funds and vice versa::		
Head Start	(96,761)	
CDBG	10,360	
Property Tax	<u>(241,663)</u>	(328,064)
Bonds proceeds provide current financial resources to governmental funds, but issuing debt increase Long-Term Liabilities in the Statement of Net Assets. In the current period, proceeds received was		
		(16,207,985)
Repayment of long-term principal is expenditure in the governmental funds, but issuing debt reduced Long-Term Liabilities in the Statement of Net Assets. In the current period repayments were		
		2,794,000
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:		
Increase in Law 146 debt	(228,023)	
Decrease on LIMS debt	98,863	
Bond Issue Costs	35,083	
Decrease in Compensated Absences	<u>80,397</u>	
Total Additional Expenses		<u>(13,680)</u>
<b>Change in Net Assets of Governmental Activities (Page 20)</b>	<b>\$</b>	<b><u>2,185,288</u></b>

See accompanying Notes to Basic Financial Statements.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

BUDGETARY COMPARISON STATEMENT - GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
<b>BUDGETARY FUND BALANCE, JULY 1, 2007</b>	<u>\$ 3,952,053</u>	<u>\$ 3,952,053</u>	<u>\$ 3,952,053</u>	<u>\$ -</u>
Resources (Inflows):				
Property Taxes	8,570,954	9,866,870	9,866,870	-
Volume of Business Taxes	9,000,000	9,323,302	9,490,510	167,208
Intergovernmental Revenues	6,796,449	6,113,465	6,480,983	367,518
Construction Taxes	2,348,412	1,622,701	1,824,688	201,987
Interests	2,379,565	1,679,462	1,688,151	8,689
Miscellaneous	904,620	1,096,456	998,456	(98,000)
Total Resources (Inflows)	<u>30,000,000</u>	<u>29,702,256</u>	<u>30,349,658</u>	<u>647,402</u>
Amounts Available for Appropriation	<u>33,952,053</u>	<u>33,654,309</u>	<u>34,301,711</u>	<u>647,402</u>
Charges to Appropriations (Outflows):				
Mayor and Municipal Legislature	1,778,588	1,625,499	1,612,169	13,330
General Government	14,114,266	15,810,105	15,023,876	786,229
Public Safety	1,786,615	1,734,808	1,696,062	38,746
Public Works	1,608,172	1,690,754	1,619,713	71,041
Culture and Recreation	985,783	1,079,855	1,061,870	17,985
Health and Sanitation	4,359,546	3,387,329	3,065,604	321,725
Human Services and Welfare	3,476,742	3,340,238	3,280,638	59,600
Urban Development	658,713	1,179,215	1,083,564	95,651
Capital Outlays	398,201	327,245	301,733	25,512
Transfer to Other Funds	833,374	833,374	833,374	-
Total Charges to Appropriations	<u>30,000,000</u>	<u>31,008,422</u>	<u>29,578,603</u>	<u>1,429,819</u>
<b>BUDGETARY FUND BALANCE, JUNE 30, 2008</b>	<u>\$ 3,952,053</u>	<u>\$ 2,645,887</u>	<u>\$ 4,723,108</u>	<u>\$ 2,077,221</u>

See accompanying Notes to the Financial Statements.

**Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:**

	<u>General Fund</u>
<b>Sources/Inflows of Resources:</b>	
Actual Amounts (Budgetary Basis) "Available for Appropriation" from the Budgetary Comparison Schedule (See Page 25)	\$ 34,301,711
Difference – Budget to GAAP:	
The Fund Balance at the Beginning of Year is a budgetary resource but is not a Current-Year Revenue for financial reporting purposes	<u>(3,952,053)</u>
Total Revenues as Reported on the Statement of Governmental Funds Revenues, Expenditures and Changes in Fund Balance (See Page 22)	<u>\$ 30,349,658</u>
<b>Uses/Outflows of Resources:</b>	
Actual Amounts (Budgetary Basis) "Total Charges to Appropriation" from the Budgetary Comparison Schedule (See Page 25)	\$ 29,578,603
Difference – Budget to GAAP:	
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary reporting purposes	1,418,394
Payments of encumbrances of prior year that are expenditures for financial reporting purposes but are not outflows for budgetary purposes	(1,250,872)
Expenditures non budget	213,921
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(833,374)</u>
Total Expenditures as Reported on the Statement of Governmental Funds Revenues, Expenditures and Changes in Fund Balance (See Page 22)	<u>\$ 29,126,672</u>
<b>Explanation of Differences Between Budgetary Fund Balance and GAAP Fund Balance</b>	
Budgetary Fund Balance, June 30, 2008	\$ 4,723,108
Timing Differences:	
Cancellation of Prior Year Encumbrances	454,166
Non budgetary items	(213,921)
Change in Encumbrances	<u>167,522</u>
Unrestricted Fund Balance, June 30, 2008	<u>\$ 5,130,875</u>



**Las** water park  
**Cascadas**

787.819.0950 / 787.891.1740 / 787.819.1030



COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS - PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	BUSINESS-TYPE ACTIVITIES – ENTERPRISE FUNDS		
	AGUADILLA'S WATERFALLS AQUATIC PARK	AGUADILLA ICE SKATING ARENA	TOTAL
<b>OPERATING REVENUES:</b>			
Charges for Services	\$ 2,298,276	\$ 655,224	\$ 2,953,500
Total Operating Revenues	<u>2,298,276</u>	<u>655,224</u>	<u>2,953,500</u>
<b>OPERATING EXPENSES:</b>			
Contractual Services	63,457	53,233	116,690
Payroll Expenses	463,884	327,424	791,308
Fringes Benefits	54,993	67,995	122,988
Utilities	368,015	13,078	381,093
Repair and Maintenance	139,399	52,900	192,299
Supplies and Other Expenses	132,115	82,319	214,434
Depreciation	174,573	136,296	310,869
Total Operating Expenses	<u>1,396,436</u>	<u>733,245</u>	<u>2,129,681</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Income (Loss) Before Capital Contributions and Transfers	901,840	(78,021)	823,819
Capital Contributions	-	91,933	91,933
Transfers – Out	(313,527)	-	(313,527)
<b>CHANGES IN NET ASSETS</b>	<b>588,313</b>	<b>13,912</b>	<b>602,225</b>
NET ASSETS, JULY 1, 2007	<u>4,909,167</u>	<u>5,846,561</u>	<u>10,755,728</u>
<b>NET ASSETS, JUNE 30, 2008</b>	<b>\$ <u>5,497,480</u></b>	<b>\$ <u>5,860,473</u></b>	<b>\$ <u>11,357,953</u></b>

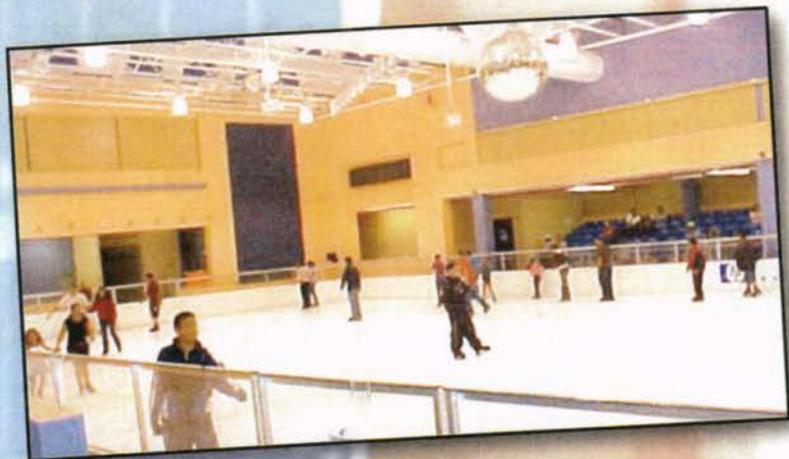
See accompanying Notes to Basic Financial Statements.



FICE  
AGUADILLA  
ICE SKATING  
ARENA

# Visita

La Única Pista de Patinaje sobre Hielo  
Abierta los 365 días de año



COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

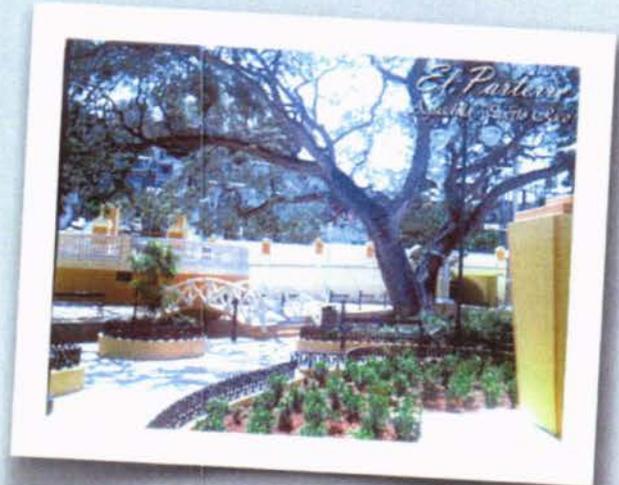
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<b>BUSINESS-TYPE ACTIVITIES – ENTERPRISE FUNDS</b>		
	<b>AGUADILLA'S WATERFALLS AQUATIC PARK</b>	<b>AGUADILLA ICE SKATING ARENA</b>	<b>TOTAL</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from Customers and Users	\$ 2,287,461	\$ 628,064	\$ 2,915,525
Payments to Suppliers	(729,143)	(227,303)	(956,446)
Payments to Employees	(509,327)	(393,251)	(902,578)
Net Cash Provided by Operating Activities	<u>1,048,991</u>	<u>7,510</u>	<u>1,056,501</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Internal Activities – Payments to Other Funds	(45,651)	(149,961)	(195,612)
Operating Subsidies and Transfers to Other Funds	(313,527)	-	(313,527)
Net Cash Used from Noncapital Financing Activities	<u>(359,178)</u>	<u>(149,961)</u>	<u>(509,139)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchases of Capital Assets	(146,721)	(39,825)	(186,546)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
	-	-	-
<b>Net Increase (Decrease) in Cash</b>	<b>543,092</b>	<b>(182,276)</b>	<b>360,816</b>
Cash, July 1, 2007	981,356	243,252	1,224,608
<b>Cash, June 30, 2008</b>	<b><u>\$ 1,524,448</u></b>	<b><u>\$ 60,976</u></b>	<b><u>\$ 1,585,424</u></b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ 901,840	\$ (78,021)	\$ 823,819
Adjustment to reconcile operating income to net cash provided by Operating Activities:			
Depreciation	174,573	136,296	310,869
(Increase) Decrease in Current Assets:			
Receivables	(10,815)	(27,160)	(37,975)
Increase (Decrease) in Current Liabilities:			
Accounts Payable	(26,157)	(25,773)	(51,930)
Compensated Absences	9,550	2,168	11,718
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 1,048,991</u></b>	<b><u>\$ 7,510</u></b>	<b><u>\$ 1,056,501</u></b>

# PROJECTS FOR EVERYONE TO ENJOY



**RAMEY SKATE PARK**



**EL PARTERRE PASSIVE PARK**



**COLOMBUS PARK BOARDWALK**



**FOUNTAIN OF YOUTH PLAZA**



**RAMEY SPLASH PARK**

## NOTE 1 FINANCIAL REPORTING ENTITY

The **Municipality of Aguadilla, Puerto Rico (Municipality)** was founded in the year 1775, and operates as a governmental unit of the Commonwealth of Puerto Rico, under the Law Number 81 of August 30, 1991, known as "Autonomy Municipalities Law of the Commonwealth of Puerto Rico". The governmental system of the **Municipality** is composed of the executive and legislative bodies. The Mayor is the Chief Executive Officer and is elected every four years in the general elections of the Commonwealth of Puerto Rico. The legislative body consists of 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.

The accounting policies of the **Municipality** conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations) constitutes GAAP for governmental units. The following is a summary of the more significant of such policies.

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. The decision to include a potential component unit in the reporting entity was made by applying the provisions of GASBS No. 14, as amended by GASBS No. 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14*.

GASBS No. 39 provided additional guidance to determine whether certain organization for which the primary government is not financially accountable should be reported as components units. A legally separate, tax-exempt organization should be discretely presented as a component unit if all of the following criteria are met: (a) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (b) the primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, and; (c) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

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, 2008, and the respective changes in financial position, where applicable, thereof for the fiscal year then ended.

## NOTE 2 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES

### A. Financial Statement Presentation

The basic financial statements include both government-wide (based on the **Municipality** as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type.

#### **Government-wide Financial Statements**

The government-wide financial statements (the *Statement of Net Assets* and the *Statement of Activities*) report information of all the activities of the **Municipality**. For 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.

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

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. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

#### **Governmental Funds and Proprietary Funds Financial Statements**

The fund financial statements [the *Balance Sheet*, 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 Fund Financial Statements 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 (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the **Municipality's** actual experience conforms to the budgeted fiscal plan.

**NOTE 2 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES**  
(continuation)

Since the governmental fund statements are presented in different measurement focus and basis of accounting than the government-wide statements, 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.

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

**Government-wide Financial Statements**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grant and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Governmental Funds and Proprietary Funds Financial Statements**

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 **Municipality** considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal 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.

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 GASBS No. 33, *Accounting and Financial Reporting for 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.

Expenditures are generally recognized when the related liability is incurred, as under accrual accounting. The exceptions to this general rule are the compensated absences and claims and judgments, if any, that are recorded only when payment is due.

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 preschool children and infants and toddlers so that the children will attain school readiness.

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

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

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).

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.

The non-major funds are combined in a single column in the fund financial statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the governmental-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the *Governmental Accounting Standards Board*. **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.

**NOTE 2 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES**  
(continuation)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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 revenues and expenses.

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.

**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 Special Revenue Funds. 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. 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.

Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

The **Municipality** follows these procedures, in accordance with law, in order to establish the budgetary data reflected in the Budgetary Comparison Statement – 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 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 accounting principles generally accepted in the United States of America (GAAP), actual amounts for the General Fund in the accompanying Budgetary Comparison Statement, is presented on the budgetary basis to enhance comparability.

**Final Budget**

The final budgetary data presented in the Budgetary Comparison Statement – General Fund reflects the following changes to the original budget:

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

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

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

1. Encumbrances are recorded as expenditures under the budgetary basis and as a reserve of 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.

**NOTE 2 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES**  
(continuation)

**D. Cash and Investment, and Cash with Fiscal Agent**

The Director of Finance of the **Municipality** 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. Cash in the Special Revenue, Debt Service and Capital Project Funds are restricted; accordingly, resources available were not used for pool investments.

Cash with fiscal agent in the Debt Service Fund represents special additional property tax collections retained by the Commonwealth of Puerto Rico 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 Government Development Bank of the Commonwealth of Puerto Rico. This sinking fund is maintained by the Governmental Development Bank of Puerto Rico, agency which acts as the insurer and payer of the **Municipality's** bonds and notes issued in accordance with law.

**E. 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".

Receivable are shown net of an allowances for uncollectible, which are determined upon past collection experience and current economic conditions. Intergovernmental receivables in the general fund represent mostly property tax accounts that are levied by Municipal Revenue Collection Center (MRCC), a governmental entity created by the Commonwealth of Puerto Rico, from grant and contributions from Federal Government, and state appropriations.

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.

**F. Inventories**

The **Municipality** used the purchase method to account for the purchases 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.

**G. 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 government-wide financial statements. 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 governmental-wide financial statements 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 under capital leases is included in depreciation. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

The cost of normal maintenance and repairs that do not add value to the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

CAPITAL ASSETS	YEARS
Buildings	50
Improvement Other Than Buildings	50
Infrastructure	10-50
Motor Vehicles	5
Machinery and Equipments	5-10

**H. 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. 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:

**NOTE 2 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES**  
(continuation)

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.
4. The amount can be reasonably estimated.

In accordance with the above criteria and requirements as established by GASBS No. 16; 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. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. For the government-wide statements, the current portion is the amount estimated to be used in the following year. For the governmental funds statements, 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 (see Note 11 on page 14).

**I. 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, 2008 amounted to approximately \$840,475. The current insurance policies have not been cancelled or terminated. In addition, MRCC deducted approximately \$535,707 for workers compensation insurance covering all municipal employees for the same period.

**J. Long-Term Obligations, Bonds Issuance Costs, Premiums and Discounts**

The liabilities reported in the government-wide financial statements 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 postclosure 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 fund financial statements, 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.

**K. Fund Equity/Net Assets**

**Reservations of Fund Equity**

The governmental fund financial statements present fund balance reserves for those portions of fund balance (1) not available for appropriation for expenditures or (2) legally segregated for a specific future use. Following is a brief description of the nature of certain reserves.

- *Reserve for Encumbrances* – Encumbrances are recorded as reservations of fund balances because they do not constitute expenditures or liabilities. In certain other governmental funds, this accounting treatment results in a deficit unreserved fund balance. This deficiency is carried forward to the next fiscal year where it is applied against estimated revenues in the year the commitments are expended.
- *Reserve for Debt Service* – The fund balance of the debt service funds is reserved for the payment of debt service in the subsequent years.
- *Reserve for Capital Projects* – Certain assets, primarily cash and investments, and cash with fiscal agent to be invested in capital projects.
- *Reserve for Other Purposes* – Certain assets, primarily cash and investments of grants and contributions that are authorized to be carried over and expended in the ensuing year.

**Restricted Net Assets**

The governmental-wide and proprietary funds financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

- *Invested in Capital Assets, Net of Related Debt* – These consists of capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and amortization, and the outstanding balances for debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *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.

**L. 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:

**NOTE 2 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES**  
(continuation)

*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.

**M. 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.

**N. 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. 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.

**O. Use of Estimates**

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**P. Future Adoption of Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) issued the following pronouncement that does not apply to the **Municipality**:

GASB Statement No. 49, *Pollution Remediation*. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care and nuclear power plant decommissioning.

This Statement are effective for financial statements for periods beginning after December 15, 2007, with measurement of pollution remediation liabilities required at the beginning of that period so that beginning net assets can be restated. However, governments that have sufficient objective and verifiable information to apply the expected cash flow technique to measurements in prior periods are

required to apply the provisions retroactively for all such prior periods presented.

GASB Statement No. 51, *Intangible Assets*. This Statement requires that an intangible asset be recognized in the statement of net assets only if it is considered identifiable. Additionally, this Statement establishes a specified-conditions approach to recognizing intangible assets that are internally generated. Effectively, outlays associated with the development of such assets should not begin to be capitalized until certain criteria are met. Outlays incurred prior to meeting these criteria should be expensed as incurred. This Statement also provides guidance on recognizing internally generated computer software as an intangible asset. This Statement is effective for financial statements for periods beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively. For governments that were classified as phase 1 or phase 2 governments for the purpose of implementing Statement 34, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated. Retroactive reporting of these intangible assets by phase 3 governments is encouraged but not required. Retroactive reporting is not required but is permitted for intangible assets considered to have indefinite useful lives as of the effective date of this Statement and those considered to be internally generated.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. This Statement is effective for financial statements for periods beginning after June 15, 2008.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Statement 53 is intended to improve how state and local governments report information about derivative instruments—financial arrangements used by governments to manage specific risks or make investments—in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged.

**NOTE 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, **\$49,240,931**, differ from net assets of governmental activities, **\$120,809,007**, 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 Sheets (see next page).

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

Balance Sheet/Statement of Net Assets				
	Total Governmental Funds	Long-Term Assets, Liabilities (A)	Reclassi- fications and Eliminations	Statement of Net Assets Totals
<b>Assets:</b>				
Cash and Investments	\$ 35,872,206	\$ -	\$ -	\$ 35,872,206
Cash with Fiscal Agent	24,184,870	-	-	24,184,870
Receivables, net:				
Property Taxes	56,279	-	-	56,279
Sales Taxes	202,992	-	-	202,992
Federal Grants	9,138,881	-	-	9,138,881
State Appropriation	67,277	-	-	67,277
Due from Other Funds	3,933,815	-	(3,933,815)	-
Other Receivables	11,600	-	-	11,600
Capital Assets, Net	-	142,439,739	-	142,439,739
Deferred Charges	-	243,128	-	243,128
<b>Total Assets</b>	<b>\$ 73,467,920</b>	<b>\$ 142,682,867</b>	<b>\$ (3,933,815)</b>	<b>\$ 212,216,972</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 3,047,178	\$ (1,825,000)	\$ -	\$ 1,222,178
Accrued Interests	828,793	-	-	828,793
Due to Governmental Units	352,586	-	-	352,586
Other	424,941	-	-	424,941
Deferred Tax and Grants	15,536,536	(6,447,542)	-	9,088,994
Due to Other Funds/Internal Balances	4,036,955	-	(3,933,815)	103,140
Long-Term Liabilities	-	79,387,333	-	79,387,333
<b>Total Liabilities</b>	<b>24,226,989</b>	<b>71,114,791</b>	<b>(3,933,815)</b>	<b>91,407,965</b>
<b>Fund Balances/Net Assets:</b>				
Total Fund Balances/Net Assets	<b>49,240,931</b>	<b>71,568,076</b>	<b>-</b>	<b>120,809,007</b>
<b>Total Liabilities and Fund Balances/Net Assets</b>	<b>\$ 73,467,920</b>	<b>\$ 142,682,867</b>	<b>\$ (3,933,815)</b>	<b>\$ 212,216,972</b>

(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 .....	\$185,988,575
Accumulated Depreciation.....	(43,548,836)
	<u>\$142,439,739</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.....	<u>\$ 243,128</u>
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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.....	<u>(\$ 6,447,542)</u>
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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 .....	\$ 228,023
LIMS - MRCC.....	395,453
Deferred Credit .....	18,961
Claims .....	200,000
Compensated Absences .....	4,829,753
General Obligations Bonds .....	34,825,000
Special Obligations Bonds.....	<u>38,890,143</u>
	79,387,333

Escrow funds for General Obligations	
Bonds (Short-Term).....	<u>(1,825,000)</u>
Net Long-Term Liabilities.....	<u>\$ 77,562,333</u>

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

The net change in fund balances for governmental funds, **\$6,924,564**, differs from the change in net assets for governmental activities **\$2,185,288**. 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 effect of the differences is illustrated in the next page.

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

Statement of Net Assets were paid during the current period resulting in expenditures in the governmental funds. 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. .... \$ 157,127

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
<b>Revenues:</b>					
Property Taxes	\$ 13,612,115	\$ (241,663)	\$ -	\$ -	\$ 13,370,452
Volume of Business Taxes	9,490,510	-	-	-	9,490,510
Sales Taxes	2,209,104	-	-	-	2,209,104
Federal Assurances	10,950,356	(86,401)	-	-	10,863,955
Intergovernmental	6,825,969	-	-	-	6,825,969
Construction Taxes	1,824,688	-	-	-	1,824,688
Interests	2,407,359	-	-	-	2,407,359
Charges for Services	776,752	-	-	-	776,752
Miscellaneous	877,000	-	-	-	877,000
<b>Total Revenues</b>	<b>48,973,853</b>	<b>(328,064)</b>	<b>-</b>	<b>-</b>	<b>48,645,789</b>
<b>Expenditures/Expenses:</b>					
<b>Current:</b>					
Mayor and Municipal Legislature	1,435,091	-	79,676	-	1,514,767
General Government	16,734,299	189,457	1,819,480	16,186	18,759,422
Public Safety	1,700,773	-	63,191	-	1,763,964
Public Works	1,598,784	-	259,320	-	1,858,104
Culture and Recreation	1,043,183	-	62,433	-	1,105,616
Health and Sanitation	3,725,500	-	320,693	-	4,046,193
Public Instruction	6,078,591	(32,330)	-	-	6,046,261
Human Services and Welfare	4,731,427	-	61,079	-	4,792,506
Urban Development	4,077,698	-	144,684	-	4,222,382
Capital Outlay	11,918,942	-	(11,918,942)	-	-
<b>Debt Service:</b>					
Principal	2,902,364	-	-	(2,902,364)	-
Interest and Other Charges	2,572,880	-	-	-	2,572,880
Bond Issue Costs	51,269	-	-	(51,269)	-
<b>Total Expenditures/Expenses.....</b>	<b>58,570,801</b>	<b>157,127</b>	<b>(9,108,386)</b>	<b>(2,937,447)</b>	<b>46,682,095</b>
<b>Other Financing Sources (Uses)</b>					
<b>Changes in Net Assets</b>					
Net Transfers (to) from Other Funds	313,527	-	-	-	313,527
Capital Contributions	-	-	(91,933)	-	(91,933)
Proceed of Notes	16,207,985	-	-	(16,207,985)	-
<b>Total Other Financing Sources (Uses)</b>	<b>16,521,512</b>	<b>-</b>	<b>(91,933)</b>	<b>(16,207,985)</b>	<b>221,594</b>
<b>Net Change for the Year</b>	<b>\$ 6,924,564</b>	<b>\$ (485,191)</b>	<b>\$ 9,016,453</b>	<b>\$ (13,270,538)</b>	<b>\$ 2,185,288</b>

(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 ..... \$ 11,918,942  
Capital Outlays of Business-Type Activities made from Governmental Funds..... 91,933  
Depreciation Expenses ..... (2,902,489)  
Differences..... \$ 9,108,386

Contribution of capital assets previously reported by governmental activities to the business-type activities. .... (\$ 91,933)

(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.

(B) Because some property taxes will not be collected for several months after the Municipality's fiscal year ends, they are not considered as available revenues in the governmental funds. The amount reported as revenue in prior year is bigger than the current year.

Principal Payment Made..... \$ 2,902,364

Property Taxes..... (\$ 241,663)

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.

Bond Issuance Costs..... \$ 51,269  
Amortization of Bond Issuance Costs ..... (16,186)  
Differences..... \$ 35,083

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.

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:

Federal Assurances..... (86,401)  
(\$ 328,064)

General Obligation Bonds ..... \$ 6,715,000  
Special Obligation Bonds ..... 9,492,985  
\$ 16,207,985

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. Certain long-term liabilities reported in the prior year

**NOTE 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 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, 2008 on a Budget basis is reconciled to the fund balance on a GAAP basis follows:

Budgetary Fund Balance, June 30, 2008	\$ 4,723,108
Timing Differences:	
Reserved for Assets not Available for Appropriation	5,352,209
Non Budgetary Items	407,767
Fund Balance, June 30, 2008 – GAAP	\$ 10,483,084

**NOTE 5 CASH AND INVESTMENTS**

**Certificates of Deposit**

Investments consist of certificates of deposit. The **Municipality's** cash and investments at year-end were entirely covered by the Federal Deposit Insurance Corporation (FDIC) coverage, up to a maximum of \$250,000 in each bank, and the excess by collateral provided by the banks and held by the Puerto Rico Treasury Department pursuant to the applicable laws and regulations. Cash with fiscal agent is maintained in interest bearing accounts in the Government Development Bank of Puerto Rico and is not collateralized.

Puerto Rico laws authorize governmental entities to invest in direct obligations or obligations guaranteed by the federal government or the Commonwealth of Puerto Rico. The **Municipality** is also allowed to invest in bank acceptances, other bank obligations and certificates of deposit in financial institutions authorized to do business under the federal and Commonwealth laws.

During the year, the **Municipality** invested its funds in interest bearing bank accounts and short-term certificates of deposit. As June 30, 2008 the market value of investments approximated its carrying value as follow:

The investments are distributed by the amounts of \$15,025,581 in the General Fund, \$1,000,000 in Other Governmental Funds and \$11,952,607 in Real Marina Fund. For the Proprietary Funds, the Aguadilla's Waterfalls Aquatic Park has investment amount of \$500,000.

**Governmental Funds:**

CERTIFICATE OF DEPOSIT ISSUED BY	NUMBER	PRINCIPAL AMOUNT	INTEREST RATE	EXPIRATION DATE
Popular Bank of Puerto Rico	1110000157	\$ 3,000,000	2.50%	08/13/08
Popular Bank of Puerto Rico	1110000156	4,000,000	2.50%	08/13/08
Popular Bank of Puerto Rico	1110000154	1,500,000	2.50%	08/29/08
Popular Bank of Puerto Rico	1110000155	1,500,000	2.50%	08/29/08
Popular Bank of Puerto Rico	1110000146	1,000,000	2.94%	08/23/08
Popular Bank of Puerto Rico	1110000147	2,000,000	2.98%	08/18/08
Popular Bank of Puerto Rico	1110000141	1,000,000	2.78%	08/21/08
Popular Bank of Puerto Rico	1110000142	1,000,000	2.94%	08/24/08
Popular Bank of Puerto Rico	1110000152	1,000,000	2.72%	07/25/08
Popular Bank of Puerto Rico	1110000148	2,336,802	2.85%	09/13/08
Popular Bank of Puerto Rico	1110000121	5,000,000	2.66%	12/03/08
<b>SUBTOTAL</b>		<b>23,336,802</b>		

**INTEREST BEARING BANK ACCOUNTS**

Santander Bank of Puerto Rico	3004310879	4,615,805	4.80%
Santander Bank of Puerto Rico	3004294997	25,581	5.04%
<b>TOTAL</b>		<b>\$ 27,978,188</b>	

**Proprietary Funds:**

CERTIFICATE OF DEPOSIT ISSUED BY	NUMBER	PRINCIPAL AMOUNT	INTEREST RATE	EXPIRATION DATE
Popular Bank of Puerto Rico	1110000149	\$ 500,000	2.83%	10/11/08

**Custodial Credit Risk Related to Deposits**

Custodial credit risk for cash and investments is the risk that, in the event of the failure of a depository financial institution, the **Municipality** will not be able to recover its cash and investments or will not be able to recover collateral securities that are in the possession of an outside party. Pursuant to the Investment Guidelines for the Commonwealth adopted by GDB, the **Municipality** may invest in obligations of the Commonwealth, obligations of the United States, certificates of deposit, commercial paper, banker's acceptance, or in pools of obligations of the municipalities of Puerto Rico, among others.

The **Municipality** maintains its cash deposits in commercial banks located in Puerto Rico. Under Commonwealth of Puerto Rico statutes, public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of federal deposit insurance. All securities pledged as collateral by the **Municipality** are held by the Secretary of Treasury of Puerto Rico in the **Municipality's** name. The following tables presented below discloses the level of custody risk assumed by the **Municipality** based upon how its deposits were insured or secured with collateral at June 30, 2008:

Category 1: Insured or collateralized with securities held by the Secretary of Treasury agent's in the **Municipality's** name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or its agents in the **Municipality's** name.

Category 3: Uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent by not in the **Municipality's** name.

**NOTE 5 CASH AND INVESTMENTS (continuation)**

As of June 30, 2008, the Municipality's custodial credit risk was approximately \$24 million, which is the bank balance of cash deposited at the Government Development Bank of Puerto Rico (GDB). These deposits are exempt from the collateral requirement established by the Commonwealth.

	CATEGORY			CARRYING AMOUNT	BANK BALANCE
	1	2	3		
<b>Governmental Funds:</b>					
Deposit in Commercial Banks	\$ 35,471,335	\$ -	\$ -	\$ 35,471,335	\$ 35,830,142
Deposit in Governmental Bank	-	-	24,184,870	24,184,870	24,181,880
<b>Total</b>	<b>\$ 35,471,335</b>	<b>\$ -</b>	<b>\$ 24,184,870</b>	<b>\$ 59,656,205</b>	<b>\$ 60,012,022</b>
<b>Reconciliation to Government-Wide Statement of Net Assets:</b>					
	UNRESTRICTED	RESTRICTED	TOTAL		
Carrying amount of deposits in Commercial Banks	\$ 16,218,940	\$ 19,252,395	\$ 35,471,335		
Carrying amount of deposits in Governmental Bank	-	24,184,870	24,184,870		
<b>Total</b>	<b>\$ 16,218,940</b>	<b>\$ 43,437,265</b>	<b>\$ 59,656,205</b>		

	CATEGORY			CARRYING AMOUNT	BANK BALANCE
	1	2	3		
<b>Proprietary Funds:</b>					
Deposit in Commercial Banks	\$ 1,585,424	\$ -	\$ -	\$ 1,585,424	\$ 1,586,371
Deposit in Governmental Bank	-	-	-	-	-
<b>Total</b>	<b>\$ 1,585,424</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,585,424</b>	<b>\$ 1,586,371</b>
<b>Reconciliation to Government-Wide Statement of Net Assets:</b>					
	UNRESTRICTED	RESTRICTED	TOTAL		
Carrying amount of deposits in Commercial Banks	\$ 1,585,424	\$ -	\$ 1,585,424		
Carrying amount of deposits in Governmental Bank	-	-	-		
<b>Total</b>	<b>\$ 1,585,424</b>	<b>\$ -</b>	<b>\$ 1,585,424</b>		

**NOTE 6 RECEIVABLES**

Following is the account receivables of other governmental funds as of June 30, 2008:

Federal Grants	AMOUNT
Office of the Governor-Elderly Office	\$ 255,546
U.S. Department of Agriculture	1,288,781
U.S. Department of Housing and Urban Development	245,170
<b>Total</b>	<b>\$ 1,789,497</b>
<b>State Appropriations</b>	
Department of Labor	\$ 67,277

**NOTE 7 DEFERRED REVENUES**

Governmental funds report *deferred revenues* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. 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 revenue* and *unearned revenue* reported in the governmental funds were as follows:

	UNAVAILABLE	UNEARNED
Volume of Business Taxes	\$ -	\$ 8,578,920
Head Start Program	3,692,268	-
CDBG Program	2,755,274	-
Other Governmental Funds	510,074	-
<b>Total Deferred/ Unearned Revenues</b>	<b>\$ 6,957,616</b>	<b>\$ 8,578,920</b>

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

**A. Interfund Receivable and Payable Balances**

Due to/from Other Funds at June 30, 2008 are summarized as follows:

RECEIVABLE FUND	PAYABLE FUND	AMOUNT
<b>Governmental Funds:</b>		
General Funds	Other Funds	\$ 3,924,954
General Funds	CDBG Funds	245
General Funds	Debt Service Fund	8,616
<b>TOTAL</b>		<b>3,933,815</b>
<b>Proprietary Funds</b>	General Funds	103,140

**B. Interfund Transfers**

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

SOURCES	TRANSFER TO	AMOUNT	PURPOSE
<b>Governmental Funds:</b>			
General Fund	Debt Service Fund	\$ 820,931	Debt Payments
CDBG	Debt Service Fund	593,422	Debt Payments
Real Marina Fund	Debt Service Fund	593,758	Debt Payments
Other Fund	Debt Service Fund	51,269	Bond Issue Cost
General Fund	Other Fund	8,656	Program Income
General Fund	CDBG	3,787	Program Income
Other Fund	CDBG	65,222	Equity Transfer
		<u>2,137,045</u>	
<b>Proprietary Funds:</b>			
Proprietary Fund	CDBG	313,527	Program Income
		<u>\$ 2,450,572</u>	
<b>Capital Contribution:</b>			
CDBG	Proprietary Fund	\$ 65,060	Construction
General Fund	Proprietary Fund	1,600	Construction
Other Fund	Proprietary Fund	25,273	Construction
<b>Total</b>		<b>\$ 91,933</b>	

**NOTE 9 DUE TO OTHER GOVERNMENTAL UNITS**

As of June 30, 2008, balance due to other governmental units of the General Fund for services rendered to the **Municipality**, consists of the following:

	AMOUNT
General Services Administration	\$ 138,665
Retirement Administration	<u>213,921</u>
Total Due to Governmental Units	<u>\$ 352,586</u>

**NOTE 10 CAPITAL ASSETS**

Capital Assets activities for the fiscal year ended June 30, 2008 was as follows:

DESCRIPTION	BALANCE JULY 1, 2007	ADJUSTMENTS	INCREASE	DECREASE	BALANCE JUNE 30, 2008
<b>Governmental Activities:</b>					
Non-Depreciable Capital Assets:					
Land	\$ 47,609,940	\$ 2,943,025	\$ 1,002,000	\$ -	\$ 51,554,965
Construction in Progress	<u>13,711,612</u>	<u>-</u>	<u>10,121,970</u>	<u>(5,931,778)</u>	<u>17,901,804</u>
Total Non-Depreciable Capital Assets	<u>61,321,552</u>	<u>2,943,025</u>	<u>11,123,970</u>	<u>(5,931,778)</u>	<u>69,456,769</u>
Depreciable Capital Assets:					
Buildings	58,750,403	(5,203,565)	5,779,532	-	59,326,370
Infrastructure	42,274,594	(2,816)	235,946	-	42,507,724
Motor Vehicles	9,667,024	(66,709)	203,609	(248,602)	9,555,322
Machinery and Equipment	<u>4,706,964</u>	<u>-</u>	<u>507,663</u>	<u>(72,237)</u>	<u>5,142,390</u>
Total Depreciable Capital Assets	<u>115,398,985</u>	<u>(5,273,090)</u>	<u>6,726,750</u>	<u>(320,839)</u>	<u>116,531,806</u>
Less Accumulated Depreciation:					
Buildings	(22,541,370)	2,869,957	(1,009,471)	-	(20,680,884)
Infrastructure	(10,215,329)	(1,149,086)	(637,616)	-	(12,002,031)
Motor Vehicles	(7,184,061)	(32,501)	(791,677)	248,602	(7,759,637)
Machinery and Equipment	<u>(2,665,029)</u>	<u>(49,767)</u>	<u>(463,725)</u>	<u>72,237</u>	<u>(3,106,284)</u>
Total Accumulated Depreciation	<u>(42,605,789)</u>	<u>1,638,603</u>	<u>(2,902,489)</u>	<u>320,839</u>	<u>(43,548,836)</u>
Total Depreciable Capital Assets (Net)	<u>72,793,196</u>	<u>(3,634,487)</u>	<u>3,824,261</u>	<u>-</u>	<u>72,982,970</u>
<b>CAPITAL ASSETS, NET</b>	<u>\$ 134,114,748</u>	<u>\$ (691,462)</u>	<u>\$ 14,948,231</u>	<u>\$ (5,931,778)</u>	<u>\$ 142,439,739</u>

NOTE 10 CAPITAL ASSETS (continuation)

DESCRIPTION	BALANCE			DECREASE	BALANCE
	JULY 1, 2007	ADJUSTMENTS	INCREASE		
<b>Business-Type Activities:</b>					
Non-Depreciable Capital Assets:					
Construction in Progress	\$ 347,504	\$ -	\$ 141,933	\$ -	\$ 489,437
Total Non-Depreciable Capital Assets	<u>347,504</u>	<u>-</u>	<u>141,933</u>	<u>-</u>	<u>489,437</u>
Depreciable Capital Assets:					
Buildings	11,972,263	-	-	-	11,972,263
Motor Vehicles	67,640	-	-	-	67,640
Equipment	490,689	-	136,546	-	627,235
Total Depreciable Capital Assets	<u>12,530,592</u>	<u>-</u>	<u>136,546</u>	<u>-</u>	<u>12,667,138</u>
Less Accumulated Depreciation:					
Buildings	(2,775,606)	-	(219,101)	-	(2,994,707)
Motor Vehicles	(44,292)	-	(9,344)	-	(53,636)
Equipment	(222,907)	-	(82,424)	-	(305,331)
Total Accumulated Depreciation	<u>(3,042,805)</u>	<u>-</u>	<u>(310,869)</u>	<u>-</u>	<u>(3,353,674)</u>
Total Depreciable Capital Assets (Net)	<u>9,487,787</u>	<u>-</u>	<u>(174,323)</u>	<u>-</u>	<u>9,313,464</u>
CAPITAL ASSETS, NET	\$ 9,835,291	\$ -	\$ (32,390)	\$ -	\$ 9,802,901

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

	AMOUNT
<b>Governmental Activities:</b>	
Major and Municipal Legislature	\$ 79,676
General Government	1,821,631
Public Safety	87,913
Public Works	259,320
Health and Sanitation	320,693
Culture and Recreation	62,433
Human Services and Welfare	61,079
Urban Development	209,744
Total Depreciation Expenses	<u>\$ 2,902,489</u>
<b>Business-Type Activities:</b>	
Aguadilla's Waterfalls Aquatic Park	\$ 174,573
Aguadilla's Ice Skating Arena	<u>136,296</u>
Total Depreciation Expenses	<u>\$ 310,869</u>

NOTE 11 GENERAL LONG-TERM DEBTS

A. Legal Debt Limit and Legal Debt Margin

As of June 30, 2008, the **Municipality** debt limit (10% of valuation of property subject to taxation) was \$41,937,121, 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 \$40,492,786, net of certain assets in the Debt Service Fund. After considered the payments of July 1, 2008, the resulting legal debt margin was \$1,444,335. 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**.

B. 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).

**NOTE 11 GENERAL LONG-TERM DEBTS (continuation)**

The following is a summary of general and special obligation bonds of the Municipality as of June 30, 2008:

Type of Obligation and Purpose	Maturity Date	Interest Rate	Amount
<b>General Obligation Bonds:</b>			
\$590,000, Series 1999 - General Construction	2013	4.86 to 6.11%	\$ 325,000
\$2,840,000, Series 1999 - General Construction	2013	4.86 to 6.11%	1,515,000
\$5,065,000, Series 1999 - General Construction	2013	4.86 to 6.56%	4,155,000
\$3,210,000, Series 1999 - General Construction	2023	2.70 to 5.60%	2,625,000
\$1,700,000, Series 1999 - Purchase of Equipment	2008	2.70 to 3.88%	230,000
\$805,000, Series 1999 - General Construction	2023	2.70 to 5.60%	665,000
\$3,520,000, Series 2000 - General Construction	2014	2.70 to 4.73%	2,115,000
\$1,340,000, Series 2000 - General Construction	2024	2.70 to 5.60%	1,155,000
\$975,000, Series 2000 - General Construction	2010	2.70 to 4.30%	375,000
\$3,015,000, Series 2000 - General Construction	2020	2.70 to 5.29%	2,430,000
\$2,165,000, Series 2001 - General Construction	2025	2.70 to 5.60%	1,910,000
\$405,000, Series 2003 - General Construction	2010	5.00 to 6.00%	195,000
\$1,255,000, Series 2003 - General Construction	2008	4.37 to 6.00%	1,155,000
\$565,000, Series 2003 - General Construction	2009	5.00 to 6.00%	190,000
\$1,795,000, Series 2005 - General Construction	2029	4.37 to 5.00%	1,680,000
\$1,795,000, Series 2005 - General Construction	2029	3.27 to 5.00%	1,680,000
\$1,935,000, Series 2005 - General Construction	2029	4.27 to 6.50%	1,815,000
\$3,130,000, Series 2006 - General Construction	2030	6.00 to 6.50%	3,025,000
\$1,010,000, Series 2005 - General Construction	2019	4.27 to 5.00%	870,000
\$2,330,000, Series 2007 - General Construction	2032	3.93 to 7.50%	2,330,000
\$4,385,000, Series 2008 - General Construction	2032	3.93 to 7.50%	4,385,000
<b>Total General Obligations Bonds</b>			<b><u>34,825,000</u></b>
<b>Special Obligations Bonds:</b>			
\$12,995,000, Series 2002 - General Construction	2022	5.00%	9,745,000
\$4,795,000, Series 2003 - General Construction	2012	5.00 to 6.00%	4,230,000
\$250,000, Series 2005 - General Construction	2012	4.75%	153,000
\$250,000, Series 2005 - Purchase of Equipment	2029	5.00%	230,000
\$1,245,000, Series 2005 - Purchase of Equipment	2012	4.50%	758,000
\$4,220,000, Series 2006 - General Construction	Undetermine <sup>1</sup>	4.25%	2,979,100
\$1,940,000, Series 2006 - General Construction	Undetermine <sup>1</sup>	4.50%	1,271,554
\$2,105,000, Series 2006 - General Construction	Undetermine <sup>1</sup>	Undetermine <sup>1</sup>	10,738
\$690,000, Series 2006 - General Construction	Undetermine <sup>1</sup>	Undetermine <sup>1</sup>	447,966
\$3,180,000, Series 2005 - General Construction	Undetermine <sup>1</sup>	Undetermine <sup>1</sup>	2,759,785
\$9,340,000, Series 2004 - General Construction	Undetermine <sup>1</sup>	5.00%	9,340,000
\$555,000, Series 2008, General Construction	2032	7.50%	555,000
\$6,410,000, Series 2008 - General Construction	2032	7.50%	6,410,000
<b>Total Special Obligations Bonds</b>			<b><u>38,890,143</u></b>
<b>Total General and Special Bonds</b>			<b><u>\$ 73,715,143</u></b>

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

NOTE 11 GENERAL LONG-TERM DEBTS (continuation)

C. Other Long-Term Debts

Borrowing from MRCC

On July 1, 2008, 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 total amount of 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: \$2,330,000, Series 2007 and \$4,385,000, Series 2008 general obligation bonds; and \$555,000, Series 2008 and \$6,410,000, Series 2008 special obligation bonds.

Claims

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

D. Changes in General Long-Term Debts

The following is a summary of changes in long-term debts for the year ended June 30, 2008:

DESCRIPTION	BALANCE JULY 1, 2007	NEW ISSUES	RETIREMENTS AND ADJUSTMENTS	BALANCE JUNE 30, 2008	AMOUNTS DUE WITHIN ONE YEAR	AMOUNTS DUE AFTER ONE YEAR
<b>Governmental Funds:</b>						
General	\$ 29,705,000	\$ 6,715,000	\$ (1,595,000)	\$ 34,825,000	\$ 1,825,000	\$ 33,000,000
Special	30,403,158	9,492,985	(1,006,000)	38,890,143	1,093,000	37,797,143
Others	5,923,624	256,485	(507,919)	5,672,190	4,029,663	1,642,527
<b>TOTAL</b>	<b>\$ 66,031,782</b>	<b>\$ 16,464,470</b>	<b>\$ (3,108,919)</b>	<b>\$ 79,387,333</b>	<b>\$ 6,947,663</b>	<b>\$ 72,439,670</b>
<b>Proprietary Funds:</b>						
Others	\$ 81,847	\$ 11,718	\$ -	\$ 93,565	\$ 79,264	\$ 14,301

E. Debt Compliance

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

Compensated Absences

This amount represents 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.

Following are the other long-term debts as of June 30, 2008 and corresponding change during the fiscal year.

DESCRIPTION	BALANCE JULY 1, 2007	NEW ISSUES	RETIREMENTS AND ADJUSTMENTS	BALANCE JUNE 30, 2008
<b>Governmental Funds:</b>				
Property Taxes-MRCC	\$ 126,158	\$ -	\$ (126,158)	\$ -
Law Number 146-MRCC	-	237,524	(9,501)	228,023
LIMS-MRCC	494,316	-	(98,863)	395,453
Deferred Credits	-	18,961	-	18,961
Claims	200,000	-	-	200,000
Compensated Absences	5,103,150	-	(273,397)	4,829,753
<b>TOTAL</b>	<b>\$ 5,923,624</b>	<b>\$ 256,485</b>	<b>\$ (507,919)</b>	<b>\$ 5,672,190</b>
<b>Proprietary Funds:</b>				
Compensated Absences	\$ 81,847	\$ 11,718	\$ -	\$ 93,565

**NOTE 11 GENERAL LONG-TERM DEBTS (continuation)**

The annual requirements to amortize the general and special obligations bonds outstanding as of June 30, 2008 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
<b>Governmental Funds:</b>								
2009	\$ 1,825,000	\$ 1,704,799	\$ 1,093,000	\$ 1,285,284	\$ 4,029,663	\$ 36,177	\$ 6,947,663	\$ 3,026,260
2010	1,700,000	1,778,514	1,112,000	1,333,045	120,664	29,254	2,932,664	3,140,813
2011	1,725,000	1,779,145	1,142,000	1,276,036	127,377	21,947	2,994,377	3,077,128
2012	1,635,000	1,692,820	1,169,000	1,215,760	71,082	14,242	2,875,082	2,922,822
2013	1,745,000	1,603,669	950,000	1,152,822	9,501	11,820	2,704,501	2,768,311
2014-2018	7,795,000	6,653,289	5,150,000	4,875,373	47,505	50,232	12,992,505	11,578,894
2019-2023	8,450,000	4,448,565	5,290,000	3,139,308	47,505	35,458	13,787,505	7,623,331
2024-2028	6,015,000	2,164,429	4,005,000	1,529,025	47,505	20,682	10,067,505	3,714,136
2029-2032	3,935,000	591,419	2,170,000	419,525	38,003	43,862	6,143,003	1,054,806
Unmatured	-	-	16,809,143	-	1,133,385	-	17,942,528	-
<b>TOTAL</b>	<b>\$ 34,825,000</b>	<b>\$ 22,416,649</b>	<b>\$ 38,890,143</b>	<b>\$ 16,226,178</b>	<b>\$ 5,672,190</b>	<b>\$ 263,674</b>	<b>\$ 79,387,333</b>	<b>\$ 38,906,501</b>
<b>Proprietary Funds:</b>								
2009	\$ -	\$ -	\$ -	\$ -	\$ 79,264	\$ -	\$ 79,264	\$ -
2010	-	-	-	-	14,301	-	14,301	-
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 93,565</b>	<b>\$ -</b>	<b>\$ 93,565</b>	<b>\$ -</b>

**Municipality** and amounts actually collected from taxpayers. This settlement is 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. The difference between the advances and the final settlement from MRCC for the fiscal year 2008 resulted in a receivable of \$56,279.

The tax rate for fiscal year 2008 is 8.53% for real property and 6.53% for personal property of which 1.03% of both are for the redemption of public debt issued by the Commonwealth of Puerto Rico and 7.50% and 5.50%, respectively, belongs to the **Municipality**. The

**NOTE 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 Government Development Bank of the Commonwealth of Puerto Rico from such accumulated funds by the MRCC.

**NOTE 13 PROPERTY TAXES**

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.

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

Commonwealth of Puerto Rico also contributes an annual tax rate of 0.20% of the property tax collected. The remaining percentage is distributed as follows: (a) 6.00% and 4.00%, respectively, represents the **Municipality's** basic tax rate that is appropriated for general purposes and therefore accounted for through the general fund. A portion of such amount is deposited in an equalization fund together with a percentage of the net revenues of the Puerto Rico electronic lottery and a subsidy from the Commonwealth of Puerto Rico. The remaining portion belonging to the **Municipality** of 1.50% 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.

The Commonwealth of Puerto Rico grants complete real property tax exoneration on the first \$15,000 has assessed valuation on residential units occupied by their owners. For such exempted amounts, the Puerto Rico Treasury Department assumes payment of the basic tax to the **Municipality**, except for residential units assessed at less than \$3,500 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 Treasury Department 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.

#### NOTE 14 VOLUME OF BUSINESS TAX

The volume of business tax is levied each year based on the prior year's gross revenues for all commercial and industrial organizations doing business in the **Municipality** and which are not totally or partially exempt from this tax under the Industrial Incentives Acts of the Commonwealth of Puerto Rico. This is a self-assessed tax based on the business volume in gross sales as shown in the tax return that is due five working days after April 15 of each year. Entities with sales volume of \$1 million or more must include audited financial statements together with the tax return. During the fiscal year ended June 30, 2008, 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, 2008. 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.

#### NOTE 15 SALES TAXES

**Municipality** imposes a Sales and Usage Tax of 1.5% (1% to the **Municipality** and .5% to the Puerto Rico Department of 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 Tax, are required to file a monthly Sales and Use Tax Return Form, no later than the 20<sup>th</sup> of the following month from the month being reported.

Sales tax receivable represents filed sales tax returns that were collected subsequent to June 30, 2008, but pertaining to the current year period.

#### NOTE 16 INTERGOVERNMENTAL REVENUES

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

Grants and subsidies received from the Commonwealth of Puerto Rico 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 Revenue and the Capital Project Funds. Federal Financial Awards is recorded in the Special Revenue Fund.

#### NOTE 17 PENSION PLAN

Employees of **Municipality** participate in the Employee's Retirement System of the Commonwealth of Puerto Rico and its Instrumentalities (ERS). The ERS is cost-sharing multiple-employer defined benefit pension plan sponsored by the Commonwealth of Puerto Rico under

the Act No. 447, approved on May 15, 1951, as amended, and became effective on January 1, 1952. ERS covers all regular employees of the Commonwealth of Puerto Rico 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.

Under the plan, the employees and employer portions are contributed, for which, the employee amount is withheld from salaries. Covered employees are required by Commonwealth statute 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 all salary. The **Municipality** contributes to the system 9.275% of the participating employee's salaries.

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. All employees who at the time of employment are 55 years old or less are eligible to participate in the System. No benefit is payable if the participant receives a refund of his accumulated contributions.

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 as of December 31, 1999, may elect either to stay in the defined-benefit plan or transfer to the new savings program. Persons joining the government on or after January 1, 2000, will only be allowed to become members of System 2000.

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 Commonwealth of Puerto Rico. 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.

**NOTE 17 PENSION PLAN (continuation)**

The pension benefit for participants who retire with less than 30 years of service is computed at the rate of 1½% of their average compensation of each year of credit service for the remaining years. The System also provides for death and disability benefits and the assets of the System pertaining to the participant employees.

All employees that do not elect to transfer for the new program and who at the time of employment are 55 years old or less are eligible to participate in the System. Pension benefits for participants with 30 years of service are as follows:

YEARS OF SERVICE	PARTICIPANT'S AGE	PENSION BENEFITS
30 or more	55 or more	65% of the average of the three years of highest salary during the employee's service period.
30 or more	58 or more	75% of the average of the three years of highest salary during the employee's service period.
30 or more	65 or more	75% of the average of the three years of highest salary during the employee's service period. (employees started working after April 1, 1990).

Disability retirement benefits are available to members for occupational and non-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 service.

The **Municipality** follows the provisions of GASB Statement No. 27, *Accounting for Pensions Pension by State and Local Governmental Employers*, which requires employers that participate in cost-sharing multi-employer defined-benefits plans to recognize pension expenditures/expense equal to the employer's contractually required contributions and a liability for unpaid contributions.

The total pension expenditures/expenses recorded in the category of administration for the Fiscal Year Ended June 30, 2005 through 2008 was as follow:

FISCAL YEAR	LAW NO. 447	SYSTEM 2000
2005	\$483,258	\$308,703
2006	612,000	321,082
2007	468,382	356,091
2008	471,981	451,349

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

**NOTE 18 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 he cannot offer an opinion as to the probable outcome, with the exception of various uninsured lawsuits for which our legal counsel estimate in \$200,000 the probable unfavorable outcome.

In addition, the **Municipality** is a defendant or co-defendant in several legal proceedings, which are in discovery stage. Certain of these claims are covered by insurance. Legal counsel with the information currently available can not 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 **Municipality** failed to properly submit the City's Consolidated Annual Performance and Evaluation Report (CAPER) for the Community Development Block Grant Program (CDBG). As a consequence, HUD may suspend fund until a satisfactory report is submitted, or may withdraw and reallocate funding if HUD determines, after notice and opportunity for a hearing, that the jurisdiction will not submit a satisfactory report.

**C. Construction Commitments**

The **Municipality** had commitments of approximately of \$7.0 million for the construction, improvements, or renovation of several facilities.

**NOTE 19 NET ASSETS AND FUND BALANCES RESTATEMENTS**

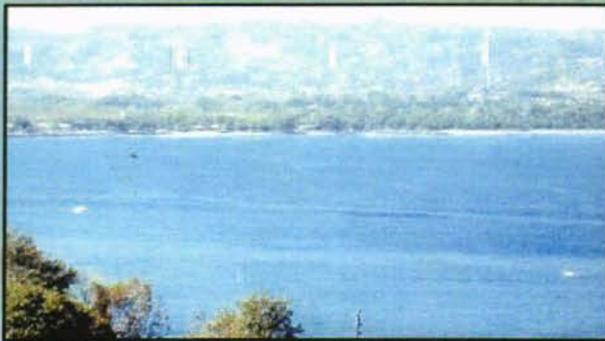
During fiscal year 2003-2004, the **Municipality** implemented several new accounting standards and an interpretation issued by GASB. As part of the implementation of the new standards, during the current fiscal year 2007-2008, the **Municipality** continued the documentation of capital assets not previously reported and the inventory of infrastructure. In addition, other adjustment related with unrecognized revenues and adjustments to long-term debts are recorded.

The following schedule reconciles the June 30, 2007 Net Assets, as previously reported to Beginning Net Assets, as restated, July 1, 2007, for Governmental Activities.

	GOVERNMENTAL ACTIVITIES
Net Assets, as Previously Reported, At June 30, 2007	\$ 118,862,262
Adjustment to Capital Assets	(691,462)
Adjustment to Head Start Revenue	96,761
Adjustment to Property Tax - MRCC	126,158
Adjustment to Long-Term Debts	230,000
<b>Beginning Net Assets, as Restated, At July 1, 2007</b>	<b>\$ 118,623,719</b>

END OF NOTE

# COMBINING FINANCIAL STATEMENTS AND SCHEDULES



## 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.

*Loan Surplus Fund* – Accounts for surplus of projects for which a bond have been issued and economies were obtained from the original budget. These funds may be used if approval from the Municipal Assembly is obtained.

*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 Commonwealth 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.

*Research Patent Fund* – Accounts for the professional services contracted by the **Municipality** in order to verify that the Volume of Business Tax reported and paid by the taxpayers of Aguadilla is correct.

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

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

*Home Land 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**.

**SPECIAL REVENUES FUNDS (continued)**

*MLK Service Day Program Fund* – Accounts for the funds of Martin Luther King award. This funds were transferred during this year to the CDBG funds, as approved by HUD, and should be used in those activities allowed under the CDBG program.

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

*Weed & Seed Program Fund* – Accounts for the funds of this federal award. During this fiscal year, no award was obtained.

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

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

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

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

*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* – Accounts for the construction and improvement of parks, centers and other recreational facilities. These projects are financed by bond issued and other state appropriations.

*School Improvement Fund* – Accounts for funds minor repairs and improvements of the school facilities in Aguadilla. These facilities are property of the Commonwealth and these funds are granted through the Puerto Rico Department of Education and other State Assignments.

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

**CAPITAL PROJECTS FUNDS** (continued)

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

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

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

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

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

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

*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 are property of the **Municipality** as well as property that belong to the Commonwealth.

*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.

# THE FUTURE OF AGUADILLA

Taking our City into the 21<sup>st</sup> Century



HISTORICAL ARCHIVE, MUSIC MUSEUM, AND CYBER CAFE



ATLANTIC SUNVIEW APARTMENTS



REAL MARINA SUITES



OCEAN DREAMS APARTMENTS

	STATE ASSIGNMENTS FUND	FEMA FUND	LOAN SURPLUS FUND	BUILDING RENT FUND	MUNICIPAL POLICE FUND	STATE DEPARTMENT OF LABOR FUND	SCRAP REMOVAL & RECYCLING FUND	RESEARCH PATENT FUND
<b>ASSETS</b>								
Cash and Investments	\$ 593,323	\$ 76,639	\$ 434	\$ 647,272	\$ 63,134	\$ 96,711	\$ 214,642	\$ 1,819
Cash with Fiscal Agent	-	-	108,655	-	-	-	-	-
Receivables:								
Property Taxes	-	-	-	-	-	-	-	-
Federal Grants	-	-	13,050	793	-	-	-	-
State Appropriations	-	-	-	-	-	67,277	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Sales Tax	-	-	-	-	-	-	-	-
Others Receivables	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 593,323</b>	<b>\$ 76,639</b>	<b>\$ 122,139</b>	<b>\$ 648,065</b>	<b>\$ 63,134</b>	<b>\$ 163,988</b>	<b>\$ 214,642</b>	<b>\$ 1,819</b>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts Payable	\$ -	\$ 525	\$ 11,407	\$ 14,130	\$ 931	\$ 3,230	\$ 22,663	\$ -
Accrued Interest	-	-	-	-	-	-	-	-
Due to Governmental Units	-	-	-	-	-	-	-	-
Due to Other Funds	45,700	-	765	1,881	63,261	206,239	4,778	-
Others	-	-	-	-	-	-	-	-
Deferred Revenues:								
Volume of Business Tax	-	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>45,700</b>	<b>525</b>	<b>12,172</b>	<b>16,011</b>	<b>64,192</b>	<b>209,469</b>	<b>27,441</b>	<b>-</b>
Fund Balances:								
Reserve For:								
Encumbrances	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
Other Purposes	547,623	76,114	109,967	632,054	(1,058)	(45,481)	187,201	1,819
Unreserved	-	-	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>547,623</b>	<b>76,114</b>	<b>109,967</b>	<b>632,054</b>	<b>(1,058)</b>	<b>(45,481)</b>	<b>187,201</b>	<b>1,819</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 593,323</b>	<b>\$ 76,639</b>	<b>\$ 122,139</b>	<b>\$ 648,065</b>	<b>\$ 63,134</b>	<b>\$ 163,988</b>	<b>\$ 214,642</b>	<b>\$ 1,819</b>

See accompanying Notes to Basic Financial Statements.

	PUBLIC RELATIONS ACTIVITIES FUND	SPORTS ACTIVITIES INCOME FUND	HOMELAND SECURITY PROGRAM FUND	URBAN DEVELOPMENT ACTION GRANT FUND	MLK SERVICE DAY PROGRAM FUND	HOME PROGRAM FUND	WEED & SEED PROGRAM FUND	CENTERS FOR THE ELDERLY FUND
<b>ASSETS</b>								
Cash and Investments	\$ 13,662	\$ 12,318	\$ -	\$ 29,709	\$ -	\$ 6,275	\$ -	\$ 133,412
Cash with Fiscal Agent	-	-	-	-	-	-	-	-
Receivables:								
Property Taxes	-	-	-	-	-	-	-	-
Federal Grants	-	-	190,952	-	-	48,009	-	255,546
State Appropriations	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Sales Tax	-	-	-	-	-	-	-	-
Others Receivables	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 13,662</b>	<b>\$ 12,318</b>	<b>\$ 190,952</b>	<b>\$ 29,709</b>	<b>\$ -</b>	<b>\$ 54,284</b>	<b>\$ -</b>	<b>\$ 388,958</b>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts Payable	\$ -	\$ -	\$ -	\$ 410	\$ -	\$ 15,532	\$ 9,978	\$ 170,890
Accrued Interest	-	-	-	-	-	-	-	-
Due to Governmental Units	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	190,052	-	-	-	-	46,972
Others	-	-	-	-	-	-	-	-
Deferred Revenues:								
Volume of Business Tax	-	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-	171,096
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>190,052</b>	<b>410</b>	<b>-</b>	<b>15,532</b>	<b>9,978</b>	<b>388,958</b>
Fund Balances:								
Reserve For:								
Encumbrances	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
Other Purposes	13,662	12,318	900	29,299	-	38,752	(9,978)	-
Unreserved	-	-	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>13,662</b>	<b>12,318</b>	<b>900</b>	<b>29,299</b>	<b>-</b>	<b>38,752</b>	<b>(9,978)</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 13,662</b>	<b>\$ 12,318</b>	<b>\$ 190,952</b>	<b>\$ 29,709</b>	<b>\$ -</b>	<b>\$ 54,284</b>	<b>\$ -</b>	<b>\$ 388,958</b>

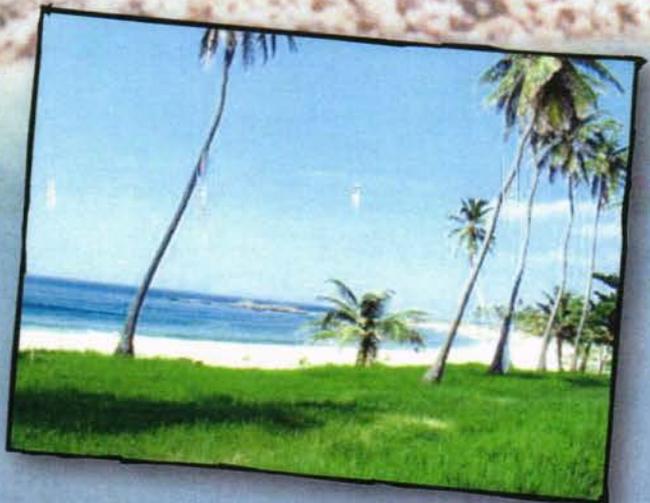
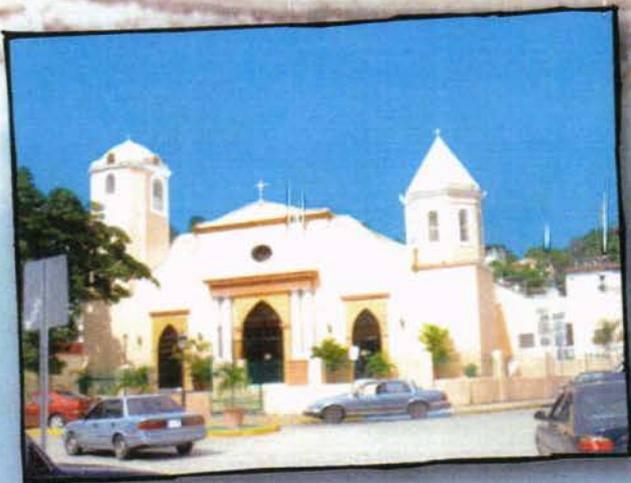
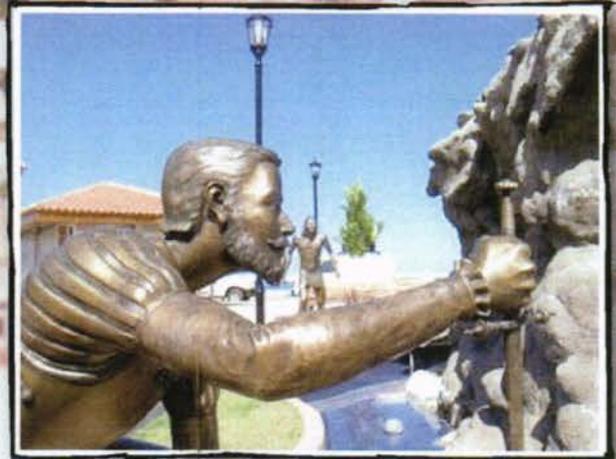
See accompanying Notes to Basic Financial Statements.

	CHILD CARE FUND	SALES TAX REVENUE FUND	SECTION 8 FUND	EMERGENCY SHELTER GRANT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Cash and Investments	\$ 25,082	\$ 1,673,689	\$ 474,977	\$ 379	\$ 4,063,477
Cash with Fiscal Agent	-	-	-	-	108,655
Receivables:					
Property Taxes	-	-	-	-	-
Federal Grants	363,812	-	(3,974)	197,161	1,065,349
State Appropriations	-	-	-	-	67,277
Due from Other Funds	-	-	-	-	-
Sales Tax	-	202,992	-	-	202,992
Others Receivables	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 388,894</b>	<b>\$ 1,876,681</b>	<b>\$ 471,003</b>	<b>\$ 197,540</b>	<b>\$ 5,507,750</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ 185,673	\$ 58,013	\$ 6,702	\$ 1,945	\$ 502,029
Accrued Interest	-	-	-	-	-
Due to Governmental Units	-	-	-	-	-
Due to Other Funds	-	445,468	10,127	-	1,015,243
Others	-	-	-	-	-
Deferred Revenues:					
Volume of Business Tax	-	-	-	-	-
Federal Grants	203,221	-	-	135,757	510,074
<b>Total Liabilities</b>	<b>388,894</b>	<b>503,481</b>	<b>16,829</b>	<b>137,702</b>	<b>2,027,346</b>
Fund Balances:					
Reserve For:					
Encumbrances	-	-	-	-	-
Debt Service	-	-	-	-	-
Other Purposes	-	1,373,200	454,174	59,838	3,480,404
Unreserved	-	-	-	-	-
<b>Total Fund Balances</b>	<b>-</b>	<b>1,373,200</b>	<b>454,174</b>	<b>59,838</b>	<b>3,480,404</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 388,894</b>	<b>\$ 1,876,681</b>	<b>\$ 471,003</b>	<b>\$ 197,540</b>	<b>\$ 5,507,750</b>

	STATE ASSIGNMENTS FUND	FEMA FUND	LOAN SURPLUS FUND	BUILDING RENT FUND	MUNICIPAL POLICE FUND	STATE DEPARTMENT OF LABOR FUND	SCRAP REMOVAL & RECYCLING FUND	RESEARCH PATENT FUND	PUBLIC RELATIONS ACTIVITIES FUND	SPORTS ACTIVITIES INCOME FUND	HOMELAND SECURITY PROGRAM FUND	URBAN DEVELOPMENT ACTION GRANT FUND
<b>REVENUES</b>												
Property Taxes	# \$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Sales Tax	-	-	-	-	-	-	-	-	-	-	-	-
Federal Assurances	-	-	-	-	9,358	73,159	-	-	-	-	190,952	-
Intergovernmental	-	721	-	-	-	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	258,014	-	-	289,935	-	-	-	-	-
Miscellaneous	-	-	-	-	-	1,776	33,091	11,847	1,650	16,744	-	266
<b>Total Revenues</b>	<b>-</b>	<b>721</b>	<b>-</b>	<b>258,014</b>	<b>9,358</b>	<b>74,935</b>	<b>323,026</b>	<b>11,847</b>	<b>1,650</b>	<b>16,744</b>	<b>190,952</b>	<b>266</b>
<b>EXPENDITURES</b>												
<b>Current:</b>												
Mayor and Municipal Assembly	-	-	-	-	-	-	-	-	-	-	-	-
General Government	-	205,481	638	4,453	212,841	225,298	212,047	17,125	-	11,044	79,800	200
Public Safety	-	-	-	-	24,722	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-	-	-	-	-	-
Health and Sanitation	-	-	-	-	-	-	-	-	-	-	-	-
Public Instruction	-	-	-	-	-	-	-	-	-	-	-	-
Human Services and Welfare	-	-	-	-	-	5,042	-	-	-	-	-	-
Urban Development	-	-	-	39,354	27,588	-	-	-	-	-	-	19,905
Capital Outlay	-	8,684	-	-	-	1,608	32,787	-	-	-	101,225	-
<b>Debt Service:</b>												
Principal	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issue Costs	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>214,165</b>	<b>638</b>	<b>4,453</b>	<b>252,195</b>	<b>231,948</b>	<b>244,834</b>	<b>17,125</b>	<b>-</b>	<b>11,044</b>	<b>181,025</b>	<b>20,105</b>
<b>OTHER FINANCING SOURCES (USES)</b>												
Proceed of Note	# \$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers - In	-	-	-	-	-	-	-	-	-	-	-	8,746
Transfers - Out	-	(13,652)	-	(3,420)	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources and Uses</b>	<b>-</b>	<b>(13,652)</b>	<b>-</b>	<b>(3,420)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,746</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(227,096)</b>	<b>(638)</b>	<b>(7,873)</b>	<b>5,819</b>	<b>(157,013)</b>	<b>78,192</b>	<b>(5,278)</b>	<b>1,650</b>	<b>5,700</b>	<b>9,927</b>	<b>(11,093)</b>
<b>Fund Balance - Beginning, as Restated</b>	<b>-</b>	<b>774,719</b>	<b>76,752</b>	<b>117,840</b>	<b>626,235</b>	<b>41,894</b>	<b>111,532</b>	<b>109,009</b>	<b>12,012</b>	<b>6,618</b>	<b>(9,027)</b>	<b>40,392</b>
<b>FUND BALANCES - ENDING</b>	<b># \$ 547,623</b>	<b>\$ 76,114</b>	<b>\$ 109,967</b>	<b>\$ 632,054</b>	<b>\$ (1,058)</b>	<b>\$ (45,481)</b>	<b>\$ 187,201</b>	<b>\$ 1,819</b>	<b>\$ 13,662</b>	<b>\$ 12,318</b>	<b>\$ 900</b>	<b>\$ 29,299</b>

	MLK SERVICE DAY PROGRAM FUND	HOME PROGRAM FUND	WEED & SEED PROGRAM FUND	CENTERS FOR THE ELDERLY FUND	CHILD CARE FUND	SALES TAX REVENUE FUND	SECTION 8 FUND	EMERGENCY SHELTER GRANT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>REVENUES</b>									
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes	-	-	-	-	-	-	-	-	-
Sales Tax	-	-	-	-	-	2,209,104	-	-	2,209,104
Federal Assistances	-	1,066,480	-	243,745	537,424	-	1,251,329	118,680	3,491,127
Intergovernmental	-	-	-	201,322	-	-	-	-	202,043
Licenses and Permits	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-	547,949
Miscellaneous	-	-	-	2,023	-	-	-	-	67,397
<b>Total Revenues</b>	<b>-</b>	<b>1,066,480</b>	<b>-</b>	<b>447,090</b>	<b>537,424</b>	<b>2,209,104</b>	<b>1,251,329</b>	<b>118,680</b>	<b>6,517,620</b>
<b>EXPENDITURES</b>									
Current:									
Mayor and Municipal Assembly	-	-	-	-	-	-	-	-	-
General Government	-	334,217	-	-	-	32,827	94,971	52,651	1,483,593
Public Safety	-	-	-	-	-	-	-	-	24,722
Public Works	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-	-	-
Health and Sanitation	-	-	-	-	-	676,552	-	-	676,552
Public Instruction	-	-	-	-	537,424	-	-	-	537,424
Human Services and Welfare	-	25,575	-	447,090	-	-	925,451	53,753	1,456,911
Urban Development	-	702,069	-	-	-	126,525	-	-	915,441
Capital Outlay	-	-	-	-	-	-	-	-	144,304
Debt Service:									
Principal	-	-	-	-	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-	-	-	-	-
Bond Issue Costs	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>1,061,861</b>	<b>-</b>	<b>447,090</b>	<b>537,424</b>	<b>835,904</b>	<b>1,020,422</b>	<b>106,404</b>	<b>5,238,947</b>
<b>OTHER FINANCING SOURCES (USES)</b>									
Proceed of Note	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers - In	-	-	-	-	-	-	-	-	8,746
Transfers - Out	(65,222)	-	-	-	-	-	-	-	(82,294)
<b>Total Other Financing Sources and Uses</b>	<b>(65,222)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91,040</b>
<b>Net Change in Fund Balances</b>	<b>(65,222)</b>	<b>4,619</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,373,200</b>	<b>230,907</b>	<b>12,276</b>	<b>1,205,125</b>
Fund Balance - Beginning, as Restated	65,222	34,133	(9,978)	-	-	-	223,267	47,562	2,275,279
<b>FUND BALANCES - ENDING</b>	<b>\$ -</b>	<b>\$ 38,752</b>	<b>\$ (9,978)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,373,200</b>	<b>\$ 454,174</b>	<b>\$ 59,838</b>	<b>\$ 3,480,404</b>

# A LOST TREASURE... FOUND



COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS  
JUNE 30, 2008

	CONSTRUCTION & IMPROVEMENT OF RECREATIONAL FACILITIES FUND	SCHOOL IMPROVEMENT FUND	RAMEY SKATE PARK PROJECT FUND	MUNICIPAL LIBRARIES FUND	FOUNTAIN OF YOUTH PROJECT FUND	VEHICLES AND PROPERTY ACQUISITION FUND	STREETS AND SIDEWALKS IMPROVEMENT PROJECTS FUND
<b>ASSETS</b>							
Cash and Investments	\$ 525,967	\$ 115,817	\$ 132,768	\$ 7,216	\$ -	\$ -	\$ 64,759
Cash with Fiscal Agent	1,052,574	-	2,106	242,052	46,179	36,939	6,352,631
Receivables:							
Property Taxes	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	914,200
State Appropriations	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	420,186	-	-
Sales Tax	-	-	-	-	-	-	-
Others Receivables	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 1,578,541</b>	<b>\$ 115,817</b>	<b>\$ 134,874</b>	<b>\$ 249,268</b>	<b>\$ 466,365</b>	<b>\$ 36,939</b>	<b>\$ 7,331,590</b>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts Payable	\$ 62,348	\$ -	\$ 371	\$ -	\$ 16,981	\$ 2,584	\$ 138,363
Accrued Interest	-	-	-	-	-	-	-
Due to Governmental Units	-	-	-	-	-	-	-
Due to Other Funds	23,342	-	59,091	-	-	7,150	2,935,388
Others	-	-	-	-	-	-	-
Deferred Revenues:							
Volume of Business Tax	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>85,690</b>	<b>-</b>	<b>59,462</b>	<b>-</b>	<b>16,981</b>	<b>9,734</b>	<b>3,073,751</b>
Fund Balances:							
Reserve For:							
Encumbrances	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-
Capital Projects	1,492,851	115,817	75,412	249,268	449,384	27,205	4,257,839
Unreserved	-	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>1,492,851</b>	<b>115,817</b>	<b>75,412</b>	<b>249,268</b>	<b>449,384</b>	<b>27,205</b>	<b>4,257,839</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,578,541</b>	<b>\$ 115,817</b>	<b>\$ 134,874</b>	<b>\$ 249,268</b>	<b>\$ 466,365</b>	<b>\$ 36,939</b>	<b>\$ 7,331,590</b>

See accompanying Notes to Basic Financial Statements.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA

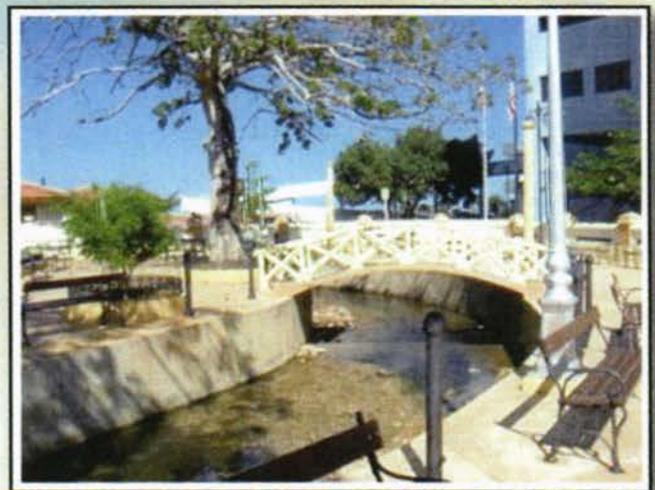
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS  
JUNE 30, 2008

	MUNICIPAL COURTHOUSE CONSTRUCTION FUND	CLOCK TOWER CONSTRUCTION FUND	ACTIVITY CENTER CONSTRUCTION FUND	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	CITY HALL ANNEX CONSTRUCTION FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>ASSETS</b>										
Cash and Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,405	\$ 59,356	\$ -	\$ 923,288
Cash with Fiscal Agent	2,375,637	76,670	362,425	169,437	-	2,306,250	-	-	4,919,855	17,942,755
Receivables:										
Property Taxes	-	-	-	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-	-	-	914,200
State Appropriations	-	-	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-	-	420,186
Sales Tax	-	-	-	-	-	-	-	-	-	-
Others Receivables	-	-	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 2,375,637</b>	<b>\$ 76,670</b>	<b>\$ 362,425</b>	<b>\$ 169,437</b>	<b>\$ -</b>	<b>\$ 2,306,250</b>	<b>\$ 17,405</b>	<b>\$ 59,356</b>	<b>\$ 4,919,855</b>	<b>\$ 20,200,429</b>
<b>LIABILITIES AND FUND BALANCES</b>										
Liabilities:										
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 398	\$ 22,746	\$ -	\$ 243,791
Accrued Interest	-	-	-	-	-	-	-	-	-	-
Due to Governmental Units	-	-	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	158,500	146,426	-	-	-	-	3,329,897
Others	-	-	-	-	-	-	-	-	-	-
Deferred Revenues:										
Volume of Business Tax	-	-	-	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>158,500</b>	<b>146,426</b>	<b>-</b>	<b>398</b>	<b>22,746</b>	<b>-</b>	<b>3,573,688</b>
Fund Balances:										
Reserve For:										
Encumbrances	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-
Capital Projects	2,375,637	76,670	362,425	10,937	(146,426)	2,306,250	17,007	36,610	4,919,855	16,626,741
Unreserved	-	-	-	-	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>2,375,637</b>	<b>76,670</b>	<b>362,425</b>	<b>10,937</b>	<b>(146,426)</b>	<b>2,306,250</b>	<b>17,007</b>	<b>36,610</b>	<b>4,919,855</b>	<b>16,626,741</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,375,637</b>	<b>\$ 76,670</b>	<b>\$ 362,425</b>	<b>\$ 169,437</b>	<b>\$ -</b>	<b>\$ 2,306,250</b>	<b>\$ 17,405</b>	<b>\$ 59,356</b>	<b>\$ 4,919,855</b>	<b>\$ 20,200,429</b>

	CONSTRUCTION & IMPROVEMENT OF RECREATIONAL FACILITIES FUND	SCHOOL IMPROVEMENT FUND	RAMEY SKATE PARK PROJECT FUND	MUNICIPAL LIBRARIES FUND	FOUNTAIN OF YOUTH PROJECT FUND	VEHICLES AND PROPERTY ACQUISITION FUND	STREETS AND SIDEWALKS IMPROVEMENT PROJECTS FUND	MUNICIPAL COURTHOUSE CONSTRUCTION FUND	CLOCK TOWER CONSTRUCTION FUND	ACTIVITY CENTER CONSTRUCTION FUND	COMMERCIAL PROPERTY ACQUISITION FUND
<b>REVENUES</b>											
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes	-	-	-	-	-	-	-	-	-	-	-
Sales Tax	-	-	-	-	-	-	-	-	-	-	-
Federal Assurances	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	35,222	-	-	-	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	577	-	-	-	-	17,175	-	-	-	-
<b>Total Revenues</b>	<b>35,222</b>	<b>577</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,175</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURES</b>											
Current:											
Mayor and Municipal Assembly	-	-	-	-	-	-	-	-	-	-	-
General Government	-	-	-	346	-	-	2,151	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-	-	-	-	-
Health and Sanitation	-	-	-	-	-	-	-	-	-	-	-
Public Instruction	-	-	-	-	-	-	-	-	-	-	-
Human Services and Welfare	-	-	-	-	-	-	-	-	-	-	-
Urban Development	-	-	-	-	-	-	1,118,029	-	-	-	-
Capital Outlay	2,610,450	-	355,666	263,457	964,270	49,689	5,657,817	8,525	-	-	192,056
Debt Service:											
Principal	-	-	-	-	-	-	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-	-	-	-	-	-	-
Bond Issue Costs	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>2,610,450</b>	<b>-</b>	<b>355,666</b>	<b>263,803</b>	<b>964,270</b>	<b>49,689</b>	<b>6,777,997</b>	<b>8,525</b>	<b>-</b>	<b>-</b>	<b>192,056</b>
<b>OTHER FINANCING SOURCES (USES)</b>											
Proceed of Note	\$ 3,400,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,527,985	\$ 2,384,162	\$ 76,670	\$ 362,425	\$ 202,993
Transfers - In	9,420	-	-	-	195,618	-	-	-	-	-	-
Transfers - Out	-	-	-	-	-	-	(239,325)	-	-	-	-
<b>Total Other Financing Sources and Uses</b>	<b>3,409,420</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>195,618</b>	<b>-</b>	<b>2,288,660</b>	<b>2,384,162</b>	<b>76,670</b>	<b>362,425</b>	<b>202,993</b>
<b>Net Change in Fund Balances</b>	<b>834,192</b>	<b>577</b>	<b>(355,666)</b>	<b>(263,803)</b>	<b>(768,652)</b>	<b>(49,689)</b>	<b>(4,472,162)</b>	<b>2,375,637</b>	<b>76,670</b>	<b>362,425</b>	<b>10,937</b>
Fund Balance - Beginning, as Restated	658,659	115,240	431,078	513,071	1,218,036	76,894	8,730,001	-	-	-	-
<b>FUND BALANCES - ENDING</b>	<b>\$ 1,492,851</b>	<b>\$ 115,817</b>	<b>\$ 75,412</b>	<b>\$ 249,268</b>	<b>\$ 449,384</b>	<b>\$ 27,205</b>	<b>\$ 4,257,839</b>	<b>\$ 2,375,637</b>	<b>\$ 76,670</b>	<b>\$ 362,425</b>	<b>\$ 10,937</b>

	LAS CASCADAS HOTEL FUND	ROADS CONSTRUCTION & IMPROVEMENT FUND	RAMEY SKATE PARK GAZEBO RENT INCOME FUND	ICE SKATE ARENA THIRD FLOOR REIMBURSEMENT FUND	CITY HALL ANNEX CONSTRUCTION FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>REVENUES</b>						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes	-	-	-	-	-	-
Sales Tax	-	-	-	-	-	-
Federal Assurances	-	-	-	-	-	-
Intergovernmental	-	-	-	107,721	-	142,943
Licenses and Permits	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Miscellaneous	-	-	22,198	-	-	39,950
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>22,198</b>	<b>107,721</b>	<b>-</b>	<b>182,893</b>
<b>EXPENDITURES</b>						
Current:						
Mayor and Municipal Assembly	-	-	-	-	-	-
General Government	-	-	4,392	-	3,055	9,944
Public Safety	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Health and Sanitation	-	-	-	-	-	-
Public Instruction	-	-	-	-	-	-
Human Services and Welfare	-	-	-	-	-	-
Urban Development	-	-	-	45,838	-	1,163,867
Capital Outlay	146,426	7,500	799	25,273	17,090	10,299,018
Debt Service:						
Principal	-	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-	-
Bond Issue Costs	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>146,426</b>	<b>7,500</b>	<b>5,191</b>	<b>71,111</b>	<b>20,145</b>	<b>11,472,829</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceed of Note	\$ -	\$ 2,313,750	\$ -	\$ -	\$ 4,940,000	\$ 16,207,985
Transfers - In	-	-	-	-	-	205,038
Transfers - Out	-	-	-	-	-	(239,325)
<b>Total Other Financing Sources and Uses</b>	<b>-</b>	<b>2,313,750</b>	<b>-</b>	<b>-</b>	<b>4,940,000</b>	<b>16,173,698</b>
<b>Net Change in Fund Balances</b>	<b>(146,426)</b>	<b>2,306,250</b>	<b>17,007</b>	<b>36,610</b>	<b>4,919,855</b>	<b>4,883,762</b>
Fund Balance - Beginning, as Restated	-	-	-	-	-	11,742,979
<b>FUND BALANCES - ENDING</b>	<b>\$ (146,426)</b>	<b>\$ 2,306,250</b>	<b>\$ 17,007</b>	<b>\$ 36,610</b>	<b>\$ 4,919,855</b>	<b>\$ 16,626,741</b>

# STATISTICAL SECTION



COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

GENERAL GOVERNMENTAL REVENUES BY SOURCE  
FOR THE LAST TEN FISCAL YEARS

Fiscal Year	Last Ten Fiscal Years								Total
	Property Taxes	Volume of Business Taxes	Intergovernmental	Licenses and Permits	Interests	Charges for Services	Others		
1998-1999	\$ 6,912,012	\$ 6,368,982	\$ 3,032,896	\$ 338,170	\$ 976,182	\$ 1,116,161	\$ 12,038	\$ 18,756,441	
% of Total	36.9	34.0	16.2	1.8	5.2	6.0	0.1	100.0	
% Change	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
1999-2000	7,547,481	6,628,682	2,785,776	509,653	1,434,555	1,042,584	158,253	20,106,984	
% of Total	37.5	33.0	13.9	2.5	7.1	5.2	0.8	100.0	
% Change	8.4	3.9	(8.9)	33.6	32.0	(7.1)	92.4	6.7	
2000-2001	7,737,857	7,543,806	3,427,714	610,524	1,476,228	140,815	465,675	21,402,619	
% of Total	36.2	35.2	16.0	2.9	6.9	0.7	2.2	100.0	
% Change	2.5	12.1	18.7	16.5	2.8	(640.4)	66.0	6.1	
2001-2002	7,283,961	8,470,503	4,722,679	331,624	1,636,064	152,453	842,029	23,439,313	
% of Total	31.1	36.1	20.1	1.4	7.0	0.7	3.6	100.0	
% Change	(6.2)	10.9	27.4	(84.1)	9.8	7.6	44.7	8.7	
2002-2003	8,705,931	9,275,555	5,015,103	851,182	579,940	243,367	259,120	24,930,198	
% of Total	34.9	37.2	20.1	3.4	2.3	1.0	1.0	100.0	
% Change	16.3	8.7	5.8	61.0	(182.1)	37.4	(225.0)	6.0	
2003-2004	8,942,056	7,393,246	5,600,351	2,002,950	1,135,891	351,899	1,084,955	26,511,348	
% of Total	33.7	27.9	21.1	7.6	4.3	1.3	4.1	100.0	
% Change	2.6	(25.5)	10.5	57.5	48.9	30.8	76.1	6.0	
2004-2005	12,298,998	7,557,843	2,738,750	1,382,664	989,435	160,444	331,872	25,460,006	
% of Total	48.3	29.7	10.8	5.4	3.9	0.6	1.3	100.0	
% Change	27.3	2.2	(104.5)	(44.9)	(14.8)	(119.3)	(226.9)	(4.1)	
2005-2006	8,723,643	10,016,589	6,857,113	2,632,322	1,432,080	176,743	954,812	30,793,302	
% of Total	28.3	32.5	22.3	8.5	4.7	0.6	3.1	100.0	
% Change	(41.0)	24.5	60.1	47.5	30.9	9.2	65.2	17.3	
2006-2007	8,428,708	9,132,473	6,652,273	1,853,366	2,269,507	228,490	482,423	29,047,240	
% of Total	29.0	31.4	22.9	6.4	7.8	0.8	1.7	100.0	
% Change	(3.5)	(9.7)	(3.1)	(42.0)	36.9	22.6	(97.9)	(6.0)	
2007-2008	9,866,870	9,490,510	6,480,983	1,824,688	1,688,151	228,803	769,653	30,349,658	
% of Total	32.5	31.3	21.4	6.0	5.6	0.8	2.5	100.0	
% Change	14.6	3.8	(2.6)	(1.6)	(34.4)	0.1	37.3	4.3	

Source: Department of Finance of the Municipality of Aguadilla.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION  
FOR THE LAST TEN FISCAL YEARS

Last Ten Fiscal Years										
Fiscal Year	Mayor and Municipal Legislature	General Government	Public Safety	Public Works	Culture and Recreation	Health and Sanitation	Human Services and Welfare	Urban Development	Capital Outlay	Total
1998-1999	\$ 1,699,398	\$ 7,548,658	\$ 406,990	\$ 1,549,141	\$ 1,096,463	\$ 1,389,833	\$ 1,587,599	\$ 285,456	\$ 475,968	\$ 16,039,506
% of Total	10.6	47.1	2.5	9.7	6.8	8.7	0	0	3.0	100
% Change	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1999-2000	2,615,311	7,647,760	922,751	3,617,310	1,320,035	291,667	1,983,452	3,214,285	223,938	21,836,509
% of Total	12.0	35.0	4.2	16.6	6.0	1.3	9.1	14.7	1.0	100
% Change	35.0	1.3	55.9	57.2	16.9	(376.5)	20.0	0	(112.5)	26.5
2000-2001	2,230,082	9,832,501	1,103,899	3,951,939	743,354	1,030,777	2,251,420	3,363,684	76,933	24,584,589
% of Total	9.1	40.0	4.5	16.1	3.0	4.2	9.2	13.7	0.3	100
% Change	(17.3)	22.2	16.4	8.5	(77.6)	71.7	0	0	(191.1)	11.2
2001-2002	2,247,347	11,119,788	1,382,003	1,674,516	905,541	2,515,073	2,856,552	845,935	87,346	23,634,101
% of Total	9.5	47.0	5.8	7.1	3.8	10.6	12.1	3.6	0.4	100
% Change	0.8	11.6	20.1	(136.0)	17.9	59.0	21.2	(297.6)	11.9	(4.0)
2002-2003	2,516,709	10,510,020	1,510,667	1,535,509	937,114	2,554,144	2,797,821	206,529	166,757	22,735,270
% of Total	11.1	46.2	6.6	6.8	4.1	11.2	12.3	0.9	0.7	100
% Change	10.7	(5.8)	8.5	(9.1)	3.4	1.5	(2.1)	(309.6)	47.6	(4.0)
2003-2004	2,547,970	9,404,851	1,528,952	1,401,676	1,175,444	3,357,537	2,893,041	1,193,322	201,877	23,704,670
% of Total	10.7	39.7	6.5	5.9	5.0	14.2	12.2	5.0	0.9	100
% Change	1.2	(11.8)	1.2	(9.5)	20.3	23.9	3.3	82.7	17.4	4.1
2004-2005	1,498,901	12,234,037	1,633,078	1,617,941	1,467,359	2,285,904	2,979,809	834,926	140,770	24,692,725
% of Total	6.1	49.5	6.6	6.6	5.9	9.3	12.1	3.4	0.6	100
% Change	(70.0)	23.1	6.4	13.4	19.9	(46.9)	2.9	(42.9)	(43.4)	4.0
2005-2006	1,379,470	13,203,725	1,694,440	1,556,446	1,303,340	2,458,784	3,011,974	1,147,697	114,428	25,870,304
% of Total	5.3	51.0	6.5	6.0	5.0	9.5	11.6	4.4	0.4	100
% Change	(8.7)	7.3	3.6	(4.0)	(12.6)	7.0	1.1	27.3	(23.0)	4.6
2006-2007	1,463,533	15,469,581	1,574,827	1,541,662	897,258	2,737,153	3,035,622	915,412	319,701	27,954,749
% of Total	5.2	55.3	5.6	5.5	3.2	9.8	10.9	3.3	1.1	100
% Change	5.7	14.6	(7.6)	(1.0)	(45.3)	10.2	0.8	(25.4)	64.2	7.5
2007-2008	1,435,091	15,158,213	1,676,051	1,598,784	1,043,183	3,048,948	3,274,516	527,594	1,364,292	29,126,672
% of Total	4.9	52.0	5.8	5.5	3.6	10.5	11.2	38.7	4.7	100
% Change	(2.0)	(2.1)	6.0	3.6	14.0	10.2	7.3	(73.5)	76.6	4.0

Source: Department of Finance of the Municipality of Aguadilla.

	1999	2000	2001	2002	2003 (a)	2004	2005	2006	2007	2008
<b>REVENUES</b>										
Property Taxes	\$ 9,707,092	\$ 10,202,047	\$ 10,572,217	\$ 10,498,622	\$ 10,921,637	\$ 11,826,181	\$ 14,916,518	\$ 12,257,260	\$ 12,223,523	\$ 13,612,115
Volume of Business Taxes	6,201,964	6,628,682	7,543,806	8,470,503	9,275,555	7,393,246	7,557,843	10,016,589	9,132,473	9,490,510
Sales Taxes	-	-	-	-	-	-	-	-	-	2,209,104
Federal Assurances	11,523,119	12,238,290	10,494,242	10,548,776	10,936,225	11,056,456	10,556,191	10,392,610	11,148,041	10,950,356
Intergovernmental	6,424,103	3,890,138	5,392,588	5,451,724	6,651,764	7,159,352	3,575,404	8,470,360	9,641,505	6,825,969
Licenses and Permits	259,620	509,653	610,524	331,624	851,182	2,002,950	1,382,664	2,632,322	1,853,366	1,824,688
Interest	976,182	1,434,555	1,476,228	1,636,064	579,940	1,135,891	989,435	1,432,080	2,269,507	2,407,359
Charges for Services	1,345,689	531,534	375,714	737,106	811,811	920,642	954,235	413,579	591,734	776,752
Miscellaneous	868,203	354,501	715,656	505,850	953,635	1,576,283	475,994	1,293,256	915,428	877,000
<b>Total Revenues</b>	<b>37,305,972</b>	<b>35,789,400</b>	<b>37,180,975</b>	<b>38,180,269</b>	<b>40,981,749</b>	<b>43,071,001</b>	<b>40,408,284</b>	<b>46,908,056</b>	<b>47,775,577</b>	<b>48,973,853</b>
<b>EXPENDITURES</b>										
<b>Current:</b>										
Mayor and Municipal Legislature	2,479,884	2,615,311	2,230,082	2,247,347	2,516,709	2,547,970	1,498,901	1,379,470	1,463,533	1,435,091
General Government	10,031,312	11,155,689	13,693,637	14,450,802	11,184,863	10,721,141	16,553,913	15,253,685	16,449,942	16,734,299
Public Safety	894,690	1,516,007	1,103,899	1,382,003	1,510,667	1,528,952	1,633,078	1,694,440	1,574,827	1,700,773
Public Works	2,685,202	3,617,310	3,951,939	1,674,516	1,535,509	1,401,676	1,556,446	1,619,941	1,619,285	1,598,784
Health and Sanitation	319,318	291,667	1,030,777	2,515,073	2,554,144	3,357,537	3,167,894	2,458,784	2,920,164	3,725,500
Culture and Recreation	1,299,399	1,320,035	743,354	1,066,552	1,706,833	2,529,441	1,127,415	1,303,340	897,258	1,043,183
Public Instruction	4,264,316	3,597,330	4,477,278	5,348,974	5,617,329	5,831,190	5,509,806	6,021,802	5,534,232	6,078,591
Human Service and Welfare	2,964,263	4,289,295	3,731,464	4,634,992	4,663,455	4,376,976	4,942,160	4,727,195	5,504,421	4,731,427
Urban Development	4,727,115	13,009,782	14,117,934	7,231,839	6,897,238	8,171,020	2,588,779	4,747,862	4,183,065	4,077,698
Capital Outlay	1,900,662	1,563,177	3,380,646	3,498,471	551,855	728,383	1,147,440	5,351,016	9,749,437	11,918,942
Collections applied to Property Taxes Advance	3,923,112	5,514,833	6,344,987	5,054,085	-	-	-	-	-	-
<b>Debt Service:</b>										
Principal Retirement	1,813,325	1,875,000	2,250,000	1,880,000	3,330,000	1,595,000	2,520,000	2,441,000	2,642,233	2,902,364
Interest Payment and Other Charges	775,339	1,218,670	1,613,583	1,613,473	1,665,337	1,341,702	2,065,212	2,359,767	2,544,588	2,572,880
Bond Issue Costs	-	-	-	-	-	-	-	35,135	-	51,269
<b>Total Expenditures</b>	<b>38,077,937</b>	<b>51,584,106</b>	<b>58,669,580</b>	<b>52,618,127</b>	<b>43,733,939</b>	<b>44,130,988</b>	<b>44,372,539</b>	<b>49,329,942</b>	<b>55,082,965</b>	<b>58,570,801</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(771,965)	(15,794,706)	(21,488,605)	(14,437,858)	(2,752,190)	(1,059,987)	(3,964,255)	(2,421,886)	(7,307,408)	(9,596,948)
<b>OTHER FINANCING SOURCES (USES)</b>										
Property Taxes Advance	4,626,393	5,641,051	6,344,987	6,590,175	-	-	-	-	-	-
Capital Leases Financing	-	-	-	-	-	-	-	-	-	-
Bond Issued	15,960,000	4,860,000	7,165,000	-	18,355,000	7,220,000	12,060,000	6,541,446	1,529,712	16,207,985
Transfer-In	7,921,337	10,696,712	10,598,581	6,351,354	3,482,346	1,952,768	559,168	2,994,757	3,534,896	2,441,916
Transfer-Out	(8,063,695)	(10,696,712)	(10,598,581)	(6,011,139)	(3,482,346)	(1,952,768)	(559,168)	(2,777,972)	(2,035,476)	(2,128,389)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>20,444,035</b>	<b>10,501,051</b>	<b>13,509,987</b>	<b>6,930,390</b>	<b>18,355,000</b>	<b>7,220,000</b>	<b>12,060,000</b>	<b>6,758,231</b>	<b>3,029,132</b>	<b>16,521,512</b>
<b>SPECIAL ITEM</b>										
Proceeds from Sale	-	-	-	-	2,189,750	-	-	919,000	-	-
Excess (deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	19,672,070	(5,293,655)	(7,978,618)	(7,507,468)	17,792,560	6,160,013	8,095,745	5,255,345	(4,278,276)	6,924,564
Fund Balances (Deficit), as Restated, at Beginning of Year	10,398,651	30,070,721	24,777,066	16,798,448	9,290,980	27,083,540	33,243,553	41,339,298	46,594,643	42,316,367
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 30,070,721</b>	<b>\$ 24,777,066</b>	<b>\$ 16,798,448</b>	<b>\$ 9,290,980</b>	<b>\$ 27,083,540</b>	<b>\$ 33,243,553</b>	<b>\$ 41,339,298</b>	<b>\$ 46,594,643</b>	<b>\$ 42,316,367</b>	<b>\$ 49,240,931</b>

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

	2008 <sup>(A)</sup>	2007 <sup>(A)</sup>	2006	2005	2004	2003
<b>EXPENSES BY FUNCTIONS/PROGRAMS</b>						
Mayor and Municipal Legislature	1,514,767	1,549,319	1,455,224	1,572,271	2,588,597	2,612,215
General Government	18,763,295	18,433,566	17,639,130	18,691,822	12,285,179	10,973,910
Public Safety	1,763,964	1,666,842	1,776,161	1,712,299	1,626,191	1,593,075
Public Works	1,858,104	1,874,964	1,800,400	1,858,805	1,679,448	1,852,132
Culture and Recreation	1,105,616	979,368	1,361,111	3,214,666 <sup>(*)</sup>	2,571,398 <sup>(*)</sup>	1,750,877 <sup>(*)</sup>
Health and Sanitation	4,046,193	3,057,282	2,135,284	3,213,882	3,535,056	2,751,255
Solid Waste Disposal	-	-	-	221,000	135,000	800,000
Public Instruction	6,046,261	5,381,175	7,057,884	5,509,806	5,831,190	6,048,666
Human Services and Welfare	4,801,986	5,582,451	4,780,771	4,991,988	4,426,804	4,273,982
Urban Development	4,222,382	4,826,215	4,905,990	1,897,109	5,274,018	4,075,892
Loss on disposition of Asset	-	135,122	-	-	-	-
Interest on Long-Term Debt	2,572,880	2,544,588	2,359,767	2,065,212	1,341,702	1,665,337
<b>TOTAL EXPENSES</b>	<b>46,695,448</b>	<b>46,030,892</b>	<b>45,271,722</b>	<b>44,948,860</b>	<b>41,294,583</b>	<b>38,397,341</b>
<b>PROGRAM REVENUES</b>						
Charges for Services	776,752	591,734	413,329	2,445,212 <sup>(*)</sup>	1,438,771 <sup>(*)</sup>	1,701,432 <sup>(*)</sup>
Operating Grants and Contributions	10,559,336	10,435,747	9,921,342	10,655,352	11,251,174	11,519,460
Capital Grants and Contributions	114,567	124,280	280,850	144,868	208,654	186,581
<b>GENERAL REVENUES</b>						
Taxes:						
Property Taxes, levied for General Purpose:	9,625,207	8,670,371	8,723,643	9,567,779	9,838,949	8,705,931
Property Taxes, levied for Debt Service	3,745,245	3,794,815	3,533,617	2,617,520	2,884,125	2,215,706
Volume of Business Taxes	9,490,510	9,132,473	10,016,589	7,557,843	7,393,246	9,275,555
Sales Tax	2,209,104	-	-	-	-	-
Construction Taxes	1,824,688	1,853,366	2,632,322	1,382,664	2,002,950	851,182
Intergovernmental	6,825,969	9,641,505	8,470,360	4,873,731	5,600,351	5,015,103
Interests	2,407,359	2,269,507	1,469,993	659,993	-	321,919
Miscellaneous	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	(91,933)	-	-	-	-	-
Transfers	313,527	1,499,420	216,785	-	-	-
<b>TOTAL REVENUES</b>	<b>48,677,331</b>	<b>48,928,646</b>	<b>47,803,423</b>	<b>41,247,401</b>	<b>43,190,965</b>	<b>41,690,679</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 1,981,883</b>	<b>\$ 2,897,754</b>	<b>\$ 2,531,701</b>	<b>\$ (3,701,459)</b>	<b>\$ 1,896,382</b>	<b>\$ 3,293,338</b>

<sup>(A)</sup> These amounts included the Funds that on Fiscal Year 2006 were reclassified as Enterprise Funds.

	2008		2007		2006	
	AGUADILLA'S WATERFALLS AQUATIC PARK	AGUADILLA ICE SKATING ARENA	AGUADILLA'S WATERFALLS AQUATIC PARK	AGUADILLA ICE SKATING ARENA	AGUADILLA'S WATERFALLS AQUATIC PARK	AGUADILLA ICE SKATING ARENA
Expenses	\$ 1,396,436	\$ 733,245	\$ 1,373,748	\$ 1,072,889	\$ 1,182,640	\$ 1,163,757
<b>PROGRAM REVENUES</b>						
Charges for Services	2,298,276	655,224	2,107,900	967,450	1,961,850	1,306,567
<b>GENERAL REVENUES</b>						
Interests	-	-	49,591	-	-	-
Capital Contributions	-	91,933	-	-	-	-
Transfers	(313,527)	-	(1,499,420)	-	(216,785)	-
<b>TOTAL REVENUES</b>	<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>\$ 588,313</u>	<u>\$ 13,912</u>	<u>\$ (715,677)</u>	<u>\$ (105,439)</u>	<u>\$ 562,425</u>	<u>\$ 142,810</u>

NET ASSETS TREND IN THE LAST SIX YEARS - GOVERNMENTAL ACTIVITIES

	2008 <sup>(a)</sup>	2007 <sup>(a)</sup>	2006	2005	2004	2003
<b>NET ASSETS:</b>						
Investment in Capital Assets, Net of Related Debt	\$ 89,487,550	\$ 95,839,734	\$ 70,068,980	\$ 45,180,649	\$ 48,840,015	\$ 39,924,949
Restricted for:						
Capital Projects	10,205,246	2,952,324	2,997,136	29,552,142	21,241,521	1,138,918
Head Start Program	3,238,369	3,187,071	2,826,033	3,798,234	3,638,301	3,661,611
Debt Service	5,117,950	6,083,742	5,880,748	3,435,617	2,284,249	2,015,826
Community Development Projects	3,477,797	3,399,882	2,828,824	2,959,157	2,768,263	3,819,617
Other Purposes	3,838,718	2,309,143	3,718,995	3,078,118	486,410	4,190,975
Unrestricted	<u>5,443,377</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>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>120,809,007</u></b>	<b>\$ <u>118,862,262</u></b>	<b>\$ <u>92,087,483</u></b>	<b>\$ <u>89,969,867</u></b>	<b>\$ <u>84,917,727</u></b>	<b>\$ <u>57,396,919</u></b>

NET ASSETS TREND IN THE LAST THREE YEARS - BUSINESS - TYPE ACTIVITIES

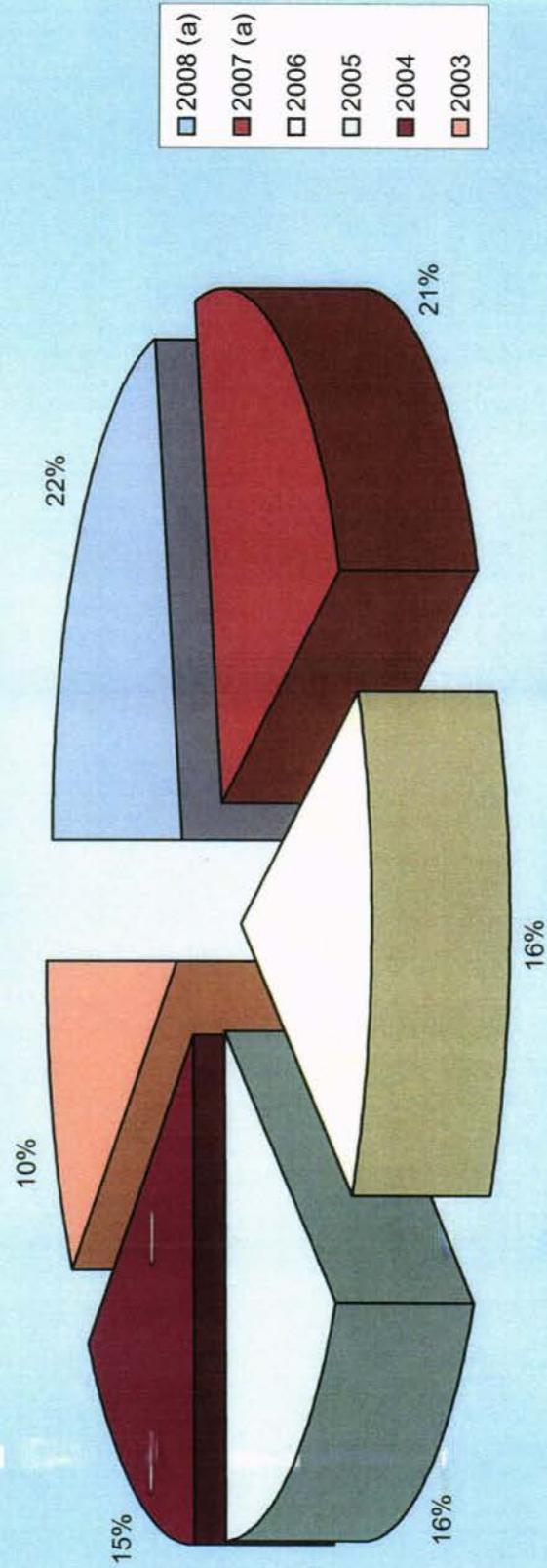
	2008		2007		2006	
	AGUADILLA'S WATERFALLS AQUATIC PARK	AGUADILLA ICE SKATING ARENA	AGUADILLA'S WATERFALLS AQUATIC PARK <sup>(b)</sup>	AGUADILLA ICE SKATING ARENA	AGUADILLA'S WATERFALLS AQUATIC PARK	AGUADILLA ICE SKATING ARENA
<b>NET ASSETS:</b>						
Investment in Capital Assets, Net of Related Debt	\$ 4,052,196	\$ 5,750,705	\$ 4,080,048	\$ 5,755,243	\$ 4,211,713	\$ 5,870,801
Unrestricted	<u>1,445,284</u>	<u>109,768</u>	<u>829,119</u>	<u>91,318</u>	<u>1,413,131</u>	<u>81,199</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>5,497,480</u></b>	<b>\$ <u>5,860,473</u></b>	<b>\$ <u>4,909,167</u></b>	<b>\$ <u>5,846,561</u></b>	<b>\$ <u>5,624,844</u></b>	<b>\$ <u>5,952,000</u></b>

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

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

<sup>(b)</sup> Decrease in Unrestricted Net Assets due to an Operating Equity Transfer made to the General Fund.

# Net Assets Trend



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
2008	14,703,927.00	14,228,893.00	96.77%	-	14,228,893.00	96.77%
2007	13,734,824.00	12,318,562.00	89.69%	769,887.00	13,088,449.00	95.29%
2006	14,408,482.00	12,902,919.00	89.55%	565,486.00	13,468,405.00	93.48%
2005	14,243,801.00	13,601,173.00	95.49%	545,659.00	14,146,832.00	99.32%
2004	12,788,535.00	11,391,023.00	89.07%	435,158.00	11,826,181.00	92.47%
2003	12,902,853.00	10,921,637.00	84.65%	428,529.00	11,350,166.00	87.97%
2002	11,817,634.00	10,498,622.00	88.84%	405,562.00	10,904,184.00	92.27%
2001	11,437,226.00	10,572,217.00	92.44%	391,357.00	10,963,574.00	95.86%
2000	10,544,863.00	10,056,350.00	95.37%	258,369.00	10,314,719.00	97.82%
1999	9,902,940.00	9,585,059.00	96.79%	196,584.00	9,781,643.00	98.78%

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

ASSESSED VALUE OF TAXABLE PROPERTY  
FOR THE LAST TEN FISCAL YEARS

*REAL PROPERTY TAX VALUATION*

FISCAL YEAR	TAXABLE VALUE	EXEMPT VALUE	GROSS VALUE	EXONERATED VALUE	NET ASSESSED VALUE
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
2001	156,853,873	11,325,471	145,528,402	75,478,529	70,049,873
2000	154,259,321	10,854,697	143,404,624	74,954,325	68,450,299
1999	152,667,510	10,625,801	142,041,709	74,058,997	67,982,712

*PERSONAL PROPERTY TAX VALUATION*

FISCAL YEAR	TAXABLE VALUE	EXEMPT VALUE	GROSS VALUE	EXONERATED VALUE	NET ASSESSED VALUE
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
2001	241,099,754	170,558,667	70,541,087	2,635,154	67,905,933
2000	234,554,102	165,522,119	69,031,983	2,404,644	66,627,339
1999	230,597,015	163,587,143	67,009,872	2,299,545	64,710,327

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

ASSESSED VALUE OF TAXABLE PROPERTY  
FOR THE LAST TEN FISCAL YEARS

*TOTAL PROPERTY TAX VALUATION*

FISCAL YEAR	TAXABLE VALUE	EXEMPT VALUE	GROSS VALUE	EXONERATED VALUE	NET ASSESSED VALUE
2008	419,910,298	167,151,337	\$ 252,758,961	86,865,387	\$ 165,893,574
2007	426,924,200	186,383,229	240,540,971	86,215,241	154,325,730
2006	511,069,506	270,429,891	240,639,615	83,636,112	157,003,503
2005	459,097,849	225,504,553	233,593,296	82,955,082	150,638,214
2004	444,117,463	210,404,125	233,713,338	81,100,653	152,612,685
2003	429,019,995	201,867,085	227,152,910	79,781,190	147,371,720
2002	412,792,369	191,247,530	221,544,839	78,980,098	142,564,741
2001	397,953,627	181,884,138	216,069,489	78,113,683	137,955,806
2000	388,813,423	176,376,816	212,436,607	77,358,969	135,077,638
1999	383,264,525	174,212,944	209,051,581	76,358,542	132,693,039

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

PROPERTY TAX RATES  
FOR THE LAST TEN FISCAL YEARS

*REAL PROPERTY*

FISCAL YEAR	GENERAL PURPOSES	DEBT SERVICES	COMMONWEALTH OF PUERTO RICO	DISCOUNT	TOTAL
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%
2001	6.00%	1.50%	1.03%	0.20%	8.53%
2000	6.00%	1.50%	1.03%	0.20%	8.53%
1999	6.00%	1.50%	1.03%	0.20%	8.53%

*PERSONAL PROPERTY*

FISCAL YEAR	GENERAL PURPOSES	DEBT SERVICES	COMMONWEALTH OF PUERTO RICO	DISCOUNT	TOTAL
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%
2001	4.00%	1.50%	1.03%	0.20%	6.53%
2000	4.00%	1.50%	1.03%	0.20%	6.53%
1999	4.00%	1.50%	1.03%	0.20%	6.53%

Outstanding Debt Ratio - Per Personal Income

Fiscal Year	Total Outstanding Debt	Personal Income 1	Outstanding Debt Ratio
2008	\$ 34,825,000	\$ 952,225,632	3.657%
2007	29,705,000	834,379,663	3.560%
2006	31,205,000	732,498,545	4.260%
2005	33,430,000	702,725,054	4.757%
2004	24,915,000	436,612,937	5.706%
2003	373,940	372,254,104	0.100%
2002	24,770,000	339,656,003	7.293%
2001	26,045,000	305,538,327	8.524%
2000	19,925,000	478,330,827	4.166%
1999	15,885,000	449,276,124	3.536%

Outstanding Debt Ratio - Per Capita

Fiscal Year	Total Outstanding Debt	Per Capita 1	Outstanding Debt Ratio
2008	\$ 34,825,000	67,181	\$ 518.38
2007	29,705,000	67,167	442.26
2006	31,205,000	66,926	466.26
2005	33,430,000	69,920	478.12
2004	24,915,000	66,363	375.44
2003	25,020,000	63,605	393.37
2002	24,770,000	65,644	377.34
2001	26,045,000	65,266	399.06
2000	19,925,000	64,685	308.03
1999	15,885,000	64,219	247.36

Outstanding Debt Ratio - Property Tax Assessed Value

Fiscal Year	Total Outstanding Debt	Net Assessed Value <sup>1</sup>	Outstanding Debt Ratio
2008	\$ 34,825,000	\$ 165,893,574	20.99%
2007	29,705,000	154,325,730	19.25%
2006	31,205,000	157,003,503	19.88%
2005	33,430,000	150,638,214	22.19%
2004	24,915,000	152,612,685	16.33%
2003	25,020,000	147,371,720	16.98%
2002	24,770,000	142,564,741	17.37%
2001	26,045,000	137,955,806	18.88%
2000	19,925,000	135,077,638	14.75%
1999	15,885,000	132,693,039	11.97%

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

Note 1: Net Assessed Value amounts can be found in the Assessed Value of Property Tax on pages 67-68.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

COMPUTATION OF LEGAL DEBT MARGIN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Value of Taxable Property		\$	419,910,298
Percentage of Legal Margin			<u>0.10</u>
Legal Margin		\$	41,991,030
Debt Outstanding and/or Authorized:			
Principal		\$	34,605,000
Authorized			7,506,000
Less: Fund Balance of Debt Service			
Fund Balance at June 30, 2008	\$	3,527,330	
Accrued Interests 2008 - 2009	(1,861,453)		<u>(1,665,877)</u>
Net Debt			<u>40,445,123</u>
<b>Legal Debt Margin</b>		<b>\$</b>	<b><u>1,545,907</u></b>

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest and Fiscal Charges</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Percent of Debt Service to Total General Governmental Expenditures</u>
1999	\$ 1,875,000	\$ 1,815,002	\$ 3,690,002	\$ 23,831,462	15.48%
2000	820,000	320,744	1,140,744	27,351,342	4.17%
2001	1,045,000	1,001,446	2,046,446	30,929,576	6.62%
2002	1,275,000	1,078,748	2,353,748	28,688,186	8.20%
2003	1,160,000	984,531	2,144,531	22,735,270	9.43%
2004	1,320,000	1,135,450	2,455,450	23,704,670	10.36%
2005	1,775,000	1,543,582	3,318,582	24,692,725	13.44%
2006	1,500,000	1,476,931	2,976,931	25,870,304	11.51%
2007	1,595,000	1,558,753	3,153,753	29,125,072	10.83%
2008	1,825,000	1,642,131	3,467,131	29,126,672	11.90%

Source: Department of Finance of the Municipality of Aguadilla.

Fiscal Year	LAST TEN FISCAL YEARS						
	Population	Personal Income	Per Capita <sup>1</sup>	Inflation Rate	Labor Force <sup>2</sup>	Employment <sup>2</sup>	Unemployment Rate
2008	67,181	\$ 952,225,632	\$ 14,174	12.36%	23,400	20,475	12.50%
2007	67,167	834,379,663	12,422	11.89%	23,546	20,720	12.00%
2006	66,926	732,498,545	10,945	8.17%	23,452	20,239	13.70%
2005	69,920	702,725,054	10,050	7.41%	23,362	20,395	12.70%
2004	66,363	436,612,937	9,306	4.31%	22,066	18,955	14.10%
2003	63,605	372,254,104	8,905	7.66%	21,372	18,166	15.00%
2002	65,644	339,656,003	8,223	5.39%	21,174	17,913	15.40%
2001	65,266	305,538,327	7,779	4.94%	20,175	17,532	13.10%
2000	64,685	478,330,827	7,395	5.39%	20,113	16,593	17.50%
1999	64,219	449,276,124	6,996	5.70%	19,370	15,690	19.00%

Note 1: Per capita data was computed using Federal Census Bureau of 1990 and 2000 and applied the inflation rate provided by the Puerto Rico Planning Board.

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

EXPENSES BY FUNCTIONS - GENERAL FUND	FISCAL YEARS									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Mayor and Municipal Legislature	69	50	65	71	72	40	39	35	45	51
General Government	177	143	184	203	185	200	137	114	88	92
Public Safety	66	62	64	61	61	62	50	52	48	36
Public Works	44	34	39	36	39	43	45	94	83	96
Culture and Recreation	36	58	31	30	64	48	27	27	45	48
Health and Sanitation	162	138	139	122	77	65	89	58	63	74
Human Services and Welfare	101	88	90	60	76	64	55	44	34	41
Urban Development	64	55	51	62	53	82	134	38	7	8
<b>TOTAL</b>	<b>719</b>	<b>628</b>	<b>663</b>	<b>645</b>	<b>627</b>	<b>604</b>	<b>576</b>	<b>462</b>	<b>413</b>	<b>446</b>

Source: Office of Human Resources of the Municipality of Aguadilla.

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

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

VOLUME OF BUSINESS TAX - LARGEST TAXPAYERS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2008 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Puerto Rico Telephone Company	Service	\$ 81,826	0.010
Banco Santander	Finance	87,981	0.010
Kmart Corp.	Finance	93,788	0.011
Walmart	Retail Store	108,226	0.013
Western Bank	Finance	117,935	0.014
Symmetricon	Manufacturing	148,162	0.017
Banco Popular de Puerto Rico	Finance	370,541	0.043
Sensomatic Electronics	Manufacturing	381,810	0.045
Micron Technology P.R., Inc.	Manufacturing	490,263	0.057
Hewlett-Packard	Manufacturing	3,917,887	0.457
Ten largest taxpayers		5,798,419	0.676
All other taxpayers		2,780,501	0.324
Total assessed valuation-all taxpayers		\$ 8,578,920	1.000