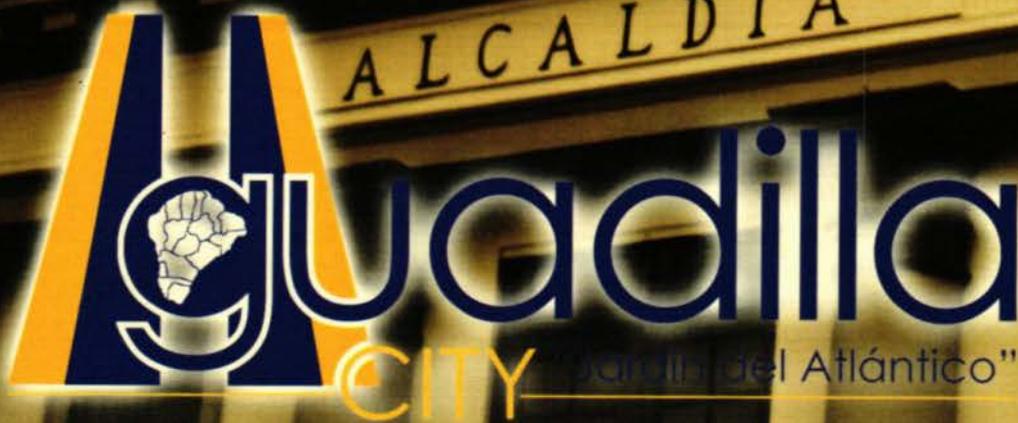


# GOVERNMENT OF PUERTO RICO MUNICIPALITY OF AGUADILLA



**ALCALDIA**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**  
**For The Fiscal Year Ended June 30, 2009**

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09/12/2009

Government of Puerto Rico

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Municipality of Aguadilla

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# Comprehensive Annual Financial Report

## For the Fiscal Year Ended June 30, 2009



Prepared by:  
Finance Department

*Noemí Alfonso Valle*

Noemí Alfonso Valle  
Finance Director

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
FISCAL YEAR ENDED JUNE 30, 2009

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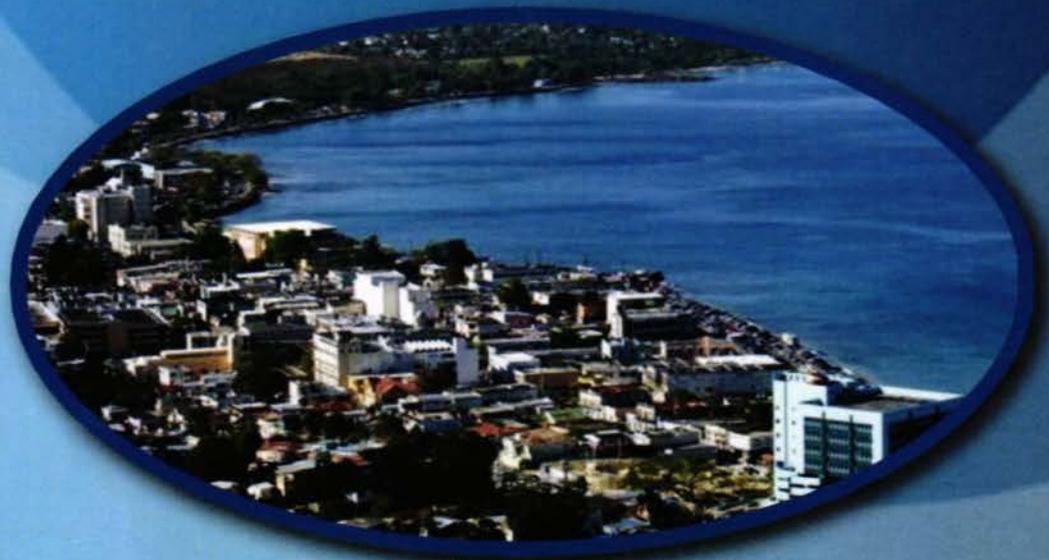
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# INTRODUCTORY SECTION

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- Certificate of Achievement -  
Governmental Finance Officers  
Association (Pending of Approval)
- Organizational Chart
- Elected and Appointed Officials



DECEMBER 21, 2009

## LETTER OF TRANSMITTAL

To the Mayor, Members of the Municipal Assembly, 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, 2009. For the second consecutive year, we have decided to present our financial data under the requirements of the CAFR. The management of the *Municipality* is responsible for the accuracy, the completeness, and fairness of the presentation of the financial data, including all required disclosures. 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 Government of Puerto Rico, with the purpose of providing reasonable assurance that the financial statements of the *Municipality*, for the fiscal year ended June 30, 2009 are free of material misstatement. This audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the *Municipality's* financial statements for the year ended June 30, 2009 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 the Government Finance Officer's Certificate of Achievement for Excellence in Financial Reporting, an Organizational Chart, a list of Elected and Appointed Officials, and this Transmittal Letter.

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 *Jardín del Atlántico (Garden of the Atlantic)*. Aguadilla derives its name from a name given by the Indians *Guadilla* or *Guadiya* which means garden.

The *Municipality* occupies a total area of 76.3 square miles, of which 36.6 square miles are land area and 39 square miles of water. This *Municipality* serves a population of approximately 67,491 citizens.

The governmental system of the *Municipality* is composed of the executive and legislative bodies. The Mayor is the Chief Executive Officer and is elected every four years in the general elections of the Government of Puerto Rico. The legislative body consists of 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 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 deals 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 million dollars; and two other centers are under construction.

**PUBLIC WORK SERVICES** This important department is in charge of maintaining the roads, bridges and all related infrastructure in the best possible conditions. In addition, this department has created several wall attributives through the Aguadilla area. The *Municipality's* General Fund has separated a budget of approximately \$1.6 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 recycling program in all the communities of Aguadilla. Annually, we provide seminars and trainings to all schools in Aguadilla, and conduct several contests in which approximately 25 educational institutions participate.



This department is in charge of the coordination of the landfill closure and post-closure maintenance. The closure of the landfill is estimated at a \$2 million dollars and the post-closure costs are estimated at a \$1.3 million dollars. This activity will be financed through the revenue from the sales and usage tax and from the collection of waste from private companies in the Aguadilla area.

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.

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 million dollars, which will be financed through a bonds emission 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 complexes that will be built and available for sale with in the next five years, all these projects have an incredible ocean view. Facilities of pool, private parking, and other amenities will be available for the residents of these complexes.

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

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

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

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

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

Approval from the Board of Planning has been obtained 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. This year we began with the acquisition of the properties in where the project will be constructed, at an investment of \$2.2 million dollars.

The new **Market Place** is under construction at an investment of \$9.7 million dollars 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 dollars, mainly from rent.

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



The **Municipality** solicited in the year 1989 to the U.S. Army Corps of Engineers of Jacksonville, Florida assistance to develop a project to mitigate urban flooding. The Army Corps agreed, and the **Municipality** would pay 80% of the project's cost.

As the Army began developing the design and blueprints for the new canalization of **Ojo de Agua River**, the **Municipality** began to acquire the lots that were needed for the project. We acquired forty seven (47) properties for an approximate total of \$500,000. The design was finally completed early this year. The **Municipality** paid \$7 million dollars 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 2010. The estimated construction period will be two years.

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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. At the end of the fiscal year, an investment of \$1.2 million dollars was made. 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.

We began the acquisition of properties where the new **Convention Center** will take place. This initial phase had an investment of \$1.2 million dollars.

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

As mentioned above, the *Municipality* operates two Proprietary Funds: the **Aguadilla's Waterfalls Aquatic Park** and **A.I.S.A.**. The aquatic park opened its doors in 1985 and is currently known as the biggest water park in the Caribbean; and includes 10 different rides.

Its attractions include the "Crazy River" which simulates rapid rivers, and the Wave Pools which simulate the waves of a beach. For children there's the Kiddy Pool area, and for the lovers of speed and adventure there's the Speed Slide, "The Bomb", and the Water Tunnel. This park offers four water slides with an approximate travel time that ranges from fifty seconds to eighty seconds; these are the Cosmos and the Snake. During this fiscal year, major improvements were made to our facilities, in order to offer our community a renovated park.

**A.I.S.A.** opened its doors in 2005, and is believe that is the only facility of its kind in the Caribbean. Although Puerto Rico hosts several ice skating events during the Christmas season, the **A.I.S.A.** is the only ice-skating facility open year-round. The arena was built by the *Municipality*, under the current Municipal administration of Hon. Carlos Méndez. **A.I.S.A.** is located along the beachfront, and it is about the size of a Junior-Hockey (115'x62') arena. This facility has on the first floor the ice skating rink, an arcade, and three activity rooms available for rent. These activity rooms are rented at a rate of \$150.00. The second floor hosts a Boxing Club, a Music Room for the City Band, and an office space rented. The Boxing Club is an initiative of the *Municipality*, in which boxing practices are provided to our citizens at no charge. The Music Room has instruments available for use to our visitors, and music lessons are provided at no charge to adults and children.

In the **A.I.S.A.**, we constructed in the third floor, three activity rooms with ocean view. The approximate investment for this project was \$225,000. In the first floor of the **A.I.S.A.**, a new restaurant was constructed, **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. In addition to these Municipal Enterprises, our *Municipality* has other parks and facilities of recreational interest.

The Municipality has the **Punta Borinquen Lighthouse**, which was built in 1889, and has been designated a historic site worthy of preservation by the National Register of Historic Places. Near to this lighthouse is the Punta Borinquen Golf Course which is an 18 holes golf course, originally built for President Dwight D. Eisenhower.

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

During the lasts 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 five kiosks, which provide \$500.00 rent income each.

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

Though the infrastructure still exists, it was handed over to the Government of Puerto Rico in 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 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 fiscal year the Tyco Company, ceased operations and the Hewlett Packard closed a line of production. These two events affected the deferred revenue for the year related to the volume of business tax in approximately \$2 million dollars. This represents a new challenge to our administration, but we are comfortable with the initiatives that we are working on to bring new sources of revenues to our *Municipality*.

Effective November 15, 2006, the Government of Puerto Rico implemented a State Sales Tax of 6%. Through Law No. 80 of July 29, 2007, all Municipalities in Puerto Rico were required to impose an additional 1% which is retained by the Municipalities. We restricted the use of the 1% for the solid waste disposal management. During this fiscal year, the Sales and Usage Tax Revenue was \$3.3 million dollars.

### Long – Term Financial Planning

As shown in the Balance Sheet – Governmental Funds Financial Statements, the General Fund has a total of \$9.8 million dollars of restricted fund balance. Approximately \$645 thousand dollars are restricted to encumbrances incurred during the year that were outstanding at June 30, 2009.

The Due from other Funds line item of the Balance Sheet – Governmental Funds Financial Statements General Fund which is \$11.2 million dollars are mainly related to the project of the **Canalization of "Ojo de Agua" River Fund**, and other projects mentioned above as the **Convention Center** and the **Arts Center Complex**.

#### 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 International 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 Department of Ports to solicit the administration of this airport. This important project will provide us the opportunity to improve the tourism in our *Municipality*.

During the Year, the *Municipality* reached an agreement with the Department of Sports and Recreation of the Government of Puerto Rico, in which approximately 480 acres located on Ramey Air Force Base will be transferred for administrative purposes. Included in this agreement is the eventual transfer of the administration of the Borinquen Golf Club, once the current administration contract expires. This is a first step in a plan aimed at obtaining the full ownership of this land for future development.

#### 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 second 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

HON. RAFAEL FERNANDEZ NADAL  
MUNICIPAL LEGISLATURE PRESIDENT

CONSULTING OFFICES

PERMITS

PUBLIC RELATIONS

FINANCE

PURCHASES

PROJECT PLANNING  
AND  
ADMINISTRATION

CULTURE AND  
TOURISM

BUDGET

HUMAN RESOURCES

AUDITING

LAND PLANNING

CENTRAL ARCHIVES

MAYOR'S OFFICE

LEGAL DIVISION

INTERNAL AUDITOR

ENVIRONMENTAL  
CONTROL

SPORTS & RECREATION

GERIATRIC CENTER

MUNICIPAL SECRETARY

MUNICIPAL POLICE

TECHNOLOGICAL  
DEVELOPMENT

SCHOOL  
TRANSPORTATION

EMBELLISHMENT AND  
MAINTENANCE

MUNICIPAL ENTERPRISES

OASIS

EMERGENCY CONTROL

SECTION 8 HOUSING  
PROGRAM

PUBLIC WORKS

TECHNICAL SERVICES

FEDERAL PROGRAMS

PUBLIC BUILDINGS

SANITATION

RECYCLING

WATERFALLS AQUATIC  
PARK

ICE SKATING ARENA

**ELECTED OFFICIALS**

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**MAYOR**

**HON. CARLOS MENDEZ MARTINEZ**

**MUNICIPAL LEGISLATURE**

**PRESIDENT**

**HON. RAFAEL FERNANDEZ NADAL**

**VICEPRESIDENT**

**HON. IGNACIO SUAREZ ACEVEDO**

**LEGISLATORS**

**HON. ANA N. MENDEZ BARRETO**

**HON. MELVIN BARRETO RUIZ**

**HON. EDWIN MATOS CARDONA**

**HON. DAVID GONZALEZ PUMAREJO**

**HON. JOSE R. BARRADAS MEJIAS**

**HON. RAFAEL CRESPO PADILLA**

**HON. ALBERTO L. TORRES TORRES**

**HON. ISABEL GOMEZ ORTIZ**

**HON. CARLOS M. CORDERO RIVERA**

**HON. EVELYN HERNANDEZ TALAVERA**

**HON. MIRTA SOTOMAYOR GONZALEZ**

**HON. MILTON MORALES PEREZ**

**HON. ARMANDO FRANCO GONZALEZ**

**HON. EDGAR SANABRIA ALVAREZ**

**APPOINTED OFFICIALS**

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**MRS. WANDA I. PEREZ - MAYOR OFFICE DIRECTOR**

**MRS. NOEMI ALFONSO VALLE - FINANCE DIRECTOR**

**MR. DAVID MORALES FELICIANO - AUDIT DEPARTMENT DIRECTOR**

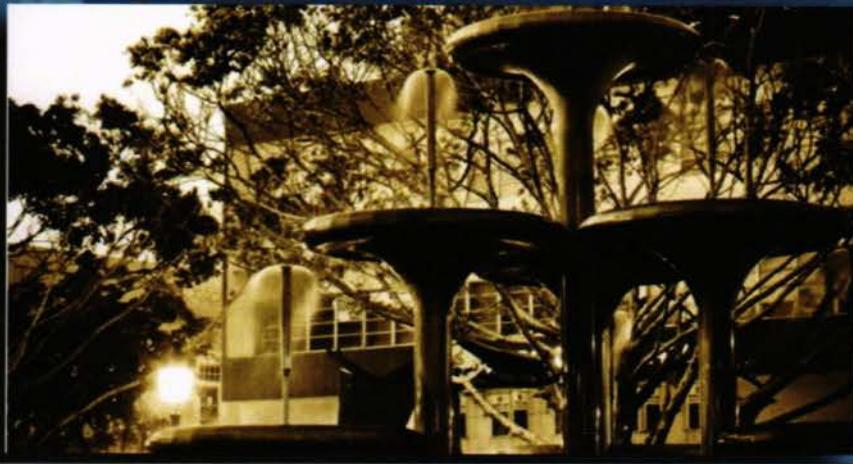
**MRS. NANNETTE GUEVARA - HUMAN RESOURCES DEPARTMENT DIRECTOR**

**ENG. ORLANDO GONZALEZ - PERMITS DEPARTMENT DIRECTOR**

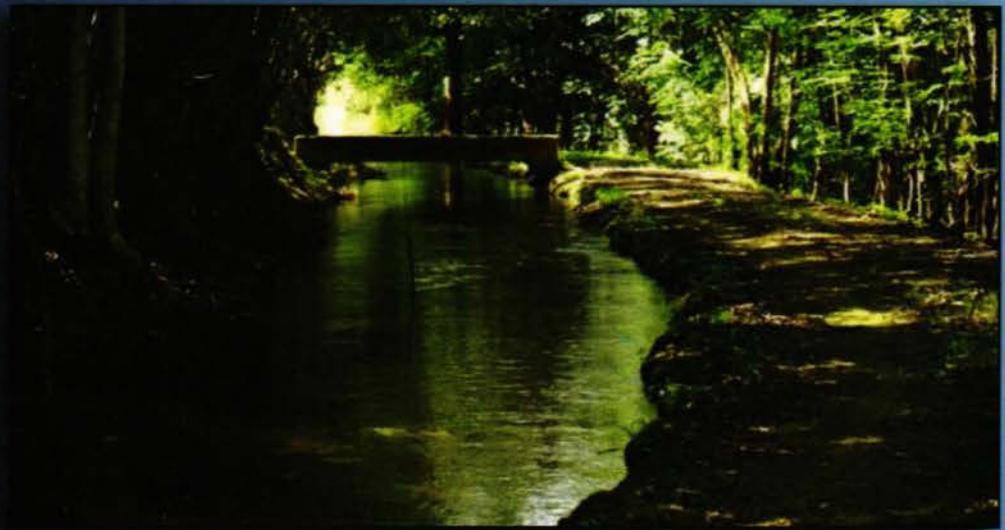
**MRS. JESSICA ACEVEDO - PLANNING & BUDGET DEPARTMENT DIRECTOR**

**MRS. MERY MERCY RAMOS - PUBLIC RELATIONS DEPARTMENT DIRECTOR**

# FINANCIAL SECTION



- Independent Auditors' Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Notes to the Basic Financial Statements
- Combining Financial Statements



## 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, 2009, 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, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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  
LICENSE #35 - IN FORCE

Yauco, Puerto Rico  
December 14, 2009

Stamp #2474103 was affixed to  
the original of this report

As management of the **Municipality of Aguadilla, Puerto Rico (Municipality)**, we offer this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2009. We present this information in conjunction with the information included in our letter of transmittal, which can be found preceding this narrative, and with the **Municipality's** financial statements, which follow.

## *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 2009 by \$117,687,756 and 2008 by \$120,809,736, as restated (net assets).
- Total assets of the **Municipality** Business-Type Activities, on a government-wide basis, exceeded its liabilities at the close of fiscal year 2009 by \$10,596,280 and 2008 by \$11,357,953 (net assets).
- Total net assets of the **Municipality**, on a government-wide basis, exceeded its liabilities at the close of fiscal year 2009 by \$128,284,036, and 2008 by \$132,248,689, as restated.
- Total Revenues of the **Municipality** Governmental Activities, on a government-wide basis, increased by \$6.9 million (14.2%) and expenses increased \$12.6 million (27%) in comparison with year 2008.
- Total Revenues of the **Municipality** Business-Type Activities, on a government-wide basis, decreased by \$541,844 (18.3%) and expenses increased \$613,107 (28.8%) in comparison with year 2008.
- Total net change in net assets, on a government-wide basis, amounted to (\$3,964,653), and decreased by \$6,833,895 (238.2%) with respect to prior year (2008) 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 \$46,737,942, a decrease of \$2,905,518 in comparison with the prior year.
- Proprietary funds reported combined fund net assets of \$10,596,280, a decrease of \$674,137 in comparison with the prior year, after net transfer of \$1.0 million and capital contribution of \$570,481 to/from the governmental activities funds. Without this transfer and capital contribution the result of operation of the proprietary funds was negative by \$243,596.
- The General Fund reported an excess of revenues over expenditures and other financing sources and uses of \$16,906 and unreserved fund balance of \$9,854,931.

### **General Financial Highlights**

- The investment in net capital assets as of June 30, 2009 was \$103,624,409 (net of related debt), \$93,488,171 from governmental activities and \$10,136,238 from business-type activities.
- Long term debt general and special obligations bonds increased to \$78,177,216, approximately an increase of 6% (\$4,462,073) with respect to prior year balance.
- Other long term debt increases and net reductions from payments amounted to \$3,723,032 and \$497,564, respectively. Such increases represent principally the change in estimate of landfill closure and post-closure care costs during the fiscal year.
- On a budgetary basis, actual revenues exceeded actual expenditures by \$318,708, net of \$1,589,814 designated general fund for future expenditures (transfers out to other funds).

- Estimated Revenues decrease by \$107,631 and total expenditures reflect economies of \$1,426,339 after the re-appropriation of \$1.0 million of previous budgetary fund balance. Total Variances (excluding the re-appropriation) amounted to \$318,708 or 1% of estimated resources.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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
			Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund		Statement of Cash Flows
		Notes to the Basic Financial Statements			
	Information on Individual Non-Major Funds and Other Supplementary Information That is not Required				
	+				
Statistical Section	STATISTICAL SECTION				

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
<b>Scope</b>	Entire entity	The day-to-day operating activities of the <b>Municipality</b> for basic governmental services	The day-to-day operating activities of the <b>Municipality</b> for business-type enterprises
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<b>Type of asset and liability information</b>	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
<b>Type of inflow and outflow information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid

### Basic Financial Statements

- **Government-Wide Financial Statements**

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

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

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

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

The governmental activities of the **Municipality** include general government, public works and sanitation; public safety, culture and recreation, housing, welfare, and community development and education. These activities are primarily financed through property taxes, other local taxes and intergovernmental revenues. The business-type activities of the **Municipality** include the Aguadilla's Waterfalls Aquatic Park 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 group of related accounts used to maintain control over resources that are segregated for specific activities or objectives. The **Municipality**, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the **Municipality** can be divided into two categories: governmental funds and proprietary funds. The fund financial statements provide more detailed information about the **Municipality's** most significant funds. Funds are accounting devices that the **Municipality** uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by Federal and Government regulations, as well by bond covenants.

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

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

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

The 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 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual has been provided for the general fund to demonstrate compliance with this budget (page 25).

**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 financial statements provide the same type of information as the government-wide financial statements, but in greater detail. The proprietary funds financial statements provide separate information for 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 26-28 of this report.

- **Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to the basic financial statements can be found on pages 29-60 of this report.

- **Combining Statements**

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements and can be found on pages 61-81 of this report.

## FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE

### Government-Wide Financial Statements Analysis

The following Table presents a summary of the Statements of Net Assets as of June 30, 2009 and 2008:

Table 1

Government of Puerto Rico Municipality of Aguadilla, Puerto Rico Statement of Net Assets As of June 30,						
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and Non-current Assets	\$ 64,904,540	\$ 70,179,762	\$ 766,966	\$ 1,679,220	\$ 65,671,506	\$ 71,858,982
Capital Assets (as Restrained)	150,442,678	142,439,739	10,136,238	9,802,901	160,578,916	152,242,640
<b>Total Assets</b>	<b>215,347,218</b>	<b>212,619,501</b>	<b>10,903,204</b>	<b>11,482,121</b>	<b>226,250,422</b>	<b>224,101,622</b>
Current Liabilities	3,139,756	2,931,638	185,929	30,603	3,325,685	2,962,241
Deferred Revenues	7,444,832	9,409,794	-	-	7,444,832	9,409,794
Long-Term Liabilities	87,074,874	79,387,333	120,995	93,565	87,195,869	79,480,898
<b>Total Liabilities</b>	<b>97,659,462</b>	<b>91,728,765</b>	<b>306,924</b>	<b>124,168</b>	<b>97,966,386</b>	<b>91,852,933</b>
Net Assets:						
Investment in Capital Assets,						
Net of Related Debt (as Restated)	93,488,171	89,487,550	10,136,238	9,802,901	103,624,409	99,290,451
Restricted	22,685,538	25,557,280	-	-	22,685,538	25,557,280
Unrestricted (as Restated)	1,514,047	5,845,906	460,042	1,555,052	1,974,089	7,400,958
<b>Total Net Assets</b>	<b>\$ 117,687,756</b>	<b>\$ 120,890,736</b>	<b>\$ 10,596,280</b>	<b>\$ 11,357,953</b>	<b>\$ 128,284,036</b>	<b>\$ 132,248,689</b>

### Analysis of Net Assets

As noted earlier, net assets (assets over liabilities) may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$128,284,036 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 \$103,624,409 [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.

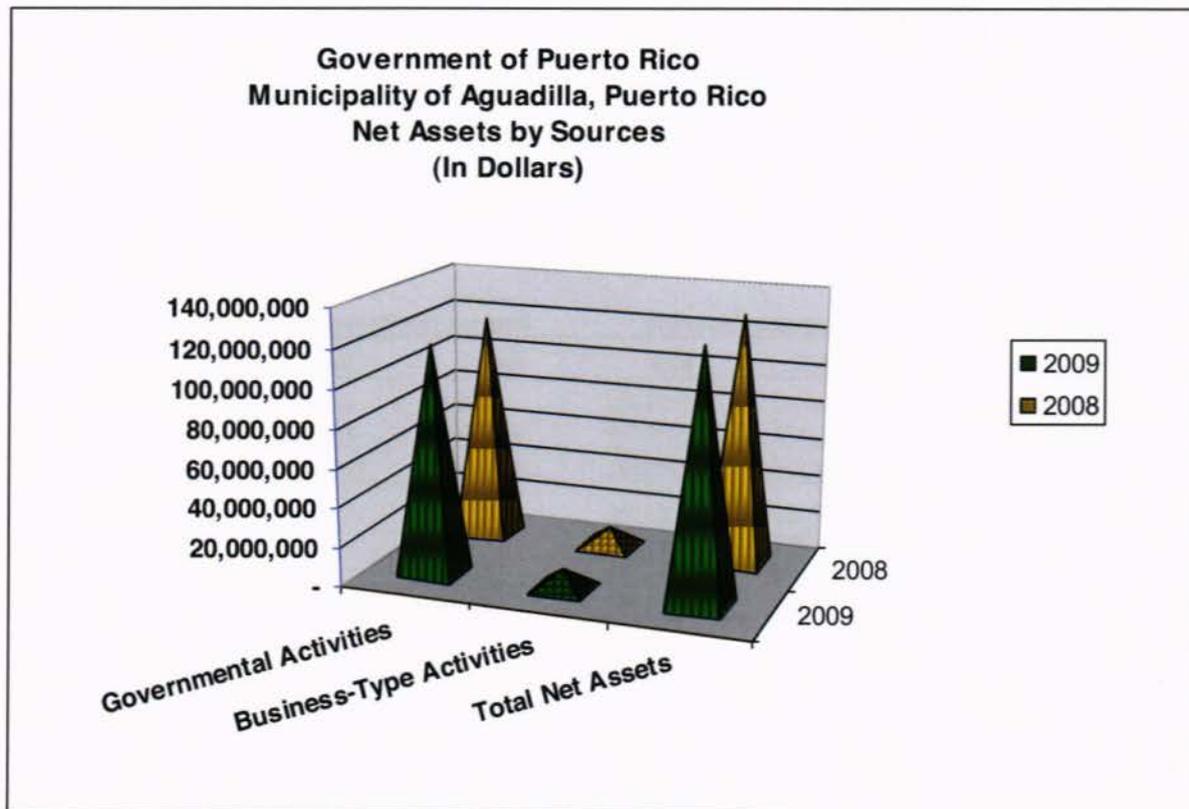
Restricted net assets represent resources that are subject to external restrictions on how they may be used.

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, 2009 the **Municipality** presented unrestricted net assets of \$1,974,089. This balance was affected by long term obligations such as compensated absences \$4,869,426, and other debts for the amount of \$4,146,227 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 \$460,042 in unrestricted net assets reported in connection with the **Municipality's** business-type activities.

An additional portion of the **Municipality's** net assets (\$22,685,538) represents resources that are subject to external restrictions on how they may be used. There was a decrease of \$2,871,742 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, 2009 and 2008:

Table 2

Government of Puerto Rico Municipality of Aguadilla, Puerto Rico Changes in Net Assets For the Years Ended June 30,						
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 1,047,589	\$ 776,752	\$ 2,411,656	\$ 2,953,500	\$ 3,459,245	\$ 3,730,252
Operating Grants and Contributions	11,449,145	10,428,588	-	-	11,449,145	10,428,588
Capital Grants and Contributions	108,064	114,567	-	-	108,064	114,567
General Revenues:						
Property Taxes	12,355,973	13,370,452	-	-	12,355,973	13,370,452
Volume of Business Taxes	9,486,385	9,490,510	-	-	9,486,385	9,490,510
Sales and Usage Taxes	3,360,924	2,611,633	-	-	3,360,924	2,611,633
Licenses and Permits	1,523,864	1,824,688	-	-	1,523,864	1,824,688
Intergovernmental	13,761,021	6,825,969	-	-	13,761,021	6,825,969
Interests	1,288,693	2,407,359	-	-	1,288,693	2,407,359
Other General Revenues	1,248,887	877,000	-	-	1,248,887	877,000
<b>Total Revenues</b>	<b>55,630,545</b>	<b>48,727,518</b>	<b>2,411,656</b>	<b>2,953,500</b>	<b>58,042,201</b>	<b>51,681,018</b>
<b>Governmental Activities Expenses:</b>						
General Administration	19,660,012	20,274,189	-	-	19,660,012	20,274,189
Public Safety	1,845,635	1,763,964	-	-	1,845,635	1,763,964
Public Works	1,821,141	1,858,104	-	-	1,821,141	1,858,104
Culture and Recreation	1,063,943	1,105,616	-	-	1,063,943	1,105,616
Health and Sanitation	7,517,663	4,046,193	-	-	7,517,663	4,046,193
Public Instruction	5,371,819	6,046,261	-	-	5,371,819	6,046,261
Human Services and Welfare	5,090,701	4,792,506	-	-	5,090,701	4,792,506
Urban Development	13,031,468	4,222,382	-	-	13,031,468	4,222,382
Interest Costs	3,804,291	2,572,880	-	-	3,804,291	2,572,880
Loss on Disposition of Asset	57,393	-	-	-	57,393	-
<b>Total Expenses</b>	<b>59,264,066</b>	<b>46,682,095</b>	<b>-</b>	<b>-</b>	<b>59,264,066</b>	<b>46,682,095</b>
<b>Business-Type Activities Expenses:</b>						
Aguadilla's Waterfalls Aquatic Park	-	-	1,955,310	1,396,436	1,955,310	1,396,436
Aguadilla Ice Skating Arena	-	-	787,478	733,245	787,478	733,245
<b>Total Expenses</b>	<b>-</b>	<b>-</b>	<b>2,742,788</b>	<b>2,129,681</b>	<b>2,742,788</b>	<b>2,129,681</b>
Capital Contributions	(570,481)	(91,933)	570,481	91,933	-	-
Transfer-in (Out)	1,001,022	313,527	(1,001,022)	(313,527)	-	-
<b>Changes in Net Assets</b>	<b>(3,202,980)</b>	<b>2,267,017</b>	<b>(761,673)</b>	<b>602,225</b>	<b>(3,964,653)</b>	<b>2,869,242</b>
Net Assets - Beginning, as Restated	120,890,736	118,623,719	11,357,953	10,755,728	132,248,689	129,379,447
<b>Net Assets - Ending</b>	<b>\$ 117,687,756</b>	<b>\$ 120,890,736</b>	<b>\$ 10,596,280</b>	<b>\$ 11,357,953</b>	<b>\$ 128,284,036</b>	<b>\$ 132,248,689</b>

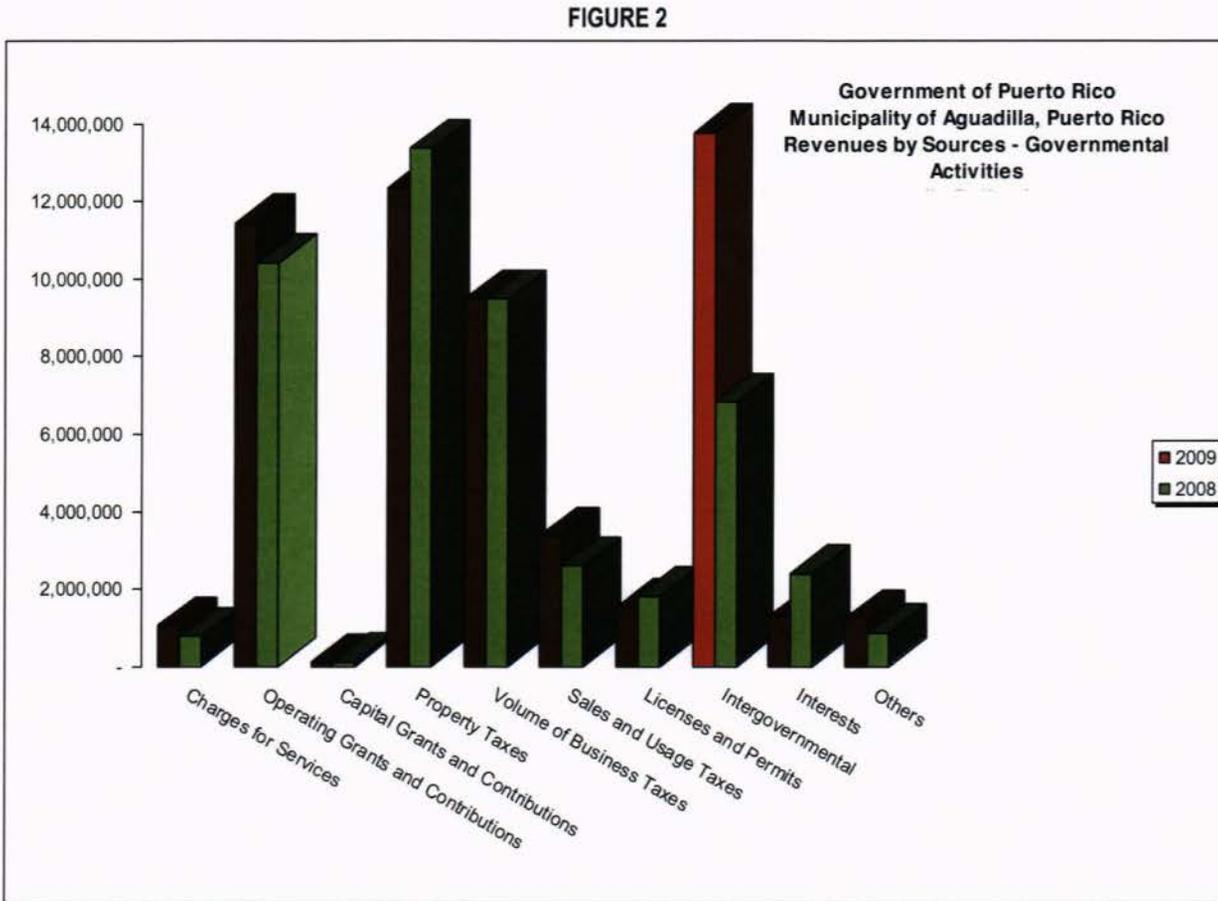
## Analysis of Changes in Net Assets

The **Municipality's** net assets overall decreased by \$3,964,653 during fiscal year 2008-2009, compared to a \$2,869,242 increase last fiscal year. The governmental activities component of this change was a \$3,202,980 decrease due to the change in estimated landfill closure and post-closure care costs by new requirements of the U.S. Environmental Protection Agency for the total amount of \$3.3 million. The **Municipality** business-type activities decrease of \$761,673 that compare with the prior year net change of \$602,225 (after consider the transfer to governmental fund of \$1.0 million). A discussion of these changes is presented in the government and business-type activities below.

**Governmental Activities.** The **Municipality's** net assets decreased by \$3,202,980 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:

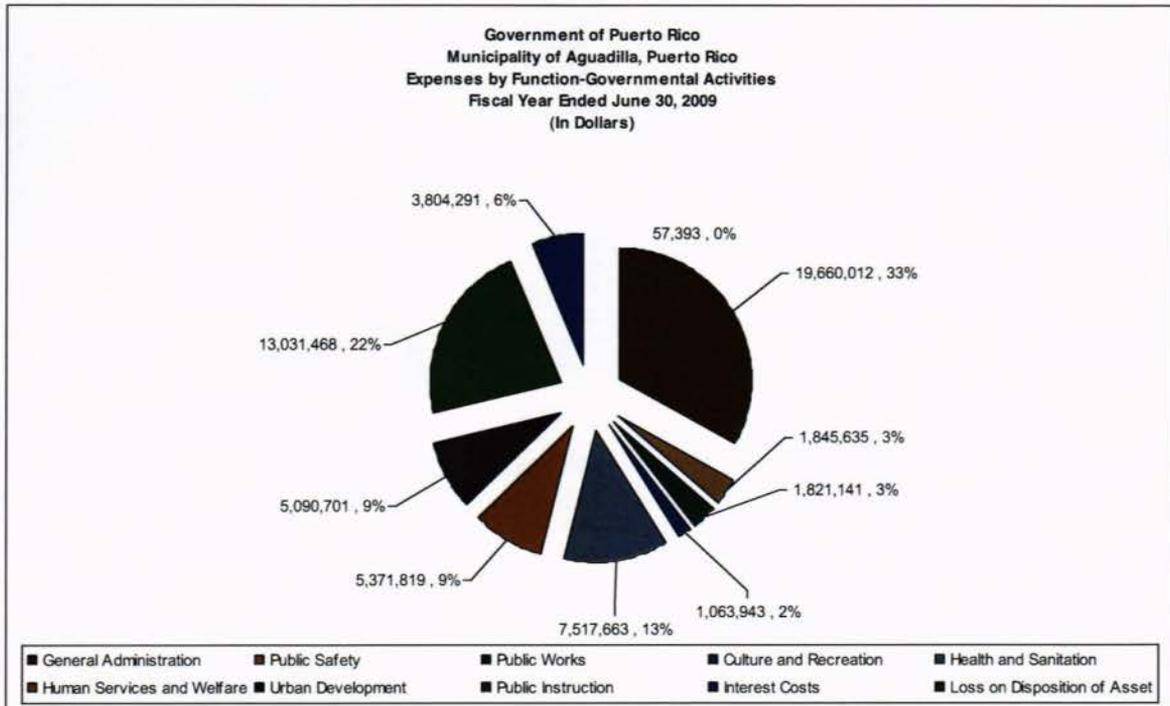


Approximately 22.7% of the **Municipality's** revenues came from grants and contributions, 22.2% from property taxes, volume of business taxes 17.1%, intergovernmental 24.7, and 13.3% from other sources. The **Municipality's** expenses cover a range of services. The largest expenses are general administration with 33.2%, education representing approximately 9%, human services and welfare with 8.6%, and urban development with 22%. Program revenues of the **Municipality** covered 21.3% of total expenses.

Expenses increased 26.9% or \$12.5 million (do not include loss on disposition of asset or \$57,393) in comparison with 2008 year. Significant increases were registered on urban development projects incurred for the benefit of the community and the change in estimate of the landfill obligation previously mentioned. Also, increases were on interest costs for new financing in prior years and to additional capital assets construction projects.

Figures 3 present expenses by function of the governmental activities during the fiscal year 2008-2009:

FIGURE 3

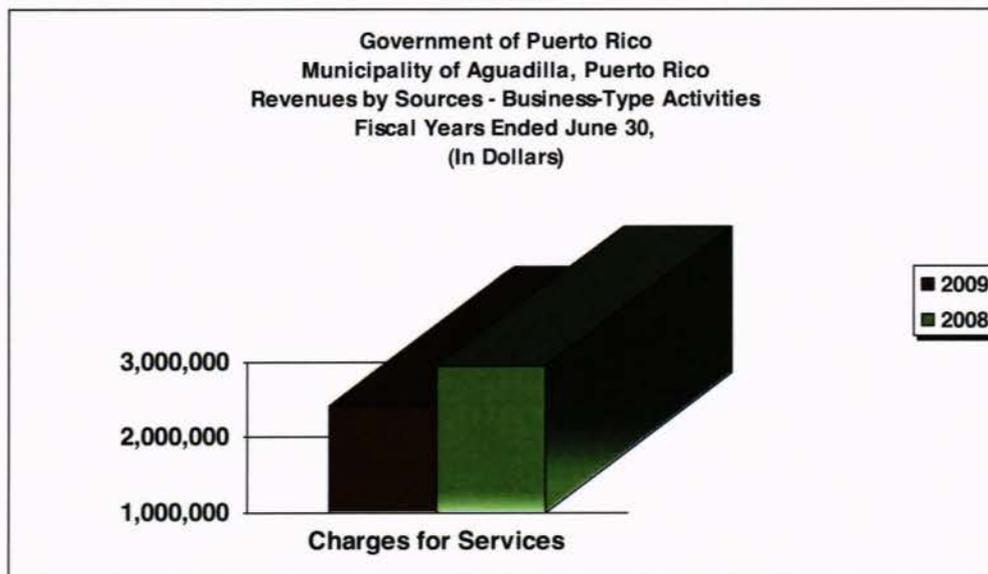


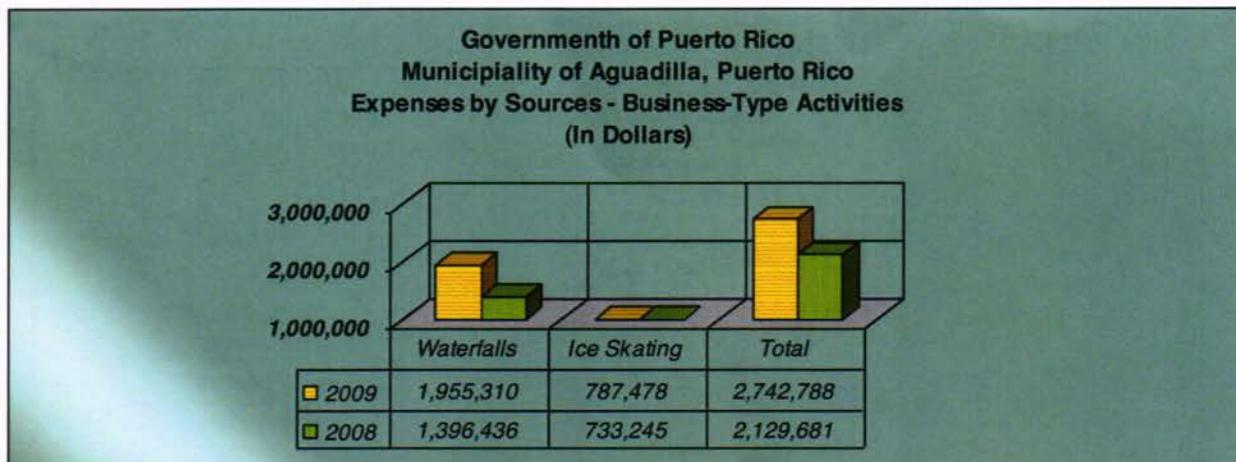
**Business-Type Activities.** The proprietary funds net assets decreased by \$761,673 during the current fiscal year, after a net transfer-out of \$430,541 to general fund.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. Charges for services decrease by \$541,844 during year due to the economic recession.

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**

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

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
<b>Governmental Activities:</b>				
General Government	\$ 19,660,012	\$ 20,274,189	\$ 19,532,414	\$ 20,045,386
Public Safety	1,845,635	1,763,964	1,845,635	1,763,964
Public Works	1,821,141	1,858,104	1,821,141	1,858,104
Culture and Recreation	1,063,943	1,105,616	1,063,943	1,105,616
Health and Sanitation	7,517,663	4,046,193	6,597,672	3,498,244
Public Instruction	5,371,819	6,046,261	(91,555)	903,687
Human Services and Welfare	5,090,701	4,792,506	837,049	1,301,379
Urban Development	13,031,468	4,222,382	11,191,285	2,312,928
Interest Costs	3,804,291	2,572,880	3,804,291	2,572,880
Loss on Disposition of Asset	57,393	-	57,393	-
<b>Total Expenses</b>	<b>59,264,066</b>	<b>46,682,095</b>	<b>46,659,268</b>	<b>35,362,188</b>
<b>Business-Type Activities:</b>				
Aguadilla's Waterfall Park	1,955,310	1,396,436	185,865	(901,840)
Aguadilla Ice Skating Arena	787,478	733,245	145,267	78,021
<b>Total Expenses</b>	<b>2,742,788</b>	<b>2,129,681</b>	<b>331,132</b>	<b>(823,819)</b>
<b>Total Expenses</b>	<b>\$ 62,006,854</b>	<b>\$ 48,811,776</b>	<b>\$ 46,990,400</b>	<b>\$ 34,538,369</b>

Some of the cost of governmental activities in 2009 was paid by those who directly benefited from the programs (\$1,047,589) and other governments and organizations that subsidized certain programs with grants and contributions (\$11,557,209). The \$46,990,400 net cost of services was covered by other general revenues including property taxes, volume of business taxes, sales and use taxes, intergovernmental and others. Business-type activities in 2009 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, 2009, the governmental funds reported combined ending fund balances of \$46,737,942, a net decrease of \$2,905,518 in comparison with the prior year. This decrease was due primarily by the investment in capital assets that represent expenditures. Of total combined fund balances, \$9,854,931 (21%) 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 93.8% of total ending general fund balance. For the year ended June 30, 2009, the fund balance of the general fund increased by \$16,906 when compared with the prior year.

**Proprietary Funds**

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

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The general fund original budget for the fiscal period 2008-2009 was more than prior year budget by approximately \$440,000 due to the increase in property taxes, volume of business taxes, and reduction in construction excise taxes and interest on investments. 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. This appropriation was used as a cushion for the possible needs if estimated revenues were not reached. Actual revenues were lesser than the revised budgeted revenues by \$107,631 due to a reduction on volume of business taxes and in intergovernmental revenues.

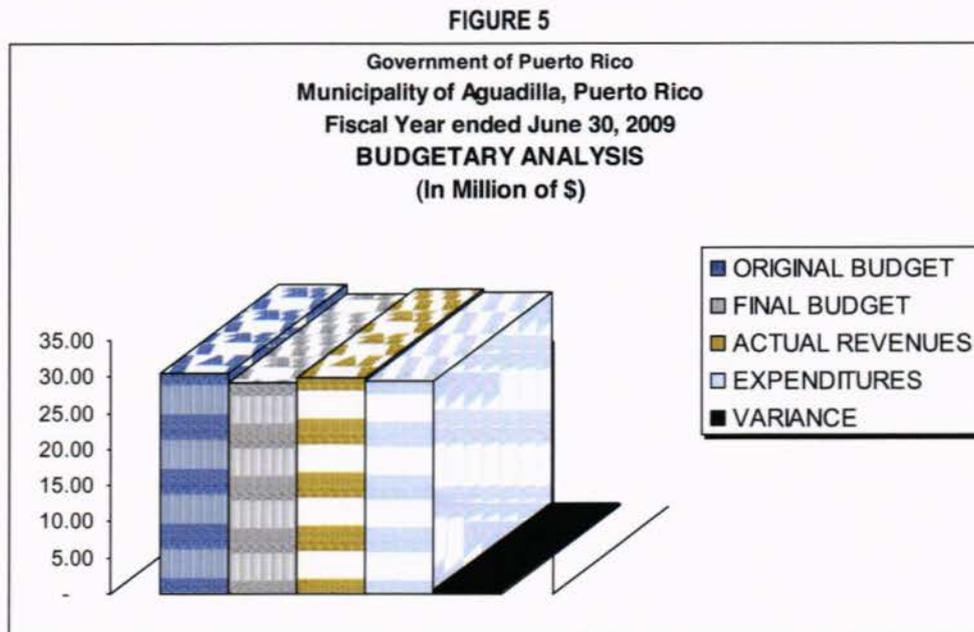
Also, economies were generated during the years in the amount of \$1,426,339. The **Municipality** reported less expenditure than appropriations in those functions on payments for purchase of equipment and professional and nonprofessional services. Total Variances amounted to \$1,318,708 or 4.5% of estimated resources.

Table 4

Government of Puerto Rico  
Municipality of Aguadilla, Puerto Rico  
General Fund  
As of June 30,

Description	2009	2008
<b>Revenues:</b>		
Property Taxes	\$ 9,511,364	\$ 9,866,870
Volume of Business Taxes	9,486,385	9,490,510
Intergovernmental	6,740,713	6,480,983
Licenses and Permits	1,523,864	1,824,688
Interests	988,681	1,688,151
Charges for Service	127,598	228,803
Miscellaneous	688,382	769,653
Total Revenues	<u>29,066,987</u>	<u>30,349,658</u>
<b>Expenditures:</b>		
General Government	15,982,020	16,591,704
Public Safety	1,759,031	1,676,051
Public Work	1,548,929	1,598,784
Culture and Recreation	1,001,882	1,043,183
Health and Sanitation	3,220,026	3,048,948
Human Services and Welfare	3,414,240	3,274,516
Urban Development	414,901	527,594
Capital Outlay	119,238	1,365,892
Total Business-Type Capital Assets	<u>27,460,267</u>	<u>29,126,672</u>
Net Transfer In (Out)	(1,589,814)	(833,374)
Other Financing Sources	-	-
<b>Net Increase in Fund Balance</b>	<b>\$ 16,906</b>	<b>\$ 389,612</b>

Figure 5 present the budgetary comparison by their components during the fiscal year 2008-2009:



### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At the end of the fiscal year, the **Municipality** has invested \$160,578,916 (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 \$8,336,276 or 5.5% more than prior year.

The **Municipality** acquired a total of \$11,540,043 of capital assets during the fiscal year 2008-2009 as follows:

- Purchase of land – \$2,978,800
- Construction in progress of buildings and facilities – \$6,838,534 (\$9,677,983 was terminated and presented as addition to buildings and infrastructure)
- Acquisition of Motor Vehicles – \$607,215
- Acquisition of Machinery and Equipment – \$930,036

Motor vehicles, machinery and equipment were eliminated for a total amount of \$125,455.

Table 5

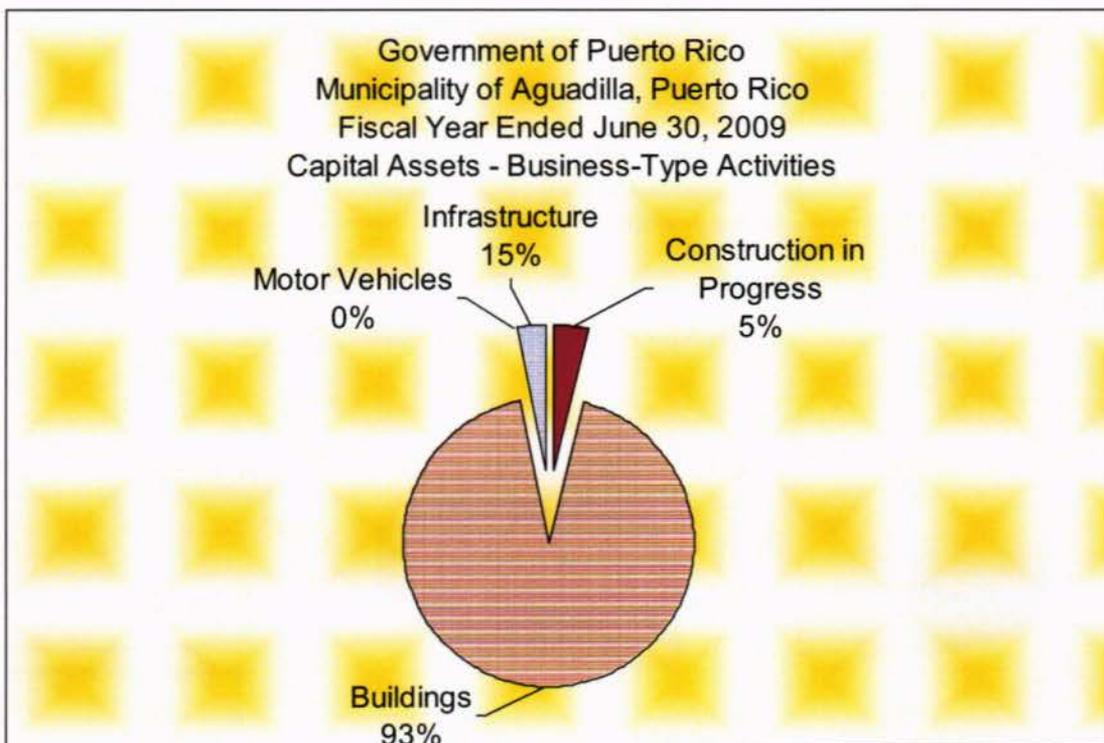
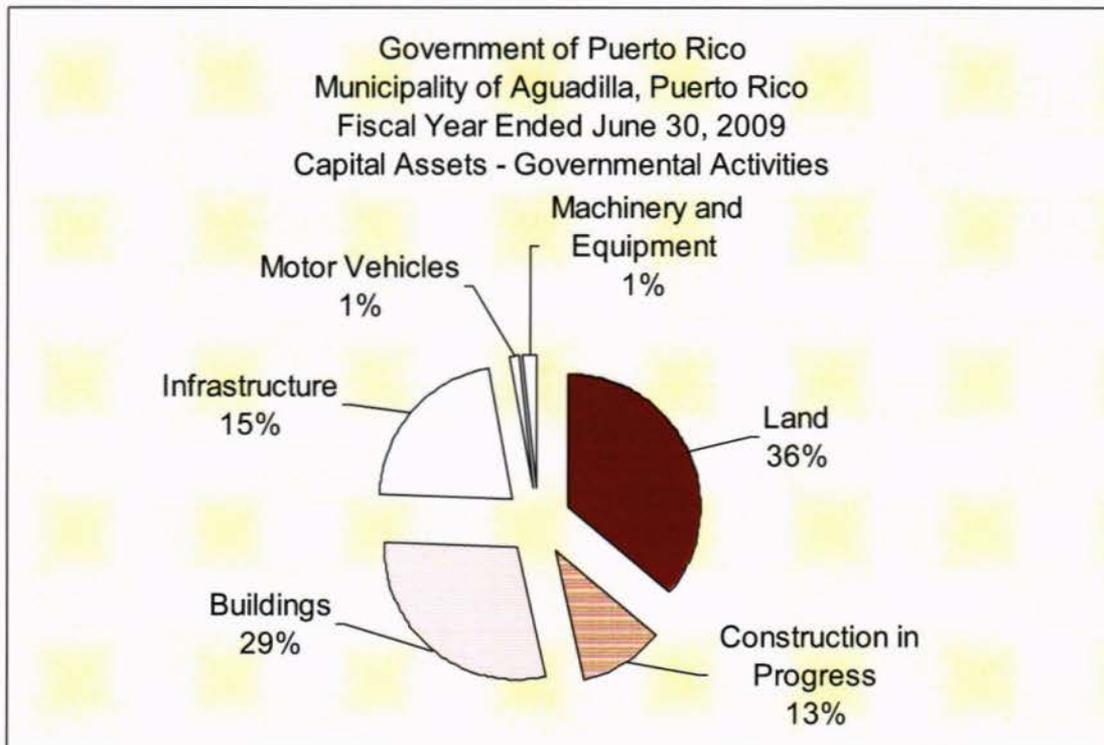
Government of Puerto Rico  
Municipality of Aguadilla, Puerto Rico  
Capital Assets, Net  
As of June 30,

Description	2009	2008
<b>Governmental Activities:</b>		
Non-Depreciable Capital Assets:		
Land	\$ 54,533,765	\$ 51,554,965
Construction in Progress	15,164,288	17,901,804
Depreciable Capital Assets:		
Buildings	43,821,149	38,645,486
Infrastructure	32,861,421	30,505,693
Motor Vehicles	1,559,163	1,795,685
Machinery and Equipment	2,502,892	2,036,106
Total Governmental Capital Assets	<u>150,442,678</u>	<u>142,439,739</u>
<b>Business-Type Activities:</b>		
Non-Depreciable Capital Assets:		
Construction in Progress	387,504	489,437
Depreciable Capital Assets:		
Buildings	9,430,382	8,977,556
Motor Vehicles	7,565	14,004
Equipment	310,787	321,904
Total Business-Type Capital Assets	<u>10,136,238</u>	<u>9,802,901</u>
<b>Total</b>	<b><u>\$ 160,578,916</u></b>	<b><u>\$ 152,242,640</u></b>

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

Figures 6 present the components of capital assets during the fiscal year 2008-2009:

FIGURES 6



**Long-Term Debts**

New general and special obligations bonds were issued for new capital projects in the amount of \$7,780,073. Important projects for our communities should be constructed with the funds available in the capital project fund.

At year-end, the **Municipality** had \$78,177,216 in general and special obligations bonds, an increase of 6% with respect to prior year. Following is a summary of the **Municipality's** outstanding debt as of June 30, 2009 and 2008:

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

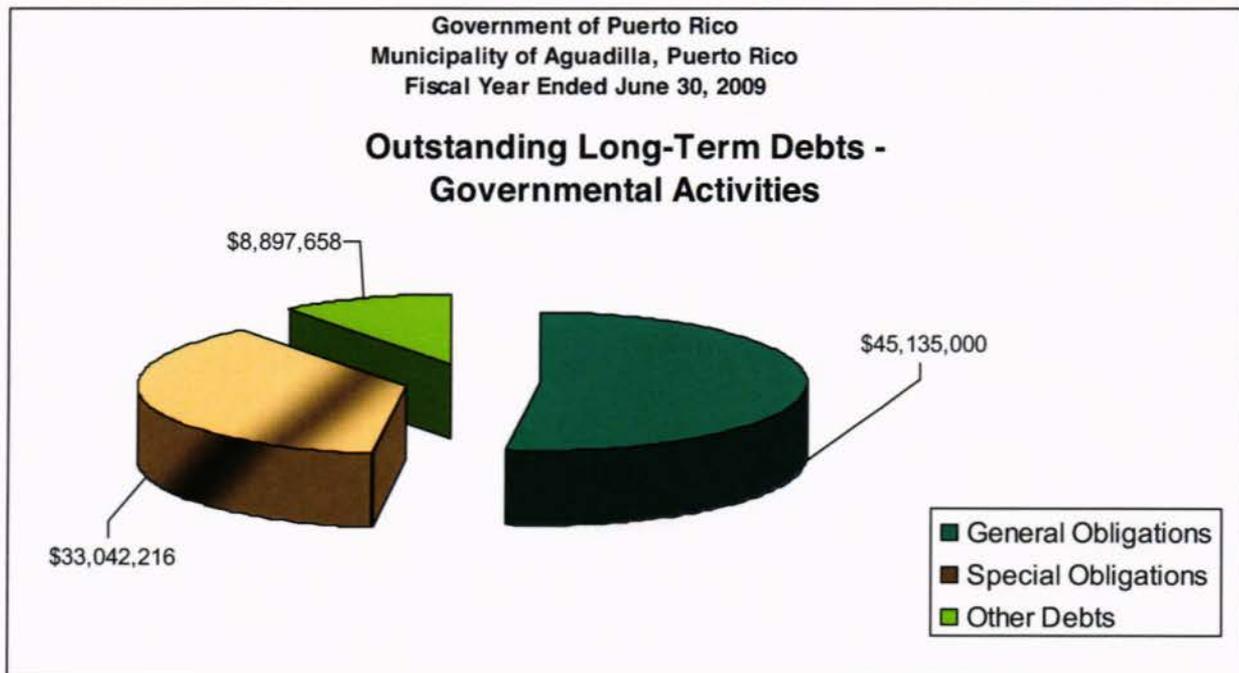
**Table 6**

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

	<u>2009</u>	<u>2008</u>
<b>Governmental Activities:</b>		
General and Special Obligation Bonds	\$ 78,177,216	\$ 73,715,143
Law Number 146 - MRCC	218,522	228,023
LIMS - MRCC	290,620	395,453
Deferred Credits	59,594	18,961
Landfill Obligation	3,377,491	-
Claims	200,000	200,000
Compensated Absences	4,751,431	4,829,753
<b>Total</b>	<u>\$ 87,074,874</u>	<u>\$ 79,387,333</u>
<b>Business-Type Activities:</b>		
Compensated Absences	<u>\$ 117,995</u>	<u>\$ 79,264</u>

Figure 7 present the components of Long-Term Debts during the fiscal year 2008-2009:

FIGURE 7



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*ECONOMIC FACTORS AND NEXT YEAR'S BUDGET*

The **Municipality's** selected and appointed officials considered many factors when setting the fiscal year 2008-2009 budget. One of these factors is the economy. Among economic areas considered are the population growth estimates, personal income, housing statistics and unemployment rates. The **Municipality's** unemployment rate now stands at 17.8% (principally by the reduction of the Hewlett-Packard Mfg.), which compares with the Government of Puerto Rico rate of 15.2%.

The **Municipality** applied a conservative approach in development budget estimates. Amounts available for appropriations in the General Fund for the fiscal year 2009-2010 are \$27.5 million, approximately \$1.7 million less than the fiscal year 2008-2009. The **Municipality** expects limited decrease in volume of business taxes revenues for the next year due to Puerto Rico economic recession. Budgeted expenditures are expected to stabilize accordingly to the projected revenues. Among planned projects, this budget may be adjusted in accordance with economic injection projected when the construction project promoted by the **Municipality** and others private projects were develop during the year.

*CONTACTING THE MUNICIPALITY'S FINANCIAL MANAGEMENT*

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

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# BASIC FINANCIAL STATEMENTS



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GOVERNMENT OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

STATEMENT OF NET ASSETS  
JUNE 30, 2009

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<b>ASSETS:</b>			
Cash and Investments.....	\$ 28,621,501	\$ 562,057	\$ 29,183,558
Cash with Fiscal Agent.....	23,566,025	-	23,566,025
Receivables (Net):			
Property Taxes .....	457,690	-	457,690
Federal Grants.....	7,634,642	-	7,634,642
State Appropriations.....	4,000,000	-	4,000,000
Sales and Use Taxes .....	223,830	-	223,830
Others.....	<u>287,815</u>	<u>34,909</u>	<u>322,724</u>
Deferred Charges.....	283,037	-	283,037
Internal Balances .....	(170,000)	170,000	-
Capital Assets:			
Land, Improvements and Construction in Progress.....	69,698,053	387,504	70,085,557
Other Capital Assets [Net of Depreciation].....	<u>80,744,625</u>	<u>9,748,734</u>	<u>90,493,359</u>
Total Capital Assets.....	<u>150,442,678</u>	<u>10,136,238</u>	<u>160,578,916</u>
<b>TOTAL ASSETS.....</b>	<b><u>215,347,218</u></b>	<b><u>10,903,204</u></b>	<b><u>226,250,422</u></b>
<b>LIABILITIES:</b>			
Accounts Payable and Accrued Expenses.....	1,708,421	188,929	1,897,350
Accrued Interest.....	855,957	-	855,957
Due to Governmental Units.....	106,092	-	106,092
Others .....	469,286	-	469,286
Deferred Revenues .....	7,444,832	-	7,444,832
Long-Term Liabilities:			
Due within One Year.....	8,765,184	84,767	8,849,951
Due in more than One Year.....	<u>78,309,690</u>	<u>33,228</u>	<u>78,342,918</u>
<b>TOTAL LIABILITIES .....</b>	<b><u>97,659,462</u></b>	<b><u>306,924</u></b>	<b><u>97,966,386</u></b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt.....	93,488,171	10,136,238	103,624,409
Restricted for:			
Capital Projects.....	13,035,361	-	13,035,361
Head Start Program.....	3,292,038	-	3,292,038
Debt Service .....	3,877,293	-	3,877,293
Community Development Projects .....	2,480,846	-	2,480,846
Unrestricted .....	<u>1,514,047</u>	<u>460,042</u>	<u>1,974,089</u>
<b>TOTAL NET ASSETS .....</b>	<b><u>\$117,687,756</u></b>	<b><u>\$ 10,596,280</u></b>	<b><u>\$128,284,036</u></b>

See accompanying Notes to the Basic Financial Statements.

GOVERNMENT OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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.....	\$ 2,243,847	\$ -	\$ -	\$ -	(\$ 2,243,847)	\$ -	(\$ 2,243,847)
General Government.....	17,416,165	127,598	-	-	(17,288,567)	-	(17,288,567)
Public Safety.....	1,845,635	-	-	-	(1,845,635)	-	(1,845,635)
Public Works.....	1,821,141	-	-	-	(1,821,141)	-	(1,821,141)
Culture and Recreation.....	1,063,943	-	-	-	(1,063,943)	-	(1,063,943)
Health and Sanitation.....	7,517,663	919,991	-	-	(6,597,672)	-	(6,597,672)
Public Instruction.....	5,371,819	-	5,463,374	-	91,555	-	91,555
Human Services and Welfare.....	5,090,701	-	4,253,652	-	(837,049)	-	(837,049)
Urban Development.....	13,031,468	-	1,732,119	108,064	(11,191,285)	-	(11,191,285)
Loss on Disposition of Asset.....	57,393	-	-	-	(57,393)	-	(57,393)
Interest on Long-Term Debts.....	3,804,291	-	-	-	(3,804,291)	-	(3,804,291)
<b>Total Governmental Activities.....</b>	<b>59,264,066</b>	<b>1,047,589</b>	<b>11,449,145</b>	<b>108,064</b>	<b>(46,659,268)</b>	<b>-</b>	<b>(46,659,268)</b>
<b>Business-Type Activities:</b>							
Aguadilla's Waterfalls Aquatic Park.....	1,955,310	1,769,445	-	-	-	(185,865)	(185,865)
Aguadilla Ice Skating Arena.....	787,478	642,211	-	-	-	(145,267)	(145,267)
<b>Total Business-Type Activities.....</b>	<b>2,742,788</b>	<b>2,411,656</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(331,132)</b>	<b>(331,132)</b>
<b>Total Activities.....</b>	<b>\$ 62,006,854</b>	<b>\$ 3,459,245</b>	<b>\$ 11,449,145</b>	<b>\$ 108,064</b>	<b>(46,659,268)</b>	<b>(331,132)</b>	<b>(46,990,400)</b>
<b>General Revenues:</b>							
Taxes:							
Property Taxes, levied for General Purposes.....					9,511,364	-	9,511,364
Property Taxes, levied for Debt Service.....					2,844,609	-	2,844,609
Volume of Business Taxes.....					9,486,385	-	9,486,385
Sales and Use Taxes.....					3,360,924	-	3,360,924
Licenses and Permits.....					1,523,864	-	1,523,864
Intergovernmental.....					13,761,021	-	13,761,021
Interests.....					1,288,693	-	1,288,693
Miscellaneous.....					1,248,887	-	1,248,887
Capital Contributions.....					(570,481)	570,481	-
Transfers.....					1,001,022	(1,001,022)	-
<b>Total General Revenues, Capital Contributions and Transfers.....</b>					<b>43,456,288</b>	<b>(430,541)</b>	<b>43,025,747</b>
<b>CHANGE IN NET ASSETS.....</b>					<b>(3,202,980)</b>	<b>(761,673)</b>	<b>(3,964,653)</b>
Net Assets – Beginning of Year, As Restated.....					120,890,736	11,357,953	132,248,689
<b>NET ASSETS – ENDING OF YEAR.....</b>					<b>\$117,687,756</b>	<b>\$ 10,596,280</b>	<b>\$128,284,036</b>

See accompanying Notes to the Basic Financial Statements.

GOVERNMENT OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2009

	GENERAL FUND	HEAD START FUND	REAL MARINA FUND	CANALIZATION "OJO DE AGUA" RIVER FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUND	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>							
Cash and Cash Equivalents .....	\$ 6,938,478	\$ 505	\$ 14,332,165	\$ -	\$ -	\$ 7,350,353	\$ 28,621,501
Cash with Fiscal Agent .....	-	-	-	3,909,000	5,926,396	13,730,629	23,566,025
Receivables:							
Property Taxes .....	-	-	-	-	457,690	-	457,690
Sales and Use Taxes .....	-	-	-	-	-	223,830	223,830
Federal Grants .....	-	4,056,061	-	-	-	3,578,581	7,634,642
State Appropriations .....	-	-	-	4,000,000	-	-	4,000,000
Due from Other Funds .....	11,220,591	-	-	-	-	-	11,220,591
Others Receivables .....	-	-	-	-	-	287,815	287,815
<b>TOTAL ASSETS .....</b>	<b>\$ 18,159,069</b>	<b>\$ 4,056,566</b>	<b>\$ 14,332,165</b>	<b>\$ 7,909,000</b>	<b>\$ 6,384,086</b>	<b>\$ 25,171,208</b>	<b>\$ 76,012,094</b>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts Payable .....	\$ 204,214	\$ 173,069	\$ 28,830	\$ -	\$ 1,860,000	\$ 1,302,308	\$ 3,568,421
Accrued Interest .....	-	-	-	-	855,957	-	855,957
Due to Governmental Units .....	106,092	-	-	-	-	-	106,092
Due to Other Funds .....	-	-	-	7,000,000	-	4,390,591	11,390,591
Others .....	469,286	-	-	-	-	-	469,286
Deferred Revenues:							
Volume of Business Tax .....	6,879,487	-	-	-	-	-	6,879,487
Federal Grants .....	-	3,765,184	-	-	-	2,239,134	6,004,318
<b>Total Liabilities .....</b>	<b>7,659,079</b>	<b>3,938,253</b>	<b>28,830</b>	<b>7,000,000</b>	<b>2,715,957</b>	<b>7,932,033</b>	<b>29,274,152</b>
Fund Balances:							
Reserve For:							
Encumbrances .....	645,059	-	-	-	-	-	645,059
Debt Service .....	-	-	-	-	3,668,129	-	3,668,129
Capital Projects .....	-	-	14,303,335	909,000	-	13,266,040	28,478,375
Special Funds .....	-	118,313	-	-	-	4,253,358	4,371,671
Unreserved .....	9,854,931	-	-	-	-	(280,223)	9,574,708
<b>Total Fund Balances .....</b>	<b>10,499,990</b>	<b>118,313</b>	<b>14,303,335</b>	<b>909,000</b>	<b>3,668,129</b>	<b>17,239,175</b>	<b>46,737,942</b>
<b>TOTAL LIABILITIES AND FUND BALANCES .....</b>	<b>\$ 18,159,069</b>	<b>\$ 4,056,566</b>	<b>\$ 14,332,165</b>	<b>\$ 7,909,000</b>	<b>\$ 6,384,086</b>	<b>\$ 25,171,208</b>	<b>\$ 76,012,094</b>

See accompanying Notes to the Basic Financial Statements.

**Total Fund Balances – Governmental Funds (Page 20) ..... \$ 46,737,942**

Amounts reported for Governmental Activities in the Statement of Net Assets (Page 18) 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 .....	\$ 69,698,053	
Depreciable Capital Assets .....	81,611,131	
Infrastructure Assets.....	45,501,068	
Accumulated Depreciation.....	<u>(46,367,574)</u>	
Total Capital Assets .....		150,442,678

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

Deferred Charges .....		283,037
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Some of the **Municipality's** revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds:

Head Start .....	3,765,184	
CDBG .....	<u>1,673,789</u>	
Total Deferred Revenues .....		5,438,973

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

General and Special Obligations Bonds.....	76,317,216	
Landfill Closure and Post-Closure Costs.....	3,377,491	
Compensated Absences .....	4,751,431	
Claims .....	200,000	
Deferred Charges .....	59,594	
Property Tax Advances .....	<u>509,142</u>	
Total Long-Term Liabilities .....		<u>(85,214,874)</u>

**Total Net Assets of Governmental Activities (Page 18)..... \$117,687,756**

GOVERNMENT OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	GENERAL FUND	HEAD START FUND	REAL MARINA FUND	CANALIZATION "OJO DE AGUA" RIVER FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>							
Property Taxes .....	\$ 9,511,364	\$ -	\$ -	\$ -	\$ 2,844,609	\$ -	\$ 12,355,973
Volume of Business Taxes .....	9,486,385	-	-	-	-	-	9,486,385
Sales and Use Taxes .....	-	-	-	-	704,107	2,656,817	3,360,924
Federal Assistances .....	-	5,034,658	-	-	-	7,175,320	12,209,978
Intergovernmental .....	6,740,713	-	-	4,000,000	-	3,020,308	13,761,021
Licenses and Permits .....	1,523,864	-	-	-	-	-	1,523,864
Interests .....	988,681	-	298,468	-	1,544	-	1,288,693
Charges for Service .....	127,598	-	-	-	-	919,991	1,047,589
Miscellaneous .....	688,382	-	-	-	-	560,505	1,248,887
<b>Total Revenues .....</b>	<b>29,066,987</b>	<b>5,034,658</b>	<b>298,468</b>	<b>4,000,000</b>	<b>3,550,260</b>	<b>14,332,941</b>	<b>56,283,314</b>
<b>EXPENDITURES</b>							
Current:							
Mayor and Municipal Assembly .....	2,162,643	-	-	-	-	-	2,162,643
General Government .....	13,819,377	283,206	47,612	-	-	1,249,447	15,399,642
Public Safety .....	1,759,031	-	-	-	-	-	1,759,031
Public Works .....	1,548,929	-	-	-	-	12,400	1,561,329
Culture and Recreation .....	1,001,882	-	-	-	-	-	1,001,882
Health and Sanitation .....	3,220,026	-	-	-	-	602,598	3,822,624
Public Instruction .....	-	5,029,935	-	-	-	566,120	5,596,055
Human Services and Welfare .....	3,414,240	-	-	-	-	1,614,737	5,028,977
Urban Development .....	414,901	-	-	7,000,000	-	5,417,404	12,832,305
Capital Outlay .....	119,238	-	36,066	-	-	11,362,309	11,517,613
Debt Service:							
Principal .....	-	-	-	-	3,467,334	-	3,467,334
Interest and Other Charges .....	-	-	-	-	3,804,291	-	3,804,291
Bond Issue Costs .....	-	-	-	-	16,201	-	16,201
<b>Total Expenditures .....</b>	<b>27,460,267</b>	<b>5,313,141</b>	<b>83,678</b>	<b>7,000,000</b>	<b>7,287,826</b>	<b>20,825,015</b>	<b>67,969,927</b>
<b>Excess of Revenues Over (Under)</b>							
<b>Expenditures .....</b>	<b>1,606,720</b>	<b>(278,483)</b>	<b>214,790</b>	<b>(3,000,000)</b>	<b>(3,737,566)</b>	<b>(6,492,074)</b>	<b>(11,686,613)</b>

continue

GOVERNMENT OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	GENERAL FUND	HEAD START FUND	REAL MARINA FUND	CANALIZATION "OJO DE AGUA" RIVER FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUND	TOTAL GOVERNMENTAL FUNDS
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceed of Bonds .....	\$ -	\$ -	\$ -	\$ 3,009,000	\$ -	\$ 4,771,073	\$ 7,780,073
Transfers – In .....	708,461	-	-	900,000	3,475,836	292,561	5,376,858
Transfers – Out .....	(2,298,275)	-	(508,930)	-	-	(1,568,631)	(4,375,836)
<b>Total Other Financing Sources and Uses .....</b>	<b>(1,589,814)</b>	<b>-</b>	<b>(508,930)</b>	<b>3,909,000</b>	<b>3,475,836</b>	<b>3,495,003</b>	<b>8,781,095</b>
<b>Net Change in Fund Balances .....</b>	<b>16,906</b>	<b>(278,483)</b>	<b>(294,140)</b>	<b>909,000</b>	<b>(261,730)</b>	<b>(2,997,071)</b>	<b>(2,905,518)</b>
Fund Balances – Beginning, As Restated ...	10,483,084	396,796	14,597,475	-	3,929,859	20,236,246	49,643,460
<b>FUND BALANCES – ENDING .....</b>	<b>\$ 10,499,990</b>	<b>\$ 118,313</b>	<b>\$ 14,303,335</b>	<b>\$ 909,000</b>	<b>\$ 3,668,129</b>	<b>\$ 17,239,175</b>	<b>\$ 46,737,942</b>

*O. Rojas*  
05/12/2010

See accompanying Notes to the Basic Financial Statements.

**Net Change in Fund Balances – Total Governmental Funds (Page 23) ..... (\$ 2,905,518)**

Amounts reported for Governmental Activities in the Statement of Activities (Page 19) 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 .....	\$ 11,517,613	
Less: Capital Contributions to Business-Type Activities .....	(570,481)	
Depreciation Expense .....	<u>(2,886,800)</u>	
Excess of Capital Assets over Depreciation Expense .....		8,060,332

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds and vice versa:

CDBG .....	(1,081,485)	
Head Start .....	<u>428,716</u>	(652,769)

Governmental funds only report the proceeds received in the disposal of assets. In the Statement of Activities, a gain or loss is reported for each disposal. Thus, the change in net assets differs from the change in fund balance by the cost of the disposed asset .. (57,393)

Bonds proceeds provide current financial resources to governmental funds, but issuing debt increases Long-Term Liabilities in the Statement of Net Assets. In the current period, proceeds received was..... (7,780,073)

Repayment of long-term principal is expenditure in the governmental funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets. In the current year the repayments were..... 3,467,334

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 Landfill Closure and Post-Closure Care Costs.....	(3,377,491)	
Bond Issue Costs Amortization .....	(35,724)	
Decrease in Compensated Absences .....	<u>78,322</u>	
Total Additional Expenditures.....		<u>(3,334,893)</u>

**Change in Net Assets of Governmental Activities (Page 19)..... (\$ 3,202,980)**

GOVERNMENT OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	BUDGET AMOUNTS		ACTUAL AMOUNTS BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
Property Taxes .....	\$ 9,357,274	\$ 9,511,364	\$ 9,511,364	\$ -
Volume of Business Taxes .....	9,500,000	9,608,749	9,486,385	(122,364)
Intergovernmental Revenues.....	6,825,721	6,839,681	6,740,713	(98,968)
Licenses and Permits .....	1,745,000	1,429,900	1,523,864	93,964
Interests .....	1,695,554	939,054	988,681	49,627
Miscellaneous .....	1,314,720	845,870	815,980	(29,890)
<b>Total Revenues .....</b>	<b>30,438,269</b>	<b>29,174,618</b>	<b>29,066,987</b>	<b>(107,631)</b>
<b>EXPENDITURES:</b>				
Current:				
Mayor and Municipal Legislature .....	1,468,181	2,275,357	2,244,475	30,882
General Government .....	14,039,574	14,352,681	13,186,062	1,166,619
Public Safety .....	1,839,862	1,791,528	1,775,485	16,043
Public Works .....	1,619,307	1,587,475	1,578,059	9,416
Culture and Recreation .....	886,550	877,406	1,016,008	(138,602)
Health and Sanitation .....	4,382,640	3,330,633	3,225,562	105,071
Human Services and Welfare .....	3,574,027	3,577,942	3,452,319	125,623
Urban Development.....	1,508,650	649,044	537,757	111,287
Capital Outlays.....	127,400	142,738	142,738	-
<b>Total Expenditures .....</b>	<b>29,446,191</b>	<b>28,584,804</b>	<b>27,158,465</b>	<b>1,426,339</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures.....</b>	<b>992,078</b>	<b>589,814</b>	<b>1,908,522</b>	<b>1,318,708</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers from Other Funds .....	-	708,461	708,461	-
Transfers to Other Funds.....	(992,078)	(2,298,275)	(2,298,275)	-
<b>Total Other Financing Sources (Uses) .....</b>	<b>(992,078)</b>	<b>(1,589,814)</b>	<b>(1,589,814)</b>	<b>-</b>
<b>Net Change in Fund Balance.....</b>	<b>-</b>	<b>(1,000,000)</b>	<b>318,708</b>	<b>1,318,708</b>
Fund Balance, July 1, 2008 .....	4,723,108	4,723,108	4,723,108	-
<b>FUND BALANCE, JUNE 30, 2009 .....</b>	<b>\$ 4,723,108</b>	<b>\$ 3,723,108</b>	<b>\$ 5,041,816</b>	<b>\$ 1,318,708</b>

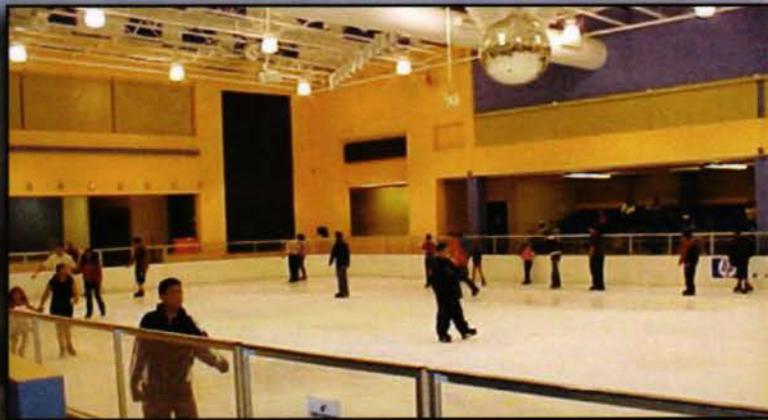
See accompanying Notes to the Basic Financial Statements.

ICE  
AGUADILLA  
ICE SKATING  
ARENA



# Visita

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





*las* water park  
**Cascadas**

787.819.0950 / 787.891.1740 / 787.819.1030



BUSINESS-TYPE ACTIVITIES – ENTERPRISE FUNDS

	AGUADILLA'S WATERFALLS AQUATIC PARK	AGUADILLA ICE SKATING ARENA	TOTAL
<b>ASSETS:</b>			
Current Assets:			
Cash.....	\$ 415,223	\$ 146,834	\$ 562,057
Receivables.....	-	34,909	34,909
Due from Local Government.....	170,000	-	170,000
Total Current Assets.....	<u>585,223</u>	<u>181,743</u>	<u>766,966</u>
Noncurrent Assets:			
Capital Assets:			
Construction in Progress.....	387,504	-	387,504
Buildings and Equipment.....	6,560,237	6,801,745	13,361,982
Less Accumulated Depreciation.....	<u>3,003,913</u>	<u>609,335</u>	<u>3,613,248</u>
Total Noncurrent Assets.....	<u>3,943,828</u>	<u>6,192,410</u>	<u>10,136,238</u>
<b>TOTAL ASSETS.....</b>	<b><u>4,529,051</u></b>	<b><u>6,374,153</u></b>	<b><u>10,903,204</u></b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable and Accrued Expenses.....	160,248	28,681	188,929
Compensated Absences.....	<u>37,027</u>	<u>47,740</u>	<u>84,767</u>
Total Current Liabilities.....	<u>197,275</u>	<u>76,421</u>	<u>273,696</u>
Noncurrent Liabilities:			
Compensated Absences.....	<u>21,183</u>	<u>12,045</u>	<u>33,228</u>
<b>TOTAL LIABILITIES.....</b>	<b><u>218,458</u></b>	<b><u>88,466</u></b>	<b><u>306,924</u></b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt.....	3,943,828	6,192,410	10,136,238
Unrestricted.....	<u>366,765</u>	<u>93,277</u>	<u>460,042</u>
<b>TOTAL NET ASSETS.....</b>	<b><u>\$ 4,310,593</u></b>	<b><u>\$ 6,285,687</u></b>	<b><u>\$10,596,280</u></b>

	BUSINESS-TYPE ACTIVITIES – ENTERPRISE FUNDS		
	AGUADILLA'S WATERFALLS AQUATIC PARK	AGUADILLA ICE SKATING ARENA	TOTAL
<b>OPERATING REVENUES:</b>			
Charges for Services.....	\$ 1,769,445	\$ 642,211	\$ 2,411,656
Total Operating Revenues.....	<u>1,769,445</u>	<u>642,211</u>	<u>2,411,656</u>
<b>OPERATING EXPENSES:</b>			
Contractual Services.....	118,110	44,969	163,079
Payroll Expenses.....	458,000	310,555	768,555
Fringes Benefits.....	60,016	59,043	119,059
Utilities.....	289,886	20,968	310,854
Repair and Maintenance.....	712,895	15,121	728,016
Supplies and Other Expenses.....	191,491	202,160	393,651
Depreciation.....	<u>124,912</u>	<u>134,662</u>	<u>259,574</u>
Total Operating Expenses.....	<u>1,955,310</u>	<u>787,478</u>	<u>2,742,788</u>
Income (Loss) Before Contribution and Transfers.....	<u>(185,865)</u>	<u>(145,267)</u>	<u>(331,132)</u>
Capital Contributions.....	-	570,481	570,481
Transfer-Out.....	<u>(1,001,022)</u>	<u>-</u>	<u>(1,001,022)</u>
<b>CHANGES IN NET ASSETS.....</b>	<b>(1,186,887)</b>	<b>425,214</b>	<b>(761,673)</b>
Net Assets, Beginning.....	<u>5,497,480</u>	<u>5,860,473</u>	<u>11,357,953</u>
<b>NET ASSETS, ENDING.....</b>	<b><u>\$ 4,310,593</u></b>	<b><u>\$ 6,285,687</u></b>	<b><u>\$10,596,280</u></b>



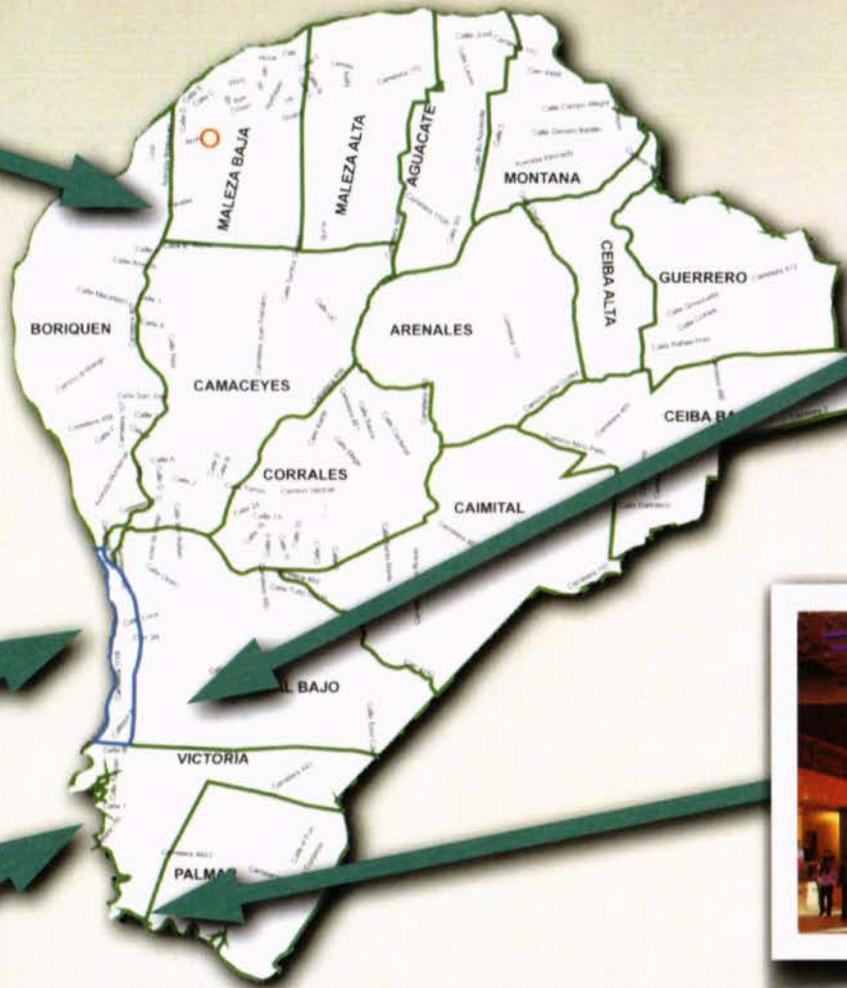
**Rafael Hernández  
International Airport**



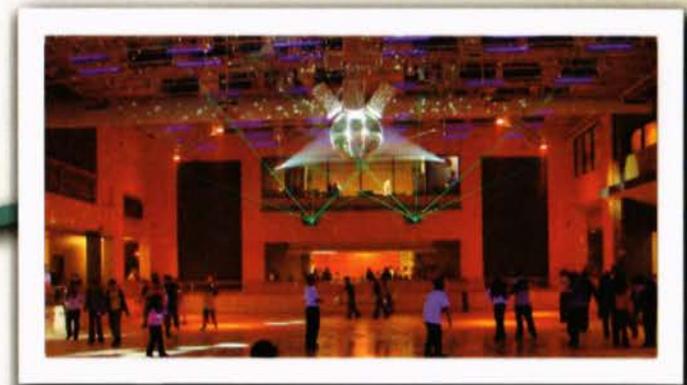
**Crash Boat Beach**



**City Hall**



**Las Cascadas Water Park**



**Aguadilla Ice Skating  
Arena**

# Places of Interest in Aguadilla

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BUSINESS-TYPE ACTIVITIES – ENTERPRISE FUNDS

	AGUADILLA'S WATERFALLS AQUATIC PARK	AGUADILLA ICE SKATING ARENA	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from Customers and Users .....	\$ 1,822,453	\$ 648,090	\$ 2,470,543
Payments to Suppliers .....	(1,240,896)	(299,518)	(1,540,414)
Payments to Employees.....	<u>(503,216)</u>	<u>(359,968)</u>	<u>(863,184)</u>
Net Cash Provided (Used) by Operating Activities .....	<u>78,341</u>	<u>(11,396)</u>	<u>66,945</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Internal Activities – Receipts (Payments) to Other Funds .....	(170,000)	103,140	(66,860)
Operating Subsidies and Transfers to Other Funds .....	<u>(1,001,022)</u>	<u>-</u>	<u>(1,001,022)</u>
Net Cash Provided (Used) by Noncapital Financing Activities .....	<u>(1,171,022)</u>	<u>103,140</u>	<u>(1,067,882)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchases of Capital Assets .....	<u>(16,544)</u>	<u>(5,886)</u>	<u>(22,430)</u>
CASH FLOWS FROM INVESTING ACTIVITIES.....	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Increase in Cash and Cash Equivalents .....</b>	<b><u>(1,109,225)</u></b>	<b><u>85,858</u></b>	<b><u>(1,023,367)</u></b>
Cash, Beginning.....	<u>1,524,448</u>	<u>60,976</u>	<u>1,585,424</u>
<b>Cash, Ending .....</b>	<b><u>\$ 415,223</u></b>	<b><u>\$ 146,834</u></b>	<b><u>\$ 562,057</u></b>

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

Operating (Loss) Income .....	(\$ 185,865)	(\$ 145,267)	(\$ 331,132)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation .....	124,912	134,662	259,574
(Increase) Decrease in Current Assets and Liabilities:			
Receivables, Net.....	53,008	5,879	58,887
Accounts and Others Payable .....	71,486	(16,300)	55,186
Accrued Expenses.....	<u>14,800</u>	<u>9,630</u>	<u>24,430</u>
<b>Net Cash Provided by Operating Activities.....</b>	<b><u>\$ 78,341</u></b>	<b><u>(\$ 11,396)</u></b>	<b><u>\$ 66,945</u></b>

**NONCASH INVESTING AND FINANCING ACTIVITIES:**

<b>Capital Contributions from Governmental Funds .....</b>	<b><u>\$ -</u></b>	<b><u>\$ 570,481</u></b>	<b><u>\$ 570,481</u></b>
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See accompanying Notes to the Basic Financial Statements.

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## 1. FINANCIAL REPORTING ENTITY

### A. Organization

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

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

### B. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the **Municipality** and for which the **Municipality** is financial accountable.

The accompanying basic financial statements include all departments and organizations units whose funds are under the custody and control of the **Municipality**. In evaluating the **Municipality** as a reporting entity, management has addressed all the potential component units. 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: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, and; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

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, 2009, and the respective changes in financial position, where applicable, thereof for the fiscal year then ended.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Financial Statement Presentation

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

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

### **Management's Discussion and Analysis**

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

### **Government-Wide Financial Statements (GWFS)**

The GWFS (the *Statement of Net Assets* and the *Statement of Activities*) report information of all the activities of the **Municipality**.

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*.

For the most part, the effect of interfund activity has been removed from these financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

### **Governmental Funds and Proprietary Funds Financial Statements (GFFS)**

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

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

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

### **Notes to the Basic Financial Statements**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

**Required Supplementary Information**

The basic financial statements includes a *Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund*, which includes reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund as presented in the GFFS.

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

**Government-wide Financial Statements**

The GWFS are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds. Subject to the additional rules and limitations detailed below, revenue (including interest on deposits and investments) is generally recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

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

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

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

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

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

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

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

**Governmental Funds and Proprietary Funds Financial Statements**

The GFFS are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For these purposes, the **Municipality** considers revenues to be available if they are collected within sixty (60) days after the end of the current fiscal period. At June 30, 2009, all revenues sources met this availability criterion.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

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.

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

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

- a. Principal and interest on bonds payable are recorded when they matured (when payment is due), except for principal and interest of bonds due on July 1, 2009, which are recorded as governmental fund liabilities of June 30, 2009 which is the date when resources were available in the debt service fund.
- b. Obligations from compensated absences and the estimated liability for municipal solid waste landfill post-closure care costs are recorded only when they mature (when payment is due).
- c. Certain accounts payable, intergovernmental payables and other accrued liabilities not due and payable (unmatured) or not normally expected to be liquidated in full and in a timely manner with available and expendable financial resources, are recorded in the accompanying *Statement of Net Assets*. Such liabilities are recorded in the governmental funds when they mature.
- d. Executory purchase orders and contracts are recorded as a reservation of fund balance in the GFFS.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

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

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

Canalization of "Ojo de Agua" River Fund – This is the fund used to account for all the transactions of the construction of the canalization of "Ojo de Agua" River Project, which is financed by appropriation from general fund, general obligation bond and future state appropriation.

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

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.

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.

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 GFFS.

C. Stewardship, Compliance, and Accountability

**Budgetary Information**

The **Municipality's** annually adopts the Budget Resolution for all operating funds of the **Municipality** except for certain restricted accounts 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

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

D. Assets, Liabilities, and Net Assets

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

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

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

2) *Receivables and Payables*

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

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

Receivables consist of all revenues earned but not collected at June 30, 2009. These account receivables are shown net of estimated allowances for uncollectible accounts, which are determined upon past collection experience, historical trends, and current economic conditions. Intergovernmental receivables in the general fund represent mostly contributions from the Puerto Rico Electric Power Authority (PREPA) as payment in lieu of taxes, property tax accounts that are levied by Municipal Revenue Collection Center (MRCC), a governmental entity created by the Government. Intergovernmental receivables in the other governmental funds represent amounts owed to the **Municipality** for reimbursement of expenditures incurred pursuant to federally funded grant and contributions and state appropriations, and the amount in the debt service fund represents the distribution of property tax collected which is restricted for the debt service.

3) *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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

4) *Deferred Charges*

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

5) *Capital Assets*

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

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

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

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

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

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

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

6) *Deferred Revenues*

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

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

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

In the GFFS, governmental fund types recognize bond premiums and discounts as other financing sources and uses, respectively, and bond issuance costs as debt service expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8) *Compensated Absences*

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

In accordance with the above criteria and requirements 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 GWFS and Proprietary Fund Financial Statements. For the GWFS, the current portion is the amount estimated to be used in the following year. For the GFFS, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and government-wide presentations (see Note 11 on page 53).

9) *Claims and Judgments*

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

10) *Accounting for Pension Costs*

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

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

For the purpose of applying the requirements of GASBS No. 27, the Government is considered to be the sponsor of the Employees' Retirement System of the Government of Puerto Rico and its Instrumentalities (ERS) and System 2000, a multiemployer cost-sharing defined benefit pension plan and a hybrid defined contribution plan, respectively, in which the employees of the **Municipality** participate. The **Municipality** is considered a participant, and not a sponsor, of these retirement systems since the majority of the participants in the aforementioned pension trust funds are employees of the Government and the basic financial statements of such retirement systems are part of the financial reporting entity of the Government.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

11) Landfill

As per requirements of State and Federal laws and regulations the **Municipality** should be obligated to place a final cover on its closed landfill and perform certain maintenance and monitoring functions at the landfill site for the next thirty years. The landfill has been closed, however it is currently subject to reclosing corrective action procedures imposed by the U.S. Environmental Protection Agency (EPA) (See Note 11). The estimated liability for municipal solid waste landfill closure and post-closure care costs and imposed corrective action (including monitoring and maintenance) include an estimate of all post-closure care costs to be incurred in the **Municipality's** closed solid waste landfill, and is recorded as a liability in the accompanying GWFS, *Statement of Net Assets*, under the provisions of GASBS No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Post-Closure Care Costs*.

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

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

12) Net Assets/Fund Balance

Net Assets

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

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

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

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Capital Assets, Net of Accumulated Depreciation .....	\$150,442,678	\$ 10,136,238
Outstanding Balance on Related Debt .....	(78,177,216)	-
Unspent Capital Debt Proceeds .....	<u>21,222,709</u>	<u>-</u>
Total Invested in Capital Assets, Net of Related Debt .....	<u>\$ 93,488,171</u>	<u>\$ 10,136,238</u>

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

### *Fund Balance*

The GFFS 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* – Represent future expenditures under purchase orders, contracts and other commitments. These committed amounts generally will become liabilities in future periods as the goods or services are received.
- *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 under contracts and other commitments. These committed amounts generally will become liabilities in future periods as the projects are completed.
- *Reserve for Special Funds* – Certain assets, primarily cash of grants and contributions that are authorized to be carried over and expended in the ensuing year.

### E. Interfund Transactions

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

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

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

### F. Risk Financing

The **Municipality** carries commercial insurance to cover property and casualty, theft, tort claims and other losses. Insurance policies are negotiated by the Puerto Rico Treasury Department and costs are allocated among all the municipalities of Puerto Rico. Also, principal officials of the **Municipality** are covered under various surety bonds. Cost of insurance allocated to the **Municipality** and deducted from the gross property tax collections by the MRCC for the year ended June 30, 2009 amounted to approximately \$659,861. The current insurance policies have not been cancelled or terminated. In addition, MRCC deducted approximately \$677,798 for workers compensation insurance covering all municipal employees for the same period.

### G. Cash Flows

Statement of Cash Flows is presented for proprietary fund types. Cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less. As of June 30, 2009, there are not investments or cash equivalents reported, only cash in commercial banks.

### H. Use of Estimates

The preparation of the basic financial statements in conformity with USGAAP 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continuation)

**I. Reclassifications**

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

**J. Future Adoption of Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) issued the following pronouncements that have effective dates after June 30, 2009:

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 GASBS No. 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. 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.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Statement 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010, with earlier application encouraged.

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, **\$46,737,942**, differ from net assets of governmental activities, **\$117,687,756**, 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*.

(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.....	\$196,810,252
Accumulated Depreciation .....	<u>(46,367,574)</u>
	<u>\$150,442,678</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>\$ 283,037</u>
------------------------	-------------------

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	\$ 28,621,501	\$ -	\$ -	\$ 28,621,501
Cash with Fiscal Agent	23,566,025	-	-	23,566,025
Receivables, net:				
Property Taxes	457,690	-	-	457,690
Sales Taxes	223,830	-	-	223,830
Federal Grants	7,634,642	-	-	7,634,642
State Appropriations	4,000,000	-	-	4,000,000
Due from Other Funds	11,220,591	-	(11,220,591)	-
Other Receivables	287,815	-	-	287,815
Capital Assets, Net	-	150,442,678	-	150,442,678
Deferred Charges	-	283,037	-	283,037
<b>Total Assets</b>	<b>\$ 76,012,094</b>	<b>\$ 150,725,715</b>	<b>\$ (11,220,591)</b>	<b>\$ 215,517,218</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 3,568,421	\$ (1,860,000)	\$ -	\$ 1,708,421
Accrued Interests	855,957	-	-	855,957
Due to Governmental Units	106,092	-	-	106,092
Other	469,286	-	-	469,286
Deferred Tax and Grants	12,883,805	(5,438,973)	-	7,444,832
Due to Other Funds/Internal Balances(*)	11,390,591	-	(11,220,591)	170,000
Long-Term Liabilities	-	87,074,874	-	87,074,874
<b>Total Liabilities</b>	<b>29,274,152</b>	<b>79,775,901</b>	<b>(11,220,591)</b>	<b>97,829,462</b>
<b>Fund Balances/Net Assets:</b>				
Total Fund Balances/Net Assets	<b><u>46,737,942</u></b>	<b><u>70,949,814</u></b>	<b><u>-</u></b>	<b><u>117,687,756</u></b>
<b>Total Liabilities and Fund Balances/Net Assets</b>	<b>\$ 76,012,094</b>	<b>\$ 150,725,715</b>	<b>\$ (11,220,591)</b>	<b>\$ 215,517,218</b>

\* The internal balance (\$170,000) is reported negative Asset in the *Statement of Activities* for elimination.

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

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 ..... (\$ 5,438,973)

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 .....	\$ 218,522
LIMS – MRCC .....	290,620
Deferred Credit.....	59,594
Claims .....	200,000
Landfill Closure and Post-Closure Care Costs.....	3,377,491
Compensated Absences .....	4,751,431
General Obligations Bonds .....	45,135,000
Special Obligations Bonds .....	<u>33,042,216</u>
	87,074,874
Escrow Funds for General Obligations Bonds (Short-Term).....	<u>(1,860,000)</u>
Net Long-Term Liabilities .....	<u>\$ 85,214,874</u>

Also, an elimination of the Due from/to Other Funds of \$11,220,591 was excluded in the *Statement of Net Assets*, maintaining an internal balance liability with the Proprietary Funds of \$170,000.

***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, **(\$2,905,518)**, differs from the change in net assets for governmental activities **(\$3,202,980)**. The differences arise primarily from the long-term economic focus in the *Statement of Activities* versus the current financial resources focus in the governmental funds. The differences are presented and explained follow.

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

Federal Assistances..... (\$ 652,769)

During the year, there is recognition of change in estimate of Landfill Closure and Post-Closure Care Costs..... \$ 3,377,491

(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 .....	(\$ 11,517,613)
Depreciation Expenses .....	<u>2,886,800</u>
Differences .....	<u>(\$ 8,630,813)</u>

Loss on disposal of assets reported in governmental activities, but not in reported in governmental funds. .... \$ 57,393

Capital Contributions to Business-Type Activities made from Governmental Funds..... \$ 570,481

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

Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities					
	Total Governmental Funds	Long-Term Revenues/ Expenses (B)	Capital- Related Items (C)	Long-Term Debt Transactions (D)	Statement of Activities Totals
<b>Revenues:</b>					
Property Taxes	\$ 12,355,973	\$ -	\$ -	\$ -	\$ 12,355,973
Volume of Business Taxes	9,486,385	-	-	-	9,486,385
Sales Taxes	3,360,924	-	-	-	3,360,924
Federal Assurances	12,209,978	(652,769)	-	-	11,557,209
Intergovernmental	13,761,021	-	-	-	13,761,021
Licenses and Permits	1,523,864	-	-	-	1,523,864
Interests	1,288,693	-	-	-	1,288,693
Charges for Services	1,047,589	-	-	-	1,047,589
Miscellaneous	1,248,887	-	-	-	1,248,887
<b>Total Revenues</b>	<b>56,283,314</b>	<b>(652,769)</b>	<b>-</b>	<b>-</b>	<b>55,630,545</b>
<b>Expenditures/Expenses:</b>					
Current:					
Mayor and Municipal Legislature	2,162,643	-	81,204	-	2,243,847
General Government	15,399,642	-	1,818,684	197,839	17,416,165
Public Safety	1,759,031	-	86,604	-	1,845,635
Public Works	1,561,329	-	259,812	-	1,821,141
Culture and Recreation	1,001,882	-	62,061	-	1,063,943
Health and Sanitation	3,822,624	3,377,491	317,548	-	7,517,663
Public Instruction	5,596,055	-	-	(224,236)	5,371,819
Human Services and Welfare	5,028,977	-	61,724	-	5,090,701
Urban Development	12,832,305	-	199,163	-	13,031,468
Capital Outlay	11,517,613	-	(11,517,613)	-	-
Loss on Disposition of Asset	-	-	57,393	-	57,393
Debt Service:					
Principal	3,467,334	-	-	(3,467,334)	-
Interest and Other Charges	3,804,291	-	-	-	3,804,291
Bond Issue Costs	16,201	-	-	(16,201)	-
<b>Total Expenditures/Expenses</b>	<b>67,969,927</b>	<b>3,377,491</b>	<b>(8,573,420)</b>	<b>(3,509,932)</b>	<b>59,264,066</b>
<b>Other Financing Sources (Uses)/</b>					
<b>Changes in Net Assets</b>					
Net Transfers (to) from Other Funds	1,001,022	-	-	-	1,001,022
Capital Contributions	-	-	(570,481)	-	(570,481)
Proceed of Notes	7,780,073	-	-	(7,780,073)	-
<b>Total Other Financing Sources (Uses)/</b>	<b>8,781,095</b>	<b>-</b>	<b>(570,481)</b>	<b>(7,780,073)</b>	<b>430,541</b>
<b>Net Change for the Year</b>	<b>\$ (2,905,518)</b>	<b>\$ (4,030,260)</b>	<b>\$ 8,002,939</b>	<b>\$ (4,270,141)</b>	<b>\$ (3,202,980)</b>

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

Principal Payment Made ..... \$ 3,467,334

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

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (bond issuance costs amortization). Certain long-term liabilities reported in the prior year Statement of Net Assets were paid during the current period resulting in expenditures in the governmental funds (compensated absences). This is the amount by which the decrease in long term liabilities exceeded expenses reported in the Statement of Activities that do not require the use of current financial resources.....

\$ 26,397

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*.....

\$ 16,201

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

General Obligation Bonds .....	\$ 3,300,000
Special Obligation Bonds .....	4,480,073
	<u>\$ 7,780,073</u>

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

**Budgetary Results Reconciliation**

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

During the year, the Municipal Legislature approved an appropriation of \$1.0 million from the beginning balance of the Budget Fund Balance to cover the reduction in original revenues estimated. Expenditures exceeded appropriations in the culture and recreation department by \$138,602. This over expenditure was funded by economies in other departments.

The major differences between the Budget basis "Actual" and GAAP basis are timing and perspective differences. Timing differences represent transactions that are accounted for in different periods for Budget basis and GAAP basis reporting. The fund balance of the General Fund as of June 30, 2009 on a Budget basis is reconciled to the fund balance on a GAAP basis follows:

Budget basis vs GAAP	
Budgetary Fund Balance, June 30, 2009	\$ 5,041,816
Timing Differences:	
Encumbrance	645,059
Cancellation of Encumbrance	472,011
Restriction from Deferred Revenues	(6,879,487)
Perspective Differences:	
Due from Other Funds not Available	<u>11,220,591</u>
Fund Balance, June 30, 2009 – GAAP	<u>\$ 10,499,990</u>

5. CASH AND INVESTMENTS

**Certificates of Deposit**

The **Municipality's** cash and investments at June 30, 2009 are composed of: (1) demand deposits in commercial banks, (2) demand deposits in the Government Development Bank of Puerto Rico (GDB, fiscal agent), and (3) cash equivalents in commercial banks. Cash equivalents of \$18.1 million are certificates of deposits and are recorded at cost, which approximates fair value.

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

5. CASH AND INVESTMENTS (continuation)

The **Municipality** follows the practice of pooling cash. At June 30, 2009, the pool cash account in commercial banks had a balance of \$28.6 million of which \$6,939,478 in the General Fund, \$14,332,165 in Real Marina Fund and \$7,350,858 in Other Governmental Funds. For the Proprietary Funds, the Aguadilla's Waterfalls Aquatic Park has investment amount of \$562,057. The balance in the pooled cash account is available to meet current operating requirements and any unrestricted excess, if any, is generally invested in certificates of deposit with commercial banks. Any deficiency in the pooled cash account is assumed by the general fund and covered through future budgetary appropriation.

Under the laws and regulations of the Government, public funds deposited by the **Municipality** in commercial banks must be fully collateralized for the amounts deposited in excess of the Federal Deposit Insurance Corporation (FDIC) coverage. All securities pledged as collateral are held by agents designated by the Government's Secretary of the Treasury, but not in the **Municipality's** name.

Cash with fiscal agent in the debt service fund consists principally of property tax collections amounting to \$5.9 million that are restricted for the payment of the **Municipality's** debt service, as required by law. Cash with Fiscal Agent of \$3.9 million to be used in the Canalization of "Ojo de Agua" River Project, and \$13.7 million in other governmental funds consist principally of unspent proceeds of bonds that are restricted for the acquisition, construction or improvement of major capital assets. The amounts deposit in GDB is maintained in interest bearing accounts and is not collateralized.

The **Municipality** follows the provisions of GASBS No. 40, *Deposit and Investment Risk Disclosure, an Amendment to GASB Statement No. 3*. Accordingly, the following is essential information about credit risk, interest rate risk, custodial credit risk, and foreign exchange exposure of deposits and investments of the **Municipality** at June 30, 2009:

**Credit Risk**

This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2009, the **Municipality** has invested only in cash equivalents of \$18.1 million consisting of certificate of deposit in commercial banks, which are insured by the FDIC, generally up to a maximum of \$100,000 (actually \$250,000 up to December 2009). As previously mentioned, public funds deposited by the **Municipality** in commercial banks must be fully collateralized for the amounts deposited in excess of the FDIC coverage. No investments in debt or equity securities were made during the Fiscal Year ended June 30, 2009. Therefore, the **Municipality's** management has concluded that the credit risk related to any possible loss related to defaults by commercial banks on the **Municipality's** deposits is considered low at June 30, 2009.

**Custodial Credit Risk**

This is the risk that, in the event of the failure of a depository financial institution, the **Municipality** will not be able to recover its cash and investments or will not be able to recover collateral securities that are in the possession of an outside party. Pursuant to the Investment Guidelines for the Government adopted by GDB, the **Municipality** may invest in obligations of the Government, obligations of the United States, certificates of deposit, commercial paper, banker's acceptance, or in pools of obligations of the municipalities of Puerto Rico, which are managed by GDB. At June 30, 2009, the **Municipality** has balances deposited in commercial banks amounting to \$29.3 million which are insured by the FDIC up to the established limit and the excess are fully collateralized as explained above. Deposits in GDB, amounting to \$23.6 million are uninsured and uncollateralized. However, no losses related to defaults by GDB on deposit transactions have been incurred by the **Municipality** through June 30, 2009. It is management's policy to only maintain deposits in banks affiliated to FDIC to minimize the custodial credit risk, except for GDB. Therefore, the **Municipality's** management has concluded that at June 30, 2009, the custodial credit risk associated with the **Municipality's** cash and cash equivalents is considered low.

**Interest Rate Risk**

This is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The **Municipality** manages its exposure to declines in fair values by: (1) not including debt or equity investments in its investments portfolio at June 30, 2009, (2) limiting the weighted average maturity of its investments in certificates of deposit to periods of four months or less, and (3) keeping most of its banks deposits and certificates of deposit in interest bearing accounts generating interest at prevailing market rates. Therefore, at June 30, 2009, the interest risk associated with the **Municipality's** cash and cash equivalent is considered low.

5. CASH AND INVESTMENTS (continuation)

**Foreign Exchange Risk**

This is the risk that changes in exchange rates will adversely affect the value of an investment or a deposit. According to the aforementioned investment guidelines, adopted by the **Municipality**, the **Municipality** is prevented from investing in foreign securities or any other types of investments for which foreign exchange risk exposure may be significant. Accordingly, management has concluded that the foreign exchange risk related to the **Municipality's** deposits is considered low at June 30, 2009.

6. RECEIVABLES

Following is the account receivables of other governmental funds as of June 30, 2009:

7. DEFERRED REVENUES

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

<u>Federal Grants</u>	<u>AMOUNT</u>
Office of the Governor-Elderly Office	\$ 120,676
U.S. Department of Homeland Security	198,916
U.S. Department of Agriculture	1,213,939
U.S. Department of Health & Human Services	4,056,061
U.S. Department of Housing and Urban Development	<u>2,045,050</u>
Total	<u>\$ 7,634,642</u>
<u>State Appropriations</u>	
P.R Office of Management and Budget	<u>\$ 4,000,000</u>

<b>Governmental-wide:</b>	
Volume of Business Taxes	\$ 6,879,487
Other Governmental Funds	<u>565,345</u>
Total Deferred/ Unearned Revenues	<u>\$ 7,444,832</u>
	<b>UNAVAILABLE      UNEARNED</b>
<b>Governmental Funds:</b>	
Volume of Business Taxes	\$ -      \$ 6,879,487
Head Start Program	3,765,184      -
Other Governmental Funds	<u>2,239,134</u> -
Total Deferred/ Unearned Revenues	<u>\$ 6,004,318</u> <u>\$ 6,879,487</u>

8. INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

**A. Interfund Receivable and Payable Balances**

Due to/from Other Funds at June 30, 2009 are summarized as follows:

RECEIVABLE FUND	PAYABLE FUND	AMOUNT
<b>Governmental Funds:</b>		
General Funds	Canalization "Ojo de Agua River" Fund	\$ 7,000,000
General Funds	Other Governmental Funds	<u>4,220,591</u>
	Subtotal	<u>11,220,591</u>
<b>Proprietary Funds</b>	Other Governmental Funds	<u>170,000</u>
Total		<u>\$ 11,390,591</u>

8. INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

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	\$ 2,298,275	Debt Payments
Other Governmental Funds	Debt Service Fund	652,430	Debt Payments
Real Marina Fund	Debt Service Fund	508,930	Debt Payments
Other Governmental Funds	Canalization "Ojo de Agua River" Fund	900,000	Equity Transfer
Other Governmental Funds	Debt Service Fund	<u>16,201</u>	Bond Issue Cost
		<u>4,375,836</u>	
<b>Proprietary Funds:</b>			
Proprietary Fund	General Fund	708,461	Equity Transfer
Proprietary Fund	CDBG	<u>292,561</u>	Program Income
		<u>\$ 5,376,858</u>	
<b>Capital Contribution:</b>			
CDBG	Proprietary Fund	\$ 344,996	Construction
General Fund	Proprietary Fund	13,740	Construction
Other Fund	Proprietary Fund	<u>211,745</u>	Construction
Total		<u>\$ 570,481</u>	

9. DUE TO GOVERNMENTAL UNITS

As of June 30, 2009, balance due to other governmental units of the General Fund for services rendered to the **Municipality**, consists of the following:

	AMOUNT
Department of Labor	\$ 77,122
Retirement Administration	<u>28,970</u>
Total Due to Governmental Units	<u>\$ 106,092</u>

10. CAPITAL ASSETS

Capital Assets activities for the fiscal year ended June 30, 2009 was as follows:

DESCRIPTION	BALANCE JULY 1, 2008	RECLASSI- FICATION	INCREASE	DECREASE	BALANCE JUNE 30, 2009
<b>Governmental Activities:</b>					
Non-Depreciable Capital Assets:					
Land	\$ 51,554,965	\$ -	\$ 2,978,800	\$ -	\$ 54,533,765
Construction in Progress	17,901,804	(8,993,969)	6,256,453	-	15,164,288
Total Non-Depreciable Capital Assets	<u>69,456,769</u>	<u>(8,993,969)</u>	<u>9,235,253</u>	<u>-</u>	<u>69,698,053</u>
Depreciable Capital Assets:					
Buildings	59,326,370	6,000,625	185,458	-	65,512,453
Infrastructure	42,507,724	2,993,344	-	-	45,501,068
Motor Vehicles	9,555,322	-	607,215	(34,845)	10,127,692
Machinery and Equipment	5,142,390	-	919,206	(90,610)	5,970,986
Total Depreciable Capital Assets	<u>116,531,806</u>	<u>8,993,969</u>	<u>1,711,879</u>	<u>(125,455)</u>	<u>127,112,199</u>
Less Accumulated Depreciation:					
Buildings	(20,680,884)	-	(1,010,420)	-	(21,691,304)
Infrastructure	(12,002,031)	-	(637,616)	-	(12,639,647)
Motor Vehicles	(7,759,637)	-	(838,158)	29,266	(8,568,529)
Machinery and Equipment	(3,106,284)	-	(400,606)	38,796	(3,468,094)
Total Accumulated Depreciation	<u>(43,548,836)</u>	<u>-</u>	<u>(2,886,800)</u>	<u>68,062</u>	<u>(46,367,574)</u>
Total Depreciable Capital Assets (Net)	<u>72,982,970</u>	<u>8,993,969</u>	<u>(1,174,921)</u>	<u>(57,393)</u>	<u>80,744,625</u>
CAPITAL ASSETS, NET	<u>\$ 142,439,739</u>	<u>\$ -</u>	<u>\$ 8,060,332</u>	<u>\$ (57,393)</u>	<u>\$ 150,442,678</u>

10. CAPITAL ASSETS (continuation)

DESCRIPTION	BALANCE JULY 1, 2008	RECLASSI- FICATION	INCREASE	DECREASE	BALANCE JUNE 30, 2009
<b>Business-Type Activities:</b>					
Non-Depreciable Capital Assets:					
Construction in Progress	\$ 489,437	\$ (684,014)	\$ 582,081	\$ -	\$ 387,504
Total Non-Depreciable Capital Assets	<u>489,437</u>	<u>(684,014)</u>	<u>582,081</u>	<u>-</u>	<u>387,504</u>
Depreciable Capital Assets:					
Buildings	11,972,263	684,014	-	-	12,656,277
Motor Vehicles	67,640	-	-	-	67,640
Equipment	627,235	-	10,830	-	638,065
Total Depreciable Capital Assets	<u>12,667,138</u>	<u>684,014</u>	<u>10,830</u>	<u>-</u>	<u>13,361,982</u>
Less Accumulated Depreciation:					
Buildings	(2,994,707)	-	(231,188)	-	(3,225,895)
Motor Vehicles	(53,636)	-	(6,439)	-	(60,075)
Equipment	(305,331)	-	(21,947)	-	(327,278)
Total Accumulated Depreciation	<u>(3,353,674)</u>	<u>-</u>	<u>(259,574)</u>	<u>-</u>	<u>(3,613,248)</u>
Total Depreciable Capital Assets (Net)	<u>9,313,464</u>	<u>684,014</u>	<u>(248,744)</u>	<u>-</u>	<u>9,748,734</u>
CAPITAL ASSETS, NET	<u>\$ 9,802,901</u>	<u>\$ -</u>	<u>\$ 333,337</u>	<u>\$ -</u>	<u>\$ 10,136,238</u>

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

	AMOUNT
<b>Governmental Activities:</b>	
Major and Municipal Legislature	\$ 81,204
General Government	1,818,684
Public Safety	86,604
Public Works	259,812
Health and Sanitation	317,548
Culture and Recreation	62,061
Human Services and Welfare	61,724
Urban Development	199,163
Total Depreciation Expenses	<u>\$ 2,886,800</u>
<b>Business-Type Activities:</b>	
Aguadilla's Waterfalls Aquatic Park	\$ 134,662
Aguadilla's Ice Skating Arena	124,912
Total Depreciation Expenses	<u>\$ 259,574</u>

11. LONG-TERM LIABILITIES

A. General Obligations Bonds and Special Obligations Bonds

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

The following is a summary of general and special obligation bonds of the **Municipality** as of June 30, 2009:

During July 2008, the **Municipality** issued general obligation bonds of 2008 in the amount of \$1,160,000 for the acquisition of properties for the future construction of the Convention Center. The principal and interest at 7.00% are payable semi-annually ranging from \$20,000 to \$100,000 on the 1<sup>st</sup> days of January and July of each year through July 2033.

During July 2008, the **Municipality** issued general obligation bonds of 2008 in the amount of \$1,100,000 for improvement to the second floor of the City Hall. This obligation was granted by US Department of Agriculture, Rural Development (RD). The principal and interest at 4.50% are payable semi-annually during 25 years, but the terms will be determined by RD upon completion of the constructions activities.

During October 2008, the **Municipality** issued general obligation bonds of 2008 in the amount of \$260,000 for the acquisition of properties for the future construction of the Fine Arts Center. The principal and interest at 5.40% for the first installment and 7.50% for the remaining installments are payable semi-annually ranging from \$5,000 to \$25,000 on the 1<sup>st</sup> days of January and July of each year through July 2033.

During October 2008, the **Municipality** issued general obligation bonds of 2008 in the amount of \$185,000 for the construction of a mural on the Electronic Library. The principal and interest at 5.40% for the first installment and 7.50% for the remaining installments and are payable semi-annually ranging from \$5,000 to \$15,000 on the 1<sup>st</sup> days of January and July of each year through July 2033.

During April 2009, the **Municipality** issued general obligation bonds of 2009 in the amount of \$1,475,000 for the acquisition of properties for future projects. The principal and interest at 5.40% for the first installment and 7.50% for the remaining installments and are payable semi-annually ranging from \$20,000 to \$125,000 on the 1<sup>st</sup> days of July and January of each year through July 2033.

Type of Obligation and Purpose	Maturity Date	Interest Rate	Amount
<b>General Obligation Bonds:</b>			
<b>General Obligation Bonds - Property Taxes Income:</b>			
\$590,000, Series 1999 - General Construction	2013	4.86 to 6.11%	\$ 280,000
\$2,840,000, Series 1999 - General Construction	2013	4.86 to 6.11%	1,305,000
\$5,065,000, Series 1999 - General Construction	2013	4.86 to 6.56%	4,010,000
\$3,210,000, Series 1999 - General Construction	2023	2.70 to 5.60%	2,535,000
\$805,000, Series 1999 - General Construction	2023	2.70 to 5.60%	640,000
\$3,520,000, Series 2000 - General Construction	2014	2.70 to 4.73%	1,875,000
\$1,340,000, Series 2000 - General Construction	2024	2.70 to 5.60%	1,120,000
\$975,000, Series 2000 - General Construction	2010	2.70 to 4.30%	260,000
\$3,015,000, Series 2000 - General Construction	2020	2.70 to 5.29%	2,315,000
\$2,165,000, Series 2001 - General Construction	2025	2.70 to 5.60%	1,860,000
\$405,000, Series 2003 - General Construction	2010	5.00 to 6.00%	135,000
\$1,255,000, Series 2003 - General Construction	2008	4.37 to 6.00%	1,125,000
\$565,000, Series 2003 - General Construction	2009	5.00 to 6.00%	100,000
\$1,795,000, Series 2005 - General Construction	2029	4.37 to 5.00%	1,635,000
\$1,795,000, Series 2005 - General Construction	2029	3.27 to 5.00%	1,635,000
\$1,935,000, Series 2005 - General Construction	2029	4.27 to 6.50%	1,770,000
\$3,130,000, Series 2006 - General Construction	2030	6.00 to 6.50%	2,965,000
\$1,010,000, Series 2005 - General Construction	2019	4.27 to 5.00%	815,000
\$2,330,000, Series 2007 - General Construction	2032	3.93 to 7.50%	2,295,000
\$4,385,000, Series 2008 - General Construction	2032	3.93 to 7.50%	4,325,000
\$1,160,000, Series 2008 - General Construction	2033	7.00%	1,160,000
\$260,000, Series 2009 - General Construction	2033	5.40 to 7.50%	260,000
\$185,000, Series 2009 - General Construction	2033	5.40 to 7.50%	185,000
\$1,475,000, Series 2009 - General Construction	2033	4.75 to 7.50%	1,475,000
\$220,000, Series 2009 - General Construction	2033	4.75 to 7.50%	220,000
<b>Subtotal</b>			<b>36,300,000</b>
<b>General Obligation Bonds - Rental Income:</b>			
\$9,340,000, Series 2004 - General Construction	2028	5.00%	8,835,000
<b>Total General Obligations Bonds</b>			<b>45,135,000</b>
continue			

11. LONG-TERM LIABILITIES (continuation)

During April 2009, the **Municipality** issued general obligation bonds of 2009 in the amount of \$220,000 for the construction of the City Hall Annex. The principal and interest at 4.75% for the first installment and 7.50% and are payable semi-annually ranging from \$5,000 to \$20,000 on the 1<sup>st</sup> days of July and January of each year through July 2033.

During April 2008, the **Municipality** issued general obligation bonds of 2008 in the amount of \$1,000,000 for improvement and rehabilitation of City Hall Building for Anthropologic Museum. This obligation was granted by US Department of Agriculture, Rural Development (RD). The principal and interest at 4.50% are payable semi-annually during 25 years, but the terms will be determined by RD upon completion of the constructions activities.

During June 2009, the **Municipality** issued special obligation bonds of 2009 in the amount of \$3,009,000 for the construction of the Second Phase of the "Ojo de Agua" River Project. The principal and interest at 7.50%, and are payable semi-annually ranging from \$340,000 to \$534,000 on the 1<sup>st</sup> days of July and January of each year through July 2016.

Variable interest rates on bonds are reviewed periodically by GDB and are based on the fluctuation of GDB's weighted average rate for its commercial paper program. Under this program, GDB issues commercial paper: (1) in the taxable and tax-exempt markets of the USA, (2) in the Eurodollar market, and (3) to corporations having tax exemptions under the Puerto Rico Industrial Incentives Acts and, which qualify for benefits provided by the former Section 936 of the US Internal Revenue Code.

Type of Obligation and Purpose	Maturity Date	Interest Rate	Amount
<b>Special Obligations Bonds:</b>			
<b>Special Obligations Bonds - General Revenues:</b>			
\$4,795,000, Series 2003 - General Construction	2012	5.00 to 6.00%	\$ 4,110,000
\$250,000, Series 2005 - General Construction	2012	4.75%	117,000
\$250,000, Series 2005 - Purchase of Equipment	2029	5.00%	225,000
\$1,245,000, Series 2005 - Purchase of Equipment	2012	4.50%	581,000
\$4,220,000, Series 2006 - General Construction	Undetermined <sup>1</sup>	4.25%	2,979,100
\$1,940,000, Series 2006 - General Construction	Undetermined <sup>1</sup>	4.50%	1,283,480
\$2,105,000, Series 2006 - General Construction	Undetermined <sup>1</sup>	Undetermined <sup>1</sup>	312,583
\$690,000, Series 2006 - General Construction	Undetermined <sup>1</sup>	Undetermined <sup>1</sup>	447,966
\$3,180,000, Series 2005 - General Construction	Undetermined <sup>1</sup>	Undetermined <sup>1</sup>	2,846,990
\$1,100,000, Series 2009 - General Construction	Undetermined <sup>1</sup>	4.50%	246,711
\$1,000,000, Series 2008 - General Construction	Undetermined <sup>1</sup>	4.25%	823,386
\$3,009,000, Series 2008 - General Construction	2016	7.50%	3,009,000
<b>Subtotal</b>			<b>16,982,216</b>
<b>Special Obligations Bonds - CDBG:</b>			
\$12,995,000, Series 2002 - General Construction	2022	5.00%	9,095,000
<b>Special Obligations Bonds - Sales &amp; Usage Taxes:</b>			
\$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>Subtotal</b>			<b>6,965,000</b>
<b>Total Special Obligations Bonds</b>			<b>33,042,216</b>
<b>Total General and Special Obligations Bonds</b>			<b>\$ 78,177,216</b>

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

According to Sections 103 and 148 through 150 of the US Internal Revenue Code and Sections 1.148 through 1.150 of the US Treasury Regulation, the **Municipality's** tax-exempt bonds are subject to the arbitrage rebate requirements. At June 30, 2009, the **Municipality** had no federal arbitrage liability on bonds since interest income earned from the investment of unspent bond proceeds were made in bank deposits that generate yields lower than the rates applicable to the debt service payments.

**B. Legal Debt Limit and Legal Debt Margin**

As of June 30, 2009, 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 \$41,461,738, net of certain assets in the Debt Service Fund. After considered the payments of July 1, 2009, the resulting legal debt margin was \$309,291. Additional legal debt margin was determine for the issuance of the special obligations bonds that are paid through retention made by the MRCC from monthly advance of annual property tax and subsidy send to the **Municipality**.

11. LONG-TERM LIABILITIES (continuation)

C. Other Long-Term Liabilities

Following are the other long-term liabilities as of June 30, 2009 and corresponding change during the fiscal year:

DESCRIPTION	BALANCE JULY 1, 2008	NEW ISSUES	RETIREMENTS AND ADJUSTMENTS	BALANCE JUNE 30, 2009	AMOUNTS DUE WITHIN ONE YEAR	AMOUNTS DUE AFTER ONE YEAR
<b>Governmental Funds:</b>						
Law Number 146-MRCC	\$ 228,023	\$ -	\$ (9,501)	\$ 218,522	\$ 9,501	\$ 209,021
LIMS-MRCC	395,453	-	(104,833)	290,620	111,163	179,457
Deferred Credits	18,961	56,834	(16,201)	59,594	-	59,594
Landfill Obligation	-	3,377,491	-	3,377,491	2,100,000	1,277,491
Claims	200,000	-	-	200,000	-	200,000
Compensated Absences	4,829,753	288,707	(367,029)	4,751,431	3,412,520	1,338,911
<b>TOTAL</b>	<b>\$ 5,672,190</b>	<b>\$ 3,723,032</b>	<b>\$ (497,564)</b>	<b>\$ 8,897,658</b>	<b>\$ 5,633,184</b>	<b>\$ 3,264,474</b>
<b>Proprietary Funds:</b>						
Compensated Absences	\$ 93,565	\$ 29,831	\$ (5,401)	\$ 117,995	\$ 84,767	\$ 33,228

**Borrowing from MRCC**

On July 1, 2009, the **Municipality** entered into a repayment agreement with the GDB and MRCC to repay the uncollectible property tax sale authorized by the enacted Law Number 146. The original debt is \$237,524 to be paid during 25 years plus annual interest of 6.22%.

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

**Deferred Credits**

This amount represents the unpaid balance of the bond issue cost of the following obligations: \$1,160,000, Series 2008; \$220,000, Series 2009; \$1,475,000, Series 2009; \$185,000, Series 2009 and \$260,000, Series 2009 of General Obligations Bonds; and \$3,009,000, Series 2008; \$1,000,000, Series 2008, and \$1,100,000, Series 2009 of Special Obligation Bonds.

**Landfill Obligation**

The **Municipality** is the current owner of a closed municipal solid waste landfill consisting of approximately 10 acres, and accounts for certain costs associated with its landfill in accordance with *GASB Statement No. 18, Landfill Closure and Post-Closure Care Cost*. Under Statement No. 18, the **Municipality** is required to recognize a liability equal to the estimated total current cost of post-closure care for its landfill. Post-closure care of the **Municipality's** landfill after its closure is mandated by state and federal laws and consists of various maintenance and monitoring functions at the landfill site. In 2007, the **Municipality** expended the necessary funds and completed the planned activities it originally estimated was necessary to comply with the federally required closing and post-closing care of its landfill.

However, pursuant to an onsite inspection of the landfill and a subsequent administrative order issued by the U.S. Environmental Protection Agency (EPA), the **Municipality** is required to perform additional closure and post-closure care activities in order to fully comply with federal regulations applicable to municipal landfills as of June 30, 2009. During the current fiscal year, the **Municipality** developed a closure and post-closure care plan, which includes estimated costs of replacing and recapping the existing landfill cover and the installation of monitoring equipment, with the purpose of complying with the EPA administrative order. After the final revised plan was approved by EPA on January 22, 2009, the **Municipality** began its implementation.

11. LONG-TERM LIABILITIES (continuation)

The **Municipality** contracted a third party on July 16, 2009 to perform the newly planned closing procedures, which have an estimated cost of \$2.1 million as of June 30, 2009 with an estimated completion date on April 2010. After the closing procedures are finalized by the third party and are approved by EPA, the **Municipality** will commence the post-closure care procedures required by the administrative order for a time period of no less than 30 years, as required by the administrative order and federal regulations. The **Municipality** has currently estimated the maximum future post-closure care costs to be incurred in those 30 years at \$1.2 million as of June 30, 2009. However, due to the nature of post-closure care of municipal landfills, the estimated future costs are subject to annual revision due to changes in applicable regulations, market prices and conditions, and other unforeseeable events.

The **Municipality** is required to provide financial assurance for the closure and future post-closure care activities in accordance with federal regulations, and has identified current and future resources to cover costs relating to the closure of the landfill as of June 30, 2009. The Administrative Order issued by EPA requires the **Municipality** to obtain financial assurance for post-closure care costs approximately 30 days after finalizing the closure of the landfill. The **Municipality** is currently evaluating the allowable mechanisms to demonstrate financial assurance in order to comply with such requirements.

**Claims**

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

**Compensated Absences**

The GWFS, *Statement of Net Assets*, includes approximately \$4.75 million in the governmental funds and \$118,000 in proprietary funds for the estimated accrued vacation benefits, accrued sick leave benefits and payroll related benefits, representing the **Municipality's** commitment to fund such costs from future operations.

**D. Changes in Long-Term Liabilities**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2009:

DESCRIPTION	BALANCE JULY 1, 2008	NEW ISSUES	RETIREMENTS AND ADJUSTMENTS	BALANCE JUNE 30, 2009	AMOUNTS DUE WITHIN ONE YEAR	AMOUNTS DUE AFTER ONE YEAR
<b>Governmental Funds:</b>						
General	\$ 43,660,000	\$ 3,300,000	\$ (1,825,000)	\$ 45,135,000	\$ 2,025,000	\$ 43,110,000
Special	30,055,143	4,480,073	(1,493,000)	33,042,216	1,107,000	31,935,216
Others	5,672,190	3,723,032	(497,564)	8,897,658	5,633,184	3,264,474
<b>TOTAL</b>	<b>\$ 79,387,333</b>	<b>\$ 11,503,105</b>	<b>\$ (3,815,564)</b>	<b>\$ 87,074,874</b>	<b>\$ 8,765,184</b>	<b>\$ 78,309,690</b>
<b>Proprietary Funds:</b>						
Others	\$ 93,565	\$ 29,831	\$ (5,401)	\$ 117,995	\$ 84,767	\$ 33,228

**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.

11. LONG-TERM LIABILITIES (continuation)

The annual requirements to amortize the long-term liabilities outstanding as of June 30, 2009 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>								
2010	\$ 2,025,000	\$ 2,416,106	\$ 1,107,000	\$ 1,182,177	\$ 5,633,184	\$ 29,255	\$ 8,765,184	\$ 3,627,538
2011	2,070,000	2,625,218	1,472,000	1,489,337	127,377	21,952	3,669,377	4,136,507
2012	1,995,000	2,512,903	1,534,000	1,402,436	71,082	14,242	3,600,082	3,929,580
2013	2,115,000	2,396,892	1,335,000	1,310,811	9,501	11,820	3,459,501	3,719,522
2014	2,280,000	2,272,099	1,385,000	1,224,976	9,501	11,228	3,674,501	3,508,302
2015-2019	9,835,000	9,691,088	6,689,000	4,727,899	47,505	47,278	16,571,505	14,466,265
2020-2024	11,615,000	6,411,860	5,370,000	2,620,596	47,505	32,502	17,032,505	9,064,958
2025-2029	9,160,000	3,005,107	3,060,000	1,289,751	47,505	17,728	12,267,505	4,312,586
2030-2034	4,040,000	590,536	2,150,000	263,476	28,502	3,544	6,218,502	857,559
Unmatured	-	-	8,940,216	-	2,875,996	-	11,816,212	-
<b>TOTAL</b>	<b>\$ 45,135,000</b>	<b>\$ 31,921,809</b>	<b>\$ 33,042,216</b>	<b>\$ 15,511,459</b>	<b>\$ 8,897,658</b>	<b>\$ 189,549</b>	<b>\$ 87,074,874</b>	<b>\$ 47,622,817</b>
<b>Proprietary Funds:</b>								
2010	\$ -	\$ -	\$ -	\$ -	\$ 84,767	\$ -	\$ 84,767	\$ -
2011	-	-	-	-	33,228	-	33,228	-
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 117,995</b>	<b>\$ -</b>	<b>\$ 117,995</b>	<b>\$ -</b>

12. DEBT RETIREMENT

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

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

13. PROPERTY TAXES

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

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

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

The MRCC is responsible for the billing of real property taxes and collections of both, personal and real property taxes on behalf of all the municipalities of Puerto Rico. Prior to the beginning of each fiscal year, the MRCC informs the **Municipality** of the estimated amount of property taxes expected to be collected for the ensuing fiscal year. Throughout the year, the MRCC advances funds to the **Municipality** based on the initial estimated collections. The MRCC is required by law to prepare a settlement statement on a fiscal year basis, whereby a comparison is made between the amounts advanced to the **Municipality** and amounts actually collected from taxpayers. This settlement has to be completed on a preliminary basis not later than three months after fiscal year-end, and a final settlement made not later than six months after year-end. If the MRCC remits to the **Municipality** property taxes advances, which are less than the tax actually collected, a receivable from the MRCC is recorded at June 30. However, if advances exceed the amount actually collected, a borrowing from MRCC is recorded at June 30. The difference between the advances and the final settlement from MRCC for the fiscal year 2009 resulted in a receivable of \$457,690.

### 13. PROPERTY TAXES (continuation)

The tax rate for fiscal year 2009 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 Government and 7.50% and 5.50%, respectively, belongs to the **Municipality**. Taxpayers pay 8.33% for real property and 6.33% for personal property and the remaining 0.20% is paid by the Government's Secretary of the Treasury as a subsidy. The percentages are distributed as follows: (1) 6.00% and 4.00%, respectively, represents the **Municipality's** basic tax rate that is appropriated for general purposes and therefore accounted for through the general fund. A portion of such amount is deposited in an equalization fund together with a percentage of the net revenues of the Puerto Rico electronic lottery and a subsidy from the Government. The remaining portion belonging to the **Municipality** of 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.

On April 2, 2009, the **Municipality** approved an amendment to the real property tax rates in effect for fiscal year beginning on July 1, 2009 as follows: maximum rate of 10.53% for real property of which 1.03% is for the redemption of public debt and 9.50% belongs to the **Municipality**. Taxpayers pay 10.33% and the remaining 0.20% is paid by the Government's Secretary of the Treasury as a subsidy. The 9.50% are distributed as follows: 6.00% represents the **Municipality's** basic tax rate and 3.50% represents the ad-valorem property taxes withheld by the MRCC and restricted for debt service.

The residential units occupied by their owners are exempt from real property taxes on the first \$15,000 assessed value. For such exempted amounts, the Puerto Rico Secretary of the Treasury assumes payment of the basic tax to the **Municipality** (6.00%), except for residential units assessed at less than \$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 Secretary of the Treasury to the **Municipality** was frozen as of January 1, 1992.

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

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

### 14. VOLUME OF BUSINESS TAXES

The volume of business taxes is levied each year based on the prior year's gross revenues for all commercial and industrial organizations doing business in the **Municipality** and which are not totally or partially exempt from this tax under the Industrial Incentives Acts of the Government of Puerto Rico. This is a self-assessed tax based on the business volume in gross sales as shown in the tax return that is due five working days after April 15 of each year. Entities with sales volume of \$1 million or more must include audited financial statements together with the tax return. During the fiscal year ended June 30, 2009, 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, 2009. 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.

In addition, on April 27, 2009, the **Municipality** approved an amendment by the Ordinance No. 66, Series 2008-2009, that imposed to the entities with sales volume in excess of \$5,000, to pay \$25 to cover the cost associated with the supplies and administrative procedures for the expedition of the Patent Certificate.

## 15. SALES AND USE TAXES

On July 29, 2007 Government approved Act No. 80 which amends Act No. 117 of July 4, 2006 to impose to all the municipalities of Puerto Rico uniform municipal sales and use tax of 1.5%. Effective August 1, 2007 1.0% of the 1.5% is collected by the municipalities and the remaining 0.5% is collected by the Puerto Rico Secretary of Treasury (PRST). The act also provides for restrictions on the use of the sales tax, which is required be invested in solid waste and recycling programs, capital improvements and health and public safety costs.

Amount collected by the PRST is deposited in accounts of special funds in GDB, subject to restrictions imposed and distributed as follows: 0.2% will be deposited in a "Municipal Development Fund" to finance costs as restricted by the act; 0.2% will be deposited in a "Municipal Redemption Fund" to finance loans as part of the debt service fund; and 0.1% is retained by Puerto Rico Secretary of Treasury and will be deposited in a "Municipal Improvement Fund" to be assigned by the Legislature for capital improvement projects.

**Municipality** imposes a Sales and Use Taxes 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 Use 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 and Use Taxes receivable represents filed sales tax returns that were collected subsequent to June 30, 2009, but pertaining to the current year period.

## 16. CONSTRUCTION EXCISE TAXES

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

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

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

## 17. INTERGOVERNMENTAL REVENUES

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

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

## 18. PENSION PLAN

### *Description of the Plan*

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

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

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

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

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

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

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

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

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

18. PENSION PLAN (continuation)

**Funding Policy**

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

Contribution requirements are established by law and are as follows:

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

**Annual Contribution**

Total employee contributions to the above-mentioned plans during the year ended June 30, 2009, 2008 and 2007 amounted to approximately \$2,279,417. The **Municipality's** contributions during those years are recognized as total pension expenditures/expenses in the category of administration as follow:

FISCAL YEAR	LAW NO. 447	SYSTEM 2000
2009	\$ 421,420	\$ 443,282
2008	471,981	451,349
2007	468,382	356,091

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

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

19. CONTINGENCIES

**A. Claims and Judgments**

The **Municipality** is, at present, a defendant in a number of legal matters that arise from alleged improper application of policies and negligence in the ordinary course of the **Municipality's** activities. The legal counsel of the **Municipality** has advised that at this stage in the proceedings of lawsuits that an opinion cannot be formed as to the probable outcome, with the exception of various uninsured lawsuits for which our legal counsel estimate in \$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 expenditures financed by grants are subject to program compliance audits by the grantor and passed-through agencies in order to assure compliance with grant requirements. If expenditures are disallowed due to noncompliance with grant program requirements, the **Municipality** may be required to reimburse the grantor or pass-through agencies. The San Juan Office of Community Planning and Development of the US Department of Housing and Urban Development has required the **Municipality** to repay \$183,000 in ineligible use of CDBG funds as of June 30, 2009.

**22. CHANGE IN ACCOUNTING ESTIMATE – LANDFILL OBLIGATION**

As a result of an administrative order issued by EPA, the **Municipality** has increased its estimates for the mandated re-closing and changes in post-closing care of the **Municipality's** landfill. Effective January 22, 2009, the **Municipality** implemented a closure and post-closure care plan with additional costs on a prospective basis with fiscal year 2009 being the first year of implementation. Approximate financial cost impact for 2009 governmental activities is an increase and decrease of \$3.3 million of liabilities and net assets respectively.

**END OF NOTES**

20. COMMITMENTS

A. Operating Leases

The Municipality leases equipment under various operating lease agreements, which generally have terms of one year or less and are automatically renewed for the same term. Rental expenditures/expenses recorded in the general fund for the year ended June 30, 2009, amounted to approximately \$50,000. Management believes that the summary of the future minimum rental commitments under noncancelable real property and equipment lease with terms exceeding one year is not material to the basic financial statements taken as a whole.

B. Construction

The Municipality had commitments at June 30, 2009 of approximately \$9.8 million for the construction, improvements, or renovation of several municipal facilities.

C. Other Commitments

At June 30, 2009, the non-major Special Revenue Funds of Municipal Police Fund had a deficit of \$27,438, and non-major Capital Projects Funds had a deficit of \$252,785 as follows: Ice Skate Arena Third Floor Reimbursement Fund \$19,348, Las Cascadas Hotel Fund \$146,426, and Anthropologic Museum Construction Fund \$87,011. The deficits result from the accrual of expenditures without accruing intergovernmental revenues for reimbursement of expenditures. As required by current standards, the Municipality recorded intergovernmental revenues for reimbursement-based (expenditure-driven) grants on GFFS when all applicable eligibility requirements have been met and the resources are available. Any amount not covered by the corresponding award will be covered with future budgetary appropriations of the general fund, if necessary.

21. NET ASSETS/FUND BALANCES RESTATEMENTS

A. Net Assets Restatements

During the year, the Municipality adjusted the governmental net assets for unrecognized revenues. The following schedule reconciles the June 30, 2008 Net Assets, as previously reported to Beginning Net Assets, as restated, July 1, 2008, for Governmental Activities.

	GOVERNMENTAL ACTIVITIES
Net Assets, as Previously Reported, At June 30, 2008	\$ 120,809,007
Sales & Usage Taxes Revenues from Prior Years	402,529
Adjustment to Head Start Revenue	<u>(320,800)</u>
<b>Beginning Net Assets, as Restated, At July 1, 2008</b>	<b>\$ 120,890,736</b>

B. Fund Balances Restatements

The following reconciles the June 30, 2008 Fund Balance, as previously reported to Beginning Fund Balance, as restated, July 1, 2008 for the various funds:

	CDBG FUND	STREETS AND SIDE WALKS IMPROVEMENT PROJECT FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS
Fund Balance, as Previously Reported, At June 30, 2008	\$ 129,101	\$ 4,257,839	\$ 3,527,330	\$ 15,849,306
Sales & Usage Taxes Revenues from Prior Years	-	-	402,529	-
Reclassification to Other Governmental Funds	<u>(129,101)</u>	<u>(4,257,839)</u>	<u>-</u>	<u>4,386,940</u>
<b>Beginning Fund Balance, as Restated, At July 1, 2008</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,929,859</b>	<b>\$ 20,236,246</b>

# COMBINING FINANCIAL STATEMENTS



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## **SPECIAL REVENUES FUNDS**

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

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

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

**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.

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

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

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

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

## **SPECIAL REVENUES FUNDS**

(continued)

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

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

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

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

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

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

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

## **CAPITAL PROJECTS FUNDS**

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

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

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

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

**CAPITAL PROJECT FUNDS**  
(continued)

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

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

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

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

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

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

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

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

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

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

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

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

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**A**guadilla  
CITY "Garden of the Atlantic"

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	SPECIAL REVENUES FUND	CAPITAL PROJECTS FUND	TOTAL NON-MAJOR FUNDS
<b>ASSETS:</b>			
Cash and Investments .....	\$ 5,167,053	\$ 2,183,300	\$ 7,350,353
Cash with Fiscal Agent .....	-	13,730,629	13,730,629
Intergovernmental Receivables:			
Federal Grants .....	2,766,134	812,447	3,578,581
Sales and Use Taxes .....	223,830	-	223,830
Due from Other Funds .....	270,752	297,247	567,999
Others Receivables .....	287,815	-	287,815
<b>Total Assets .....</b>	<b><u>\$ 8,715,584</u></b>	<b><u>\$ 17,023,623</u></b>	<b><u>\$ 25,739,207</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts Payable .....	\$ 737,943	\$ 564,365	\$ 1,302,308
Due to Other Funds .....	1,512,587	3,446,003	4,958,590
Federal Grants .....	2,239,134	-	2,239,134
<b>Total Liabilities .....</b>	<b><u>4,489,664</u></b>	<b><u>4,010,368</u></b>	<b><u>8,500,032</u></b>
<b>Fund Balances:</b>			
Reserve For:			
Capital Projects .....	-	13,266,040	13,266,040
Special Funds .....	4,253,358	-	4,253,358
Unreserved (Deficit) .....	(27,438)	(252,785)	(280,223)
<b>Total Fund Balances .....</b>	<b><u>4,225,920</u></b>	<b><u>13,013,255</u></b>	<b><u>17,239,175</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES .....</b>	<b><u>\$ 8,715,584</u></b>	<b><u>\$ 17,023,623</u></b>	<b><u>\$ 25,739,207</u></b>

See accompanying Notes to the Basic Financial Statements.

GOVERNMENT OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	SPECIAL REVENUES FUND	CAPITAL PROJECTS FUND	TOTAL NON-MAJOR FUNDS
<b>REVENUES:</b>			
Sales and Use Taxes .....	\$ 2,656,817	\$ -	\$ 2,656,817
Federal Assistances .....	7,107,922	67,398	7,175,320
Intergovernmental .....	356,426	2,663,882	3,020,308
Charges for Services .....	898,503	21,488	919,991
Miscellaneous .....	<u>53,689</u>	<u>506,816</u>	<u>560,505</u>
Total Revenues .....	<u>11,073,357</u>	<u>3,259,584</u>	<u>14,332,941</u>
<b>EXPENDITURES:</b>			
Current:			
General Government .....	1,151,626	97,821	1,249,447
Public Works .....	-	12,400	12,400
Health and Sanitation .....	602,598	-	602,598
Public Instruction .....	566,120	-	566,120
Human Services and Welfare .....	1,614,737	-	1,614,737
Urban Development .....	3,932,426	1,484,978	5,417,404
Capital Outlay .....	<u>1,982,179</u>	<u>9,380,130</u>	<u>11,362,309</u>
Total Expenditures .....	<u>9,849,686</u>	<u>10,975,329</u>	<u>20,825,015</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceed of Bonds .....	-	4,771,073	4,771,073
Transfers – In .....	300,802	1,906,898	2,207,700
Transfers – Out .....	<u>(908,058)</u>	<u>(2,575,712)</u>	<u>(3,483,770)</u>
Total Other Financing Sources and Uses ...	<u>(607,256)</u>	<u>4,102,259</u>	<u>3,495,003</u>
<b>Net Change in Fund Balances .....</b>	<b>616,415</b>	<b>(3,613,486)</b>	<b>(2,997,071)</b>
Fund Balance – Beginning, as Restated .....	<u>3,609,505</u>	<u>16,626,741</u>	<u>20,236,246</u>
<b>FUND BALANCES – ENDING .....</b>	<b><u>\$ 4,225,920</u></b>	<b><u>\$ 13,013,255</u></b>	<b><u>\$ 17,239,175</u></b>

See accompanying Notes to the Basic Financial Statements.

GOVERNMENT OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

COMBINING BALANCE SHEET –  
NON-MAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUES  
JUNE 30, 2009

	STATE ASSIGNMENTS FUND	FEMA FUND	LOAN SURPLUS FUND	BUILDING RENT FUND	MUNICIPAL POLICE FUND	STATE DEPARTMENT OF LABOR FUND
<b>ASSETS:</b>						
Cash and Investments .....	\$ 577,988	\$ 59,849	\$ -	\$ 597,128	\$ 54,881	\$ 86,865
Cash with Fiscal Agent .....	-	-	-	-	-	-
Intergovernmental Receivables:						
Federal Grants .....	-	-	-	-	-	-
Sales and Use Taxes .....	-	-	-	-	-	-
Due from Other Funds .....	-	-	-	-	-	-
Others Receivables .....	-	-	-	10,569	-	49,316
<b>Total Assets .....</b>	<b>\$ 577,988</b>	<b>\$ 59,849</b>	<b>\$ -</b>	<b>\$ 607,697</b>	<b>\$ 54,881</b>	<b>\$ 136,181</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Accounts Payable .....	\$ 22,876	\$ 525	\$ -	\$ 3,187	\$ 385	\$ 3,246
Due to Other Funds .....	41,011	-	-	11,985	81,934	114,545
Deferred Revenues:						
Federal Grants .....	-	-	-	-	-	-
<b>Total Liabilities .....</b>	<b>63,887</b>	<b>525</b>	<b>-</b>	<b>15,172</b>	<b>82,319</b>	<b>117,791</b>
<b>Fund Balances:</b>						
Reserve For:						
Capital Projects .....	-	-	-	-	-	-
Special Funds .....	514,101	59,324	-	592,525	-	18,390
Unreserved (Deficit) .....	-	-	-	-	(27,438)	-
<b>Total Fund Balances .....</b>	<b>514,101</b>	<b>59,324</b>	<b>-</b>	<b>592,525</b>	<b>(27,438)</b>	<b>18,390</b>
<b>TOTAL LIABILITIES AND FUND BALANCES .....</b>	<b>\$ 577,988</b>	<b>\$ 59,849</b>	<b>\$ -</b>	<b>\$ 607,697</b>	<b>\$ 54,881</b>	<b>\$ 136,181</b>

See accompanying Notes to the Basic Financial Statements.

GOVERNMENT OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

COMBINING BALANCE SHEET –  
NON-MAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUES – CONTINUE  
JUNE 30, 2009

	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>ASSETS:</b>						
Cash and Investments .....	\$ 151,087	\$ 1,819	\$ 11,222	\$ 1,151	\$ -	\$ 32,444
Cash with Fiscal Agent .....	-	-	-	-	-	-
Intergovernmental Receivables:						
Federal Grants .....	-	-	-	-	198,916	-
Sales and Use Taxes .....	-	-	-	-	-	-
Due from Other Funds .....	-	-	-	-	-	-
Others Receivables .....	148,731	-	-	-	-	-
<b>Total Assets .....</b>	<b>\$ 299,818</b>	<b>\$ 1,819</b>	<b>\$ 11,222</b>	<b>\$ 1,151</b>	<b>\$ 198,916</b>	<b>\$ 32,444</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Accounts Payable .....	\$ 5,273	\$ -	\$ -	\$ -	\$ 8,864	\$ 500
Due to Other Funds .....	26,157	-	-	-	190,052	-
Deferred Revenues:						
Federal Grants .....	-	-	-	-	-	-
<b>Total Liabilities .....</b>	<b>31,430</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>198,916</b>	<b>500</b>
<b>Fund Balances:</b>						
Reserve For:						
Capital Projects .....	-	-	-	-	-	-
Special Funds .....	268,388	1,819	11,222	1,151	-	31,944
Unreserved (Deficit) .....	-	-	-	-	-	-
<b>Total Fund Balances .....</b>	<b>268,388</b>	<b>1,819</b>	<b>11,222</b>	<b>1,151</b>	<b>-</b>	<b>31,944</b>
<b>TOTAL LIABILITIES AND FUND BALANCES .....</b>	<b>\$ 299,818</b>	<b>\$ 1,819</b>	<b>\$ 11,222</b>	<b>\$ 1,151</b>	<b>\$ 198,916</b>	<b>\$ 32,444</b>

See accompanying Notes to the Basic Financial Statements.

	HOME PROGRAM FUND	WEED & SEED PROGRAM FUND	CENTER FOR THE ELDERLY FUND	AGUADILLA BOWLING ARENA FUND	CHILD CARE FUND	SALES TAX REVENUE FUND
<b>ASSETS:</b>						
Cash and Investments .....	\$ 37,510	\$ -	\$ 199,581	\$ 47,222	\$ 33,660	\$ 2,765,756
Cash with Fiscal Agent .....	-	-	-	-	-	-
Intergovernmental Receivables:						
Federal Grants .....	51,769	-	120,676	-	401,492	-
Sales and Use Taxes .....	-	-	-	-	-	223,380
Due from Other Funds .....	-	-	-	-	-	87,752
Others Receivables .....	-	-	68,549	-	-	-
<b>Total Assets .....</b>	<b>\$ 89,279</b>	<b>\$ -</b>	<b>\$ 388,806</b>	<b>\$ 47,222</b>	<b>\$ 435,152</b>	<b>\$ 3,077,338</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Accounts Payable .....	\$ 86,102	\$ -	\$ 166,484	\$ 9,390	\$ 174,427	\$ 74,730
Due to Other Funds .....	3,177	-	53,459	-	-	954,412
Deferred Revenues:						
Federal Grants .....	-	-	168,863	-	260,725	-
<b>Total Liabilities .....</b>	<b>89,279</b>	<b>-</b>	<b>388,806</b>	<b>9,390</b>	<b>435,152</b>	<b>1,029,142</b>
<b>Fund Balances:</b>						
Reserve For:						
Capital Projects .....	-	-	-	-	-	-
Special Funds .....	-	-	-	37,832	-	2,048,196
Unreserved (Deficit) .....	-	-	-	-	-	-
<b>Total Fund Balances .....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,832</b>	<b>-</b>	<b>2,048,196</b>
<b>TOTAL LIABILITIES AND FUND BALANCES .....</b>	<b>\$ 89,279</b>	<b>\$ -</b>	<b>\$ 388,806</b>	<b>\$ 47,222</b>	<b>\$ 435,152</b>	<b>\$ 3,077,338</b>

GOVERNMENT OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

COMBINING BALANCE SHEET –  
NON-MAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUES – CONTINUE  
JUNE 30, 2009

	SECTION 8 FUND	SBGP FUND	EMERGENCY SHELTER GRANT FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
<b>ASSETS:</b>				
Cash and Investments .....	\$ 443,860	\$ 60,503	\$ 4,527	\$ 5,167,053
Cash with Fiscal Agent .....	-	-	-	-
Intergovernmental Receivables:				
Federal Grants .....	5,224	1,790,896	197,161	2,766,134
Sales and Use Taxes .....	-	-	-	223,830
Due from Other Funds .....	-	183,000	-	270,752
Others Receivables .....	-	10,650	-	287,815
<b>Total Assets .....</b>	<b><u>\$ 449,084</u></b>	<b><u>\$ 2,045,049</u></b>	<b><u>\$ 201,688</u></b>	<b><u>\$ 8,715,584</u></b>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>Liabilities:</b>				
Accounts Payable .....	\$ 43,198	\$ 137,630	\$ 1,126	\$ 737,943
Due to Other Funds .....	10,127	24,829	899	1,512,587
Deferred Revenues:				
Federal Grants .....	-	1,673,789	135,757	2,239,134
<b>Total Liabilities .....</b>	<b><u>53,325</u></b>	<b><u>1,836,248</u></b>	<b><u>137,782</u></b>	<b><u>4,489,664</u></b>
<b>Fund Balances:</b>				
Reserve For:				
Capital Projects .....	-	-	-	-
Special Funds .....	395,759	208,801	63,906	4,253,358
Unreserved (Deficit) .....	-	-	-	(27,438)
<b>Total Fund Balances .....</b>	<b><u>395,759</u></b>	<b><u>208,801</u></b>	<b><u>63,906</u></b>	<b><u>4,225,920</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES .....</b>	<b><u>\$ 449,084</u></b>	<b><u>\$ 2,045,049</u></b>	<b><u>\$ 201,688</u></b>	<b><u>\$ 8,715,584</u></b>

See accompanying Notes to the Basic Financial Statements.

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – NON-MAJOR GOVERNMENTAL  
FUNDS – SPECIAL REVENUES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

	STATE ASSIGNMENTS FUND	FEMA FUND	LOAN SURPLUS FUND	BUILDING RENT FUND	MUNICIPAL POLICE FUND	STATE DEPARTMENT OF LABOR FUND
<b>REVENUES:</b>						
Sales and Use Taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Assistances .....	-	-	-	-	-	-
Intergovernmental .....	70,500	-	-	-	-	166,786
Charges for Services .....	-	-	-	309,214	8,615	-
Miscellaneous .....	-	-	-	-	-	-
<b>Total Revenues.....</b>	<b><u>70,500</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>309,214</u></b>	<b><u>8,615</u></b>	<b><u>166,786</u></b>
<b>EXPENDITURES:</b>						
Current:						
General Government .....	29,910	16,790	1,312	208,358	34,995	89,517
Public Works .....	-	-	-	-	-	-
Health and Sanitation .....	-	-	-	-	-	-
Public Instruction .....	-	-	-	-	-	-
Human Services and Welfare .....	-	-	-	-	-	14,999
Urban Development.....	-	-	-	12,922	-	-
Capital Outlay.....	<u>74,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures.....</b>	<b><u>104,022</u></b>	<b><u>16,790</u></b>	<b><u>1,312</u></b>	<b><u>221,280</u></b>	<b><u>34,995</u></b>	<b><u>104,516</u></b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceed of Bonds .....	-	-	-	-	-	-
Transfers – In.....	-	-	-	-	-	1,601
Transfers – Out.....	-	-	(108,655)	(127,463)	-	-
<b>Total Other Financing Sources and Uses.....</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>(108,655)</u></b>	<b><u>(127,463)</u></b>	<b><u>-</u></b>	<b><u>1,601</u></b>
<b>Net Change in Fund Balances .....</b>	<b>(33,522)</b>	<b>(16,790)</b>	<b>(109,967)</b>	<b>(39,529)</b>	<b>(26,380)</b>	<b>63,871</b>
Fund Balance – Beginning, as Restated.....	<u>547,623</u>	<u>76,114</u>	<u>109,967</u>	<u>632,054</u>	<u>(1,058)</u>	<u>(45,481)</u>
<b>FUND BALANCES – ENDING .....</b>	<b><u>\$ 514,101</u></b>	<b><u>\$ 59,324</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 592,525</u></b>	<b><u>\$ (27,438)</u></b>	<b><u>\$ 18,390</u></b>

See accompanying Notes to the Basic Financial Statements.

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – NON-MAJOR GOVERNMENTAL  
FUNDS – SPECIAL REVENUES – CONTINUE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

	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>						
Sales and Use Taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Assistanes .....	-	-	-	-	582,189	-
Intergovernmental .....	-	-	-	-	-	-
Charges for Services .....	495,723	5,785	-	11,539	-	-
Miscellaneous .....	-	-	-	-	-	5,955
<b>Total Revenues.....</b>	<b>495,723</b>	<b>5,785</b>	<b>-</b>	<b>11,539</b>	<b>582,189</b>	<b>5,955</b>
<b>EXPENDITURES:</b>						
Current:						
General Government .....	372,308	5,785	839	22,706	2,029	778
Public Works .....	-	-	-	-	-	-
Health and Sanitation .....	42,228	-	-	-	-	-
Public Instruction .....	-	-	-	-	-	-
Human Services and Welfare .....	-	-	-	-	-	-
Urban Development.....	-	-	-	-	-	9,172
Capital Outlay.....	-	-	-	-	581,060	-
<b>Total Expenditures.....</b>	<b>414,536</b>	<b>5,785</b>	<b>839</b>	<b>22,706</b>	<b>583,089</b>	<b>9,950</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceed of Bonds .....	-	-	-	-	-	-
Transfers – In.....	-	-	-	-	-	6,640
Transfers – Out.....	-	-	(1,601)	-	-	-
<b>Total Other Financing Sources and Uses.....</b>	<b>-</b>	<b>-</b>	<b>(1,601)</b>	<b>-</b>	<b>-</b>	<b>6,640</b>
<b>Net Change in Fund Balances.....</b>	<b>81,187</b>	<b>-</b>	<b>(2,440)</b>	<b>(11,167)</b>	<b>(900)</b>	<b>2,645</b>
Fund Balance – Beginning, as Restated.....	187,201	1,819	13,662	12,318	900	29,299
<b>FUND BALANCES – ENDING.....</b>	<b>\$ 268,388</b>	<b>\$ 1,819</b>	<b>\$ 11,222</b>	<b>\$ 1,151</b>	<b>\$ -</b>	<b>\$ 31,944</b>

See accompanying Notes to the Basic Financial Statements.

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – NON-MAJOR GOVERNMENTAL  
FUNDS – SPECIAL REVENUES – CONTINUE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

	HOME PROGRAM FUND	WEED & SEED PROGRAM FUND	CENTER FOR THE ELDERLY FUND	AGUADILLA BOWLING ARENA FUND	CHILD CARE FUND	SALES TAX REVENUE FUND
<b>REVENUES:</b>						
Sales and Use Taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,656,817
Federal Assistances .....	1,407,089	-	345,171	-	566,120	-
Intergovernmental .....	-	-	119,140	-	-	-
Charges for Services .....	-	-	-	67,627	-	-
Miscellaneous .....	-	9,978	26,133	-	-	-
<b>Total Revenues.....</b>	<b>1,407,089</b>	<b>9,978</b>	<b>490,444</b>	<b>67,627</b>	<b>566,120</b>	<b>2,656,817</b>
<b>EXPENDITURES:</b>						
Current:						
General Government .....	46,834	-	-	29,795	-	75,523
Public Works .....	-	-	-	-	-	-
Health and Sanitation .....	-	-	-	-	-	560,370
Public Instruction .....	-	-	-	-	566,120	-
Human Services and Welfare .....	-	-	490,444	-	-	-
Urban Development.....	1,399,007	-	-	-	-	346,518
Capital Outlay.....	-	-	-	-	-	981,501
<b>Total Expenditures.....</b>	<b>1,445,841</b>	<b>-</b>	<b>490,444</b>	<b>29,795</b>	<b>566,120</b>	<b>1,963,912</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceed of Bonds .....	-	-	-	-	-	-
Transfers – In.....	-	-	-	-	-	-
Transfers – Out.....	-	-	-	-	-	(17,909)
<b>Total Other Financing Sources and Uses.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17,909)</b>
<b>Net Change in Fund Balances.....</b>	<b>(38,752)</b>	<b>9,978</b>	<b>-</b>	<b>37,832</b>	<b>-</b>	<b>674,996</b>
Fund Balance – Beginning, as Restated.....	38,752	(9,978)	-	-	-	1,373,200
<b>FUND BALANCES – ENDING.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 37,832</b>	<b>\$ -</b>	<b>\$ 2,048,196</b>

See accompanying Notes to the Basic Financial Statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE – NON-MAJOR GOVERNMENTAL  
 FUNDS – SPECIAL REVENUES – CONTINUE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

GOVERNMENT OF PUERTO RICO  
 MUNICIPALITY OF AGUADILLA, PUERTO RICO

	SECTION 8 FUND	SBGP FUND	EMERGENCY SHELTER GRANT FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
<b>REVENUES:</b>				
Sales and Use Taxes.....	\$ -	\$ -	\$ -	\$ 2,656,817
Federal Assistances .....	1,167,667	2,921,668	118,018	7,107,922
Intergovernmental .....	-	-	-	356,426
Charges for Services .....	-	-	-	898,503
Miscellaneous .....	<u>11,623</u>	<u>-</u>	<u>-</u>	<u>53,689</u>
Total Revenues .....	<u>1,179,290</u>	<u>2,921,668</u>	<u>118,018</u>	<u>11,073,357</u>
<b>EXPENDITURES:</b>				
Current:				
General Government .....	128,411	72,586	13,150	1,151,626
Public Works .....	-	-	-	-
Health and Sanitation .....	-	-	-	602,598
Public Instruction .....	-	-	-	566,120
Human Services and Welfare .....	1,109,294	-	-	1,614,737
Urban Development .....	-	2,064,517	100,290	3,932,426
Capital Outlay .....	<u>-</u>	<u>344,996</u>	<u>510</u>	<u>1,982,179</u>
Total Expenditures .....	<u>1,237,705</u>	<u>2,482,099</u>	<u>113,950</u>	<u>9,849,686</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceed of Bonds .....	-	-	-	-
Transfers – In .....	-	292,561	-	300,802
Transfers – Out .....	<u>-</u>	<u>(652,430)</u>	<u>-</u>	<u>(908,058)</u>
Total Other Financing Sources and Uses .....	<u>-</u>	<u>(359,869)</u>	<u>-</u>	<u>(607,256)</u>
<b>Net Change in Fund Balances .....</b>	<b>(58,415)</b>	<b>79,700</b>	<b>4,068</b>	<b>616,415</b>
Fund Balance – Beginning, as Restated .....	<u>454,174</u>	<u>129,101</u>	<u>59,838</u>	<u>3,609,505</u>
<b>FUND BALANCES – ENDING .....</b>	<b>\$ <u>395,759</u></b>	<b>\$ <u>208,801</u></b>	<b>\$ <u>63,906</u></b>	<b>\$ <u>4,225,920</u></b>

See accompanying Notes to the Basic Financial Statements.

GOVERNMENT OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

COMBINING BALANCE SHEET –  
NON MAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS  
JUNE 30, 2009

	CONSTRUCTION & IMPROVEMENT OF RECREATIONAL FACILITIES FUND	SCHOOL IMPROVEMENT FUND	RAMEY SKATE PARK PROJECT FUND	MUNICIPAL LIBRARIES FUND	FOUNTAIN OF YOUTH PROJECT FUND
<b>ASSETS:</b>					
Cash and Investments .....	\$ 1,084,656	\$ 115,631	\$ 111,857	\$ 6,644	\$ -
Cash with Fiscal Agent .....	77,245	-	2,106	233,515	737,477
Intergovernmental Receivables:					
Federal Grants .....	-	-	-	-	-
Sales and Use Taxes .....	-	-	-	-	-
Due from Other Funds .....	136,952	-	20,911	-	-
Others Receivables .....	-	-	-	-	-
<b>Total Assets .....</b>	<b>\$ 1,298,853</b>	<b>\$ 115,631</b>	<b>\$ 134,874</b>	<b>\$ 240,159</b>	<b>\$ 737,477</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts Payable .....	\$ 91,304	\$ -	\$ 371	\$ 21	\$ 28,962
Due to Other Funds .....	356,429	-	59,091	-	114,477
Deferred Revenues:					
Federal Grants .....	-	-	-	-	-
<b>Total Liabilities .....</b>	<b>447,733</b>	<b>-</b>	<b>59,462</b>	<b>21</b>	<b>143,439</b>
<b>Fund Balances:</b>					
Reserve For:					
Capital Projects .....	-	-	-	-	-
Special Funds .....	851,120	115,631	75,412	240,138	594,038
Unreserved (Deficit) .....	-	-	-	-	-
<b>Total Fund Balances .....</b>	<b>851,120</b>	<b>115,631</b>	<b>75,412</b>	<b>240,138</b>	<b>594,038</b>
<b>TOTAL LIABILITIES AND FUND BALANCES .....</b>	<b>\$ 1,298,853</b>	<b>\$ 115,631</b>	<b>\$ 134,874</b>	<b>\$ 240,159</b>	<b>\$ 737,477</b>

See accompanying Notes to the Basic Financial Statements.

GOVERNMENT OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

COMBINING BALANCE SHEET –  
NON-MAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS – CONTINUE  
JUNE 30, 2009

	VEHICLES AND PROPERTY ACQUISITION FUND	STREETS AND SIDEWALKS IMPROVEMENT PROJECTS FUND	MUNICIPAL COURTHOUSE CONSTRUCTION FUND	CLOCK TOWER CONSTRUCTION FUND	ACTIVITY CENTER CONSTRUCTION FUND
<b>ASSETS:</b>					
Cash and Investments .....	\$ -	\$ 735,432	\$ -	\$ -	\$ -
Cash with Fiscal Agent .....	22,955	2,538,856	1,982,650	76,670	225,174
Intergovernmental Receivables:					
Federal Grants .....	-	749,641	-	-	-
Sales and Use Taxes .....	-	-	-	-	-
Due from Other Funds .....	-	139,384	-	-	-
Others Receivables .....	-	-	-	-	-
<b>Total Assets .....</b>	<b>\$ 22,955</b>	<b>\$ 4,163,313</b>	<b>\$ 1,982,650</b>	<b>\$ 76,670</b>	<b>\$ 225,174</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts Payable .....	\$ 2,280	\$ 286,959	\$ 49,955	\$ -	\$ -
Due to Other Funds .....	7,454	1,552,551	87,752	-	-
Deferred Revenues:					
Federal Grants .....	-	-	-	-	-
<b>Total Liabilities .....</b>	<b>9,734</b>	<b>1,839,510</b>	<b>137,707</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>					
Reserve For:					
Capital Projects .....	13,221	2,323,803	1,844,943	76,670	225,174
Special Funds .....	-	-	-	-	-
Unreserved (Deficit) .....	-	-	-	-	-
<b>Total Fund Balances .....</b>	<b>13,221</b>	<b>2,323,803</b>	<b>1,844,943</b>	<b>76,670</b>	<b>225,174</b>
<b>TOTAL LIABILITIES AND FUND BALANCES .....</b>	<b>\$ 22,955</b>	<b>\$ 4,163,313</b>	<b>\$ 1,982,650</b>	<b>\$ 76,670</b>	<b>\$ 225,174</b>

See accompanying Notes to the Basic Financial Statements.

GOVERNMENT OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

COMBINING BALANCE SHEET –  
NON-MAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS – CONTINUE  
JUNE 30, 2009

	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
<b>ASSETS:</b>					
Cash and Investments .....	\$ -	\$ -	\$ 99,999	\$ 29,081	\$ -
Cash with Fiscal Agent .....	10,937	-	1,649,004	-	18,245
Intergovernmental Receivables:					
Federal Grants .....	-	-	-	-	-
Sales and Use Taxes .....	-	-	-	-	-
Due from Other Funds .....	-	-	-	-	-
Others Receivables .....	-	-	-	-	-
<b>Total Assets .....</b>	<b>\$ 10,937</b>	<b>\$ -</b>	<b>\$ 1,749,003</b>	<b>\$ 29,081</b>	<b>\$ 18,245</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts Payable .....	\$ -	\$ -	\$ 441	\$ 1,011	\$ 22,746
Due to Other Funds .....	-	146,426	-	-	14,847
Deferred Revenues:					
Federal Grants .....	-	-	-	-	-
<b>Total Liabilities .....</b>	<b>-</b>	<b>146,426</b>	<b>441</b>	<b>1,011</b>	<b>37,593</b>
<b>Fund Balances:</b>					
Reserve For:					
Capital Projects .....	10,937	-	1,748,562	28,070	-
Special Funds .....	-	-	-	-	-
Unreserved (Deficit) .....	-	(146,426)	-	-	(19,348)
<b>Total Fund Balances .....</b>	<b>10,937</b>	<b>(146,426)</b>	<b>1,748,562</b>	<b>28,070</b>	<b>(19,348)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES .....</b>	<b>\$ 10,937</b>	<b>\$ -</b>	<b>\$ 1,749,003</b>	<b>\$ 29,081</b>	<b>\$ 18,245</b>

See accompanying Notes to the Basic Financial Statements.

GOVERNMENT OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

COMBINING BALANCE SHEET –  
NON-MAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS – CONTINUE  
JUNE 30, 2009

	CITY HALL ANNEX CONSTRUCTION FUND	CONVENTION CENTER CONSTRUCTION FUND	ART CENTER CONSTRUCTION FUND	ANTHROPOLOGIC MUSEUM CONSTRUCTION FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
<b>ASSETS:</b>					
Cash and Investments .....	\$ -	\$ -	\$ -	\$ -	\$ 2,183,300
Cash with Fiscal Agent .....	5,138,237	1,005,065	7,144	5,349	13,730,629
Intergovernmental Receivables:					
Federal Grants .....	-	-	-	62,806	812,447
Sales and Use Taxes .....	-	-	-	-	-
Due from Other Funds .....	-	-	-	-	297,247
Others Receivables .....	-	-	-	-	-
<b>Total Assets .....</b>	<b>\$ 5,138,237</b>	<b>\$ 1,005,065</b>	<b>\$ 7,144</b>	<b>\$ 68,155</b>	<b>\$ 17,023,623</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts Payable .....	\$ 12,625	\$ -	\$ -	\$ 67,690	\$ 564,365
Due to Other Funds .....	19,500	1,000,000	-	87,476	3,446,003
Deferred Revenues:					
Federal Grants .....	-	-	-	-	-
<b>Total Liabilities .....</b>	<b>32,125</b>	<b>1,000,000</b>	<b>-</b>	<b>155,166</b>	<b>4,010,368</b>
<b>Fund Balances:</b>					
Reserve For:					
Capital Projects .....	5,106,112	5,065	7,144	-	13,266,040
Special Funds .....	-	-	-	-	-
Unreserved (Deficit) .....	-	-	-	(87,011)	(252,785)
<b>Total Fund Balances .....</b>	<b>5,106,112</b>	<b>5,065</b>	<b>7,144</b>	<b>(87,011)</b>	<b>13,013,255</b>
<b>TOTAL LIABILITIES AND FUND BALANCES .....</b>	<b>\$ 5,138,237</b>	<b>\$ 1,005,065</b>	<b>\$ 7,144</b>	<b>\$ 68,155</b>	<b>\$ 17,023,623</b>

See accompanying Notes to Basic Financial Statements.

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – NON-MAJOR GOVERNMENTAL  
FUNDS – CAPITAL PROJECTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

	CONSTRUCTION & IMPROVEMENT OF RECREATIONAL FACILITIES FUND	SCHOOL IMPROVEMENT FUND	RAMEY SKATE PARK PROJECT FUND	MUNICIPAL LIBRARIES FUND	FOUNTAIN OF YOUTH PROJECT FUND
<b>REVENUES:</b>					
Sales and Use Taxes .....	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Assistances .....	67,398	-	-	-	-
Intergovernmental .....	1,063,882	-	-	-	-
Charges for Services .....	-	-	-	-	-
Miscellaneous .....	<u>27,921</u>	<u>1,972</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues .....	<u>1,159,201</u>	<u>1,972</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES:</b>					
Current:					
General Government .....	69,651	2,158	-	593	-
Public Works .....	-	-	-	-	-
Health and Sanitation .....	-	-	-	-	-
Public Instruction .....	-	-	-	-	-
Human Services and Welfare .....	-	-	-	-	-
Urban Development .....	67,398	-	-	-	-
Capital Outlay .....	<u>702,560</u>	<u>-</u>	<u>-</u>	<u>193,537</u>	<u>763,280</u>
Total Expenditures .....	<u>839,609</u>	<u>2,158</u>	<u>-</u>	<u>194,130</u>	<u>763,280</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceed of Bonds .....	-	-	-	185,000	-
Transfers – In .....	83,952	-	-	-	907,934
Transfers – Out .....	<u>(1,045,275)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources and Uses .....	<u>(961,323)</u>	<u>-</u>	<u>-</u>	<u>185,000</u>	<u>907,934</u>
<b>Net Change in Fund Balances .....</b>	<b>(641,731)</b>	<b>(186)</b>	<b>-</b>	<b>(9,130)</b>	<b>144,654</b>
Fund Balance – Beginning, as Restated .....	<u>1,492,851</u>	<u>115,817</u>	<u>75,412</u>	<u>249,268</u>	<u>449,384</u>
<b>FUND BALANCES – ENDING .....</b>	<b>\$ <u>851,120</u></b>	<b>\$ <u>115,631</u></b>	<b>\$ <u>75,412</u></b>	<b>\$ <u>240,138</u></b>	<b>\$ <u>594,038</u></b>

See accompanying Notes to the Basic Financial Statements.

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – NON-MAJOR GOVERNMENTAL  
FUNDS – CAPITAL PROJECTS – CONTINUE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

GOVERNMENT OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

	VEHICLES AND PROPERTY ACQUISITION FUND	STREETS AND SIDEWALKS IMPROVEMENT PROJECTS FUND	MUNICIPAL COURTHOUSE CONSTRUCTION FUND	CLOCK TOWER CONSTRUCTION FUND	ACTIVITY CENTER CONSTRUCTION FUND
<b>REVENUES:</b>					
Sales and Use Taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Assistanes .....	-	-	-	-	-
Intergovernmental .....	-	900,000	-	-	-
Charges for Services .....	-	-	-	-	-
Miscellaneous .....	-	476,923	-	-	-
<b>Total Revenues .....</b>	<b>-</b>	<b>1,376,923</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURES:</b>					
Current:					
General Government .....	-	2,203	-	-	-
Public Works .....	-	-	-	-	-
Health and Sanitation .....	-	-	-	-	-
Public Instruction .....	-	-	-	-	-
Human Services and Welfare .....	-	-	-	-	-
Urban Development .....	-	690,292	-	-	-
Capital Outlay .....	13,984	2,228,323	530,694	-	137,251
<b>Total Expenditures .....</b>	<b>13,984</b>	<b>2,920,818</b>	<b>530,694</b>	<b>-</b>	<b>137,251</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceed of Bonds .....	-	400,976	-	-	-
Transfers – In .....	-	732,862	-	-	-
Transfers – Out .....	-	(1,523,979)	-	-	-
<b>Total Other Financing Sources and Uses .....</b>	<b>-</b>	<b>(390,141)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances .....</b>	<b>(13,984)</b>	<b>(1,934,036)</b>	<b>(530,694)</b>	<b>-</b>	<b>(137,251)</b>
Fund Balance – Beginning, as Restated .....	27,205	4,257,839	2,375,637	76,670	362,425
<b>FUND BALANCES – ENDING .....</b>	<b>\$ 13,221</b>	<b>\$ 2,323,803</b>	<b>\$ 1,844,943</b>	<b>\$ 76,670</b>	<b>\$ 225,174</b>

See accompanying Notes to the Basic Financial Statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE – NON-MAJOR GOVERNMENTAL  
 FUNDS – CAPITAL PROJECTS – CONTINUE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

GOVERNMENT OF PUERTO RICO  
 MUNICIPALITY OF AGUADILLA, PUERTO RICO

	COMMERCIAL PROPERTY ACQUISITION FUND	LAS CASCADAS HOTEL FUND	ROADS CONSTRUCTION & IMPROVEMENT FUND	RAMEY SKATE PARK GAZEBO RENT INCOME FUND	ICE SKATE ARENA THIRD FLOOR REIMBURSEMENT FUND
<b>REVENUES:</b>					
Sales and Use Taxes .....	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Assistances .....	-	-	-	-	-
Intergovernmental .....	-	-	200,000	-	-
Charges for Services .....	-	-	-	21,488	-
Miscellaneous .....	-	-	-	-	-
<b>Total Revenues .....</b>	<b>-</b>	<b>-</b>	<b>200,000</b>	<b>21,488</b>	<b>-</b>
<b>EXPENDITURES:</b>					
Current:					
General Government .....	-	-	-	10,425	-
Public Works .....	-	-	12,400	-	-
Health and Sanitation .....	-	-	-	-	-
Public Instruction .....	-	-	-	-	-
Human Services and Welfare .....	-	-	-	-	-
Urban Development .....	-	-	727,288	-	-
Capital Outlay .....	-	157,447	18,000	10,425	74,203
<b>Total Expenditures .....</b>	<b>-</b>	<b>157,447</b>	<b>757,688</b>	<b>10,425</b>	<b>74,203</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceed of Note .....	-	-	-	-	-
Transfers – In .....	-	157,447	-	-	24,703
Transfers – Out .....	-	-	-	-	(6,458)
<b>Total Other Financing Sources and Uses .....</b>	<b>-</b>	<b>157,447</b>	<b>-</b>	<b>-</b>	<b>18,245</b>
<b>Net Change in Fund Balances .....</b>	<b>-</b>	<b>-</b>	<b>(557,688)</b>	<b>11,063</b>	<b>(55,958)</b>
Fund Balance – Beginning, as Restated .....	10,937	(146,426)	2,306,250	17,007	36,610
<b>FUND BALANCES – ENDING .....</b>	<b>\$ 10,937</b>	<b>\$ (146,426)</b>	<b>\$ 1,748,562</b>	<b>\$ 28,070</b>	<b>\$ (19,348)</b>

See accompanying Notes to the Basic Financial Statements.

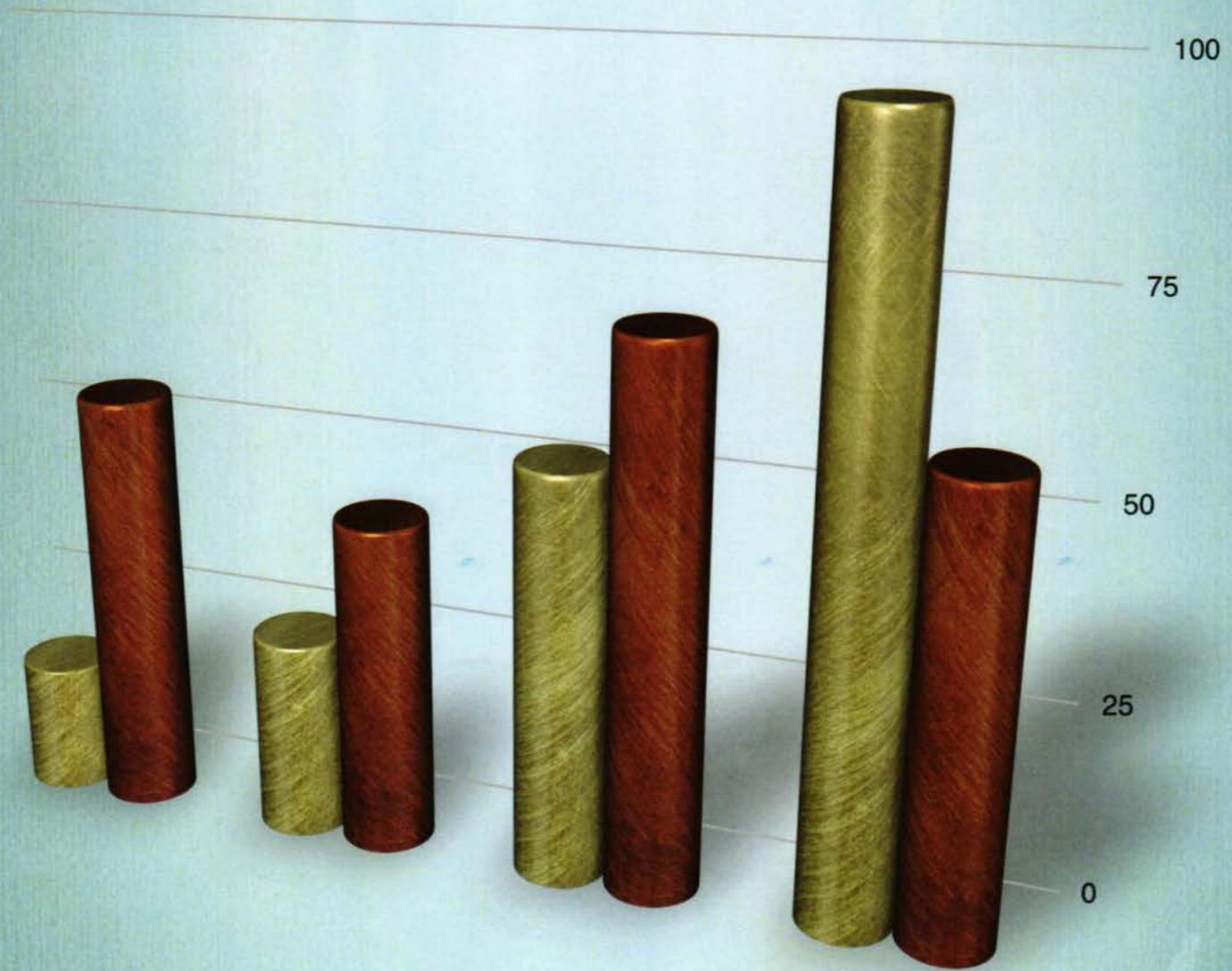
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – NON-MAJOR GOVERNMENTAL  
FUNDS – CAPITAL PROJECTS – CONTINUE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

GOVERNMENT OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

	CITY HALL ANNEX CONSTRUCTION FUND	CONVENTION CENTER CONSTRUCTION FUND	ART CENTER CONSTRUCTION FUND	ANTHROPOLOGIC MUSEUM CONSTRUCTION FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
<b>REVENUES:</b>					
Sales and Use Taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Assistances .....	-	-	-	-	67,398
Intergovernmental .....	-	-	500,000	-	2,663,882
Charges for Services .....	-	-	-	-	21,488
Miscellaneous .....	-	-	-	-	506,816
Total Revenues.....	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>3,259,584</u>
<b>EXPENDITURES:</b>					
Current:					
General Government .....	-	4,935	7,856	-	97,821
Public Works .....	-	-	-	-	12,400
Health and Sanitation .....	-	-	-	-	-
Public Instruction .....	-	-	-	-	-
Human Services and Welfare .....	-	-	-	-	-
Urban Development.....	-	-	-	-	1,484,978
Capital Outlay.....	<u>33,743</u>	<u>1,150,000</u>	<u>2,220,000</u>	<u>1,157,108</u>	<u>9,380,130</u>
Total Expenditures.....	<u>33,743</u>	<u>1,154,935</u>	<u>2,227,856</u>	<u>1,157,108</u>	<u>10,975,329</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceed of Note.....	220,000	1,160,000	1,735,000	1,070,097	4,771,073
Transfers – In.....	-	-	-	-	1,906,898
Transfers – Out.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,575,712)</u>
Total Other Financing Sources and Uses.....	<u>220,000</u>	<u>1,160,000</u>	<u>1,735,000</u>	<u>1,070,097</u>	<u>4,102,259</u>
<b>Net Change in Fund Balances .....</b>	<b>186,257</b>	<b>5,065</b>	<b>7,144</b>	<b>(87,011)</b>	<b>(3,613,486)</b>
Fund Balance – Beginning, as Restated.....	<u>4,919,855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,626,741</u>
<b>FUND BALANCES – ENDING .....</b>	<b>\$ <u>5,106,112</u></b>	<b>\$ <u>5,065</u></b>	<b>\$ <u>7,144</u></b>	<b>\$ <u>(87,011)</u></b>	<b>\$ <u>13,013,255</u></b>

See accompanying Notes to the Basic Financial Statements.

# STATISTICAL SECTION



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## STATISTICAL SECTION

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

### FINANCIAL TRENDS

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

#### Entity Wide Perspective

Net Assets Trend by Component for the Last Seven Fiscal Years (Primary Government) .....	84
Net Assets Trend by Component for the Last Seven Fiscal Years (Governmental Activities).....	85
Net Assets Trend by Component for the Last Four Fiscal Years (Business-Type Activities) .....	86
Net Assets' Change Trend for the Last Seven Fiscal Years (Primary Government) .....	87- 88
Net Assets' Change Trend for the Last Seven Fiscal Years (Governmental Activities).....	89- 90
Net Assets' Change Trend for the Last Four Fiscal Years (Business-Type Activities) .....	91

#### Fund Perspective

Fund Balance for the Last Ten Fiscal Years (Governmental Activities) .....	92
Changes in Fund Balance for the Last Ten Fiscal Years (Governmental Activities) .....	93- 94

### REVENUE CAPACITY

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

Assessed Value of Taxable Property for the Last Ten Fiscal Years.....	95- 96
Property Taxes Rates for the Last Ten Fiscal Years.....	97
Property Taxes – Largest Tax Payers Current Year and Nine Years Ago .....	98
Property Taxes Levied and Collections for the Last Ten Fiscal Years .....	99
Volume of Business Taxpayers by Income Level for the Last Ten Fiscal Years .....	100-103
Volume of Business Taxes Rates for the Last Ten Fiscal Years.....	104

## DEBT CAPACITY

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

Outstanding Debts by Type for the Last Ten Fiscal Years .....	105
Debt Ratios for the Last Ten Fiscal Years .....	106-108
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures for the Last Ten Fiscal Years .....	109
Ratios of General Bonded Debt Outstanding for the Last Ten Fiscal Years .....	110
Computation of Legal Debt Margin for the Fiscal Year Ended June 30, 2009 .....	111
Legal Debt Margin Information for the Last Ten Fiscal Years .....	112

## DEMOGRAPHIC INFORMATION

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

Demographic and Economic Statistics for the Last Ten Fiscal Years .....	113
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## OPERATING INFORMATION

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

Number of Regular Employees by Function for the Last Ten Fiscal Years .....	114
Capital Assets Statistics by Function for the Last Ten Fiscal Years .....	116

	<u>2009<sup>(b)</sup></u>	<u>2008<sup>(a)</sup></u>	<u>2007<sup>(a)</sup></u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>NET ASSETS:</b>							
Investment in Capital Assets, Net of Related Debt	\$ 103,624,409	\$ 99,290,451	\$ 105,675,025	\$ 80,151,494	\$ 45,180,649	\$ 48,840,015	\$ 39,924,949
Restricted	22,685,538	25,557,280	17,932,162	18,251,736	42,823,268	30,418,744	14,826,947
Unrestricted	<u>1,974,089</u>	<u>7,400,958</u>	<u>6,010,803</u>	<u>5,261,097</u>	<u>1,965,950</u>	<u>5,658,968</u>	<u>2,645,023</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 128,284,036</u></b>	<b><u>\$ 132,248,689</u></b>	<b><u>\$ 129,617,990</u></b>	<b><u>\$ 103,664,327</u></b>	<b><u>\$ 89,969,867</u></b>	<b><u>\$ 84,917,727</u></b>	<b><u>\$ 57,396,919</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 the recognition of Landfill Closure and Post-Closure Care Costs Liability.

	<u>2009</u> <sup>(b)</sup>	<u>2008</u> <sup>(a)</sup>	<u>2007</u> <sup>(a)</sup>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>NET ASSETS:</b>							
Investment in Capital Assets, Net of Related Debt	\$ 93,488,171	\$ 89,487,550	\$ 95,839,734	\$ 70,068,980	\$ 45,180,649	\$ 48,840,015	\$ 39,924,949
Restricted	22,685,538	25,557,280	17,932,162	18,251,736	42,823,268	30,418,744	14,826,947
Unrestricted	<u>1,514,047</u>	<u>5,845,906</u>	<u>5,090,366</u>	<u>3,766,767</u>	<u>1,965,950</u>	<u>5,658,968</u>	<u>2,645,023</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 117,687,756</u></b>	<b><u>\$ 120,890,736</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>

**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 the recognition of Landfill Closure and Post-Closure Care Costs Liability.

	<u>2009</u>		<u>2008</u>		<u>2007</u>		<u>2006</u>	
	AGUADILLA'S WATERFALLS AQUATIC PARK <sup>(a)</sup>	AGUADILLA ICE SKATING ARENA	AGUADILLA'S WATERFALLS AQUATIC PARK	AGUADILLA ICE SKATING ARENA	AGUADILLA'S WATERFALLS AQUATIC PARK <sup>(a)</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	\$ 3,943,828	\$ 6,192,410	\$ 4,052,196	\$ 5,750,705	\$ 4,080,048	\$ 5,755,243	\$ 4,211,713	\$ 5,870,801
Unrestricted	<u>366,765</u>	<u>93,277</u>	<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>\$ 4,310,593</u></b>	<b><u>\$ 6,285,687</u></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 created the Enterprise Funds for Fiscal Year 2006.

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>EXPENSES BY FUNCTIONS/PROGRAMS</b>							
Mayor and Municipal Legislature	\$ 2,243,847	\$ 1,514,767	\$ 1,549,319	\$ 1,455,224	\$ 1,572,271	\$ 2,588,597	\$ 2,612,215
General Government	17,416,165	18,759,422	18,433,566	17,639,130	18,691,822	12,285,179	10,973,910
Public Safety	1,845,635	1,763,964	1,666,842	1,776,161	1,712,299	1,626,191	1,593,075
Public Works	1,821,141	1,858,104	1,874,964	1,800,400	1,858,805	1,679,448	1,852,132
Culture and Recreation	3,806,731 <sup>(a)</sup>	3,235,297 <sup>(a)</sup>	3,426,005 <sup>(a)</sup>	3,707,508 <sup>(a)</sup>	3,214,666 <sup>(a)</sup>	2,571,398 <sup>(a)</sup>	1,750,877 <sup>(a)</sup>
Health and Sanitation	7,517,663 <sup>(c)</sup>	4,046,193	3,057,282	2,135,284	3,434,882	3,670,056	3,551,255
Public Instruction	5,371,819	6,046,261	5,381,175	7,057,884	5,509,806	5,831,190	6,048,666
Human Services and Welfare	5,090,701	4,792,506	5,582,451	4,780,771	4,991,988	4,426,804	4,273,982
Urban Development	13,031,468 <sup>(d)</sup>	4,222,382	4,826,215	4,905,990	1,897,109	5,274,018	4,075,892
Loss on disposition of Asset	57,393	-	135,122	-	-	-	-
Interest on Long-Term Debt	<u>3,804,291</u>	<u>2,572,880</u>	<u>2,544,588</u>	<u>2,359,767</u>	<u>2,065,212</u>	<u>1,341,702</u>	<u>1,665,337</u>
<b>TOTAL EXPENSES</b>	<u>62,006,854</u>	<u>48,811,776</u>	<u>48,477,529</u>	<u>47,618,119</u>	<u>44,948,860</u>	<u>41,294,583</u>	<u>38,397,341</u>
<b>PROGRAM REVENUES</b>							
Charges for Services	3,459,245 <sup>(a)</sup>	3,730,252 <sup>(a)</sup>	3,667,084 <sup>(a)</sup>	3,681,746 <sup>(a)</sup>	2,445,212 <sup>(a)</sup>	1,438,771 <sup>(a)</sup>	1,701,432 <sup>(a)</sup>
Operating Grants and Contributions	11,449,145	10,428,588	10,435,747	9,921,342	10,655,352	11,251,174	11,519,460
Capital Grants and Contributions	108,064	114,567	124,280	280,850	144,868	208,654	186,581

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>EXPENSES BY FUNCTIONS/PROGRAMS</b>							
Mayor and Municipal Legislature	\$ 2,243,847	\$ 1,514,767	\$ 1,549,319	\$ 1,455,224	\$ 1,572,271	\$ 2,588,597	\$ 2,612,215
General Government	17,416,165	18,759,422	18,433,566	17,639,130	18,691,822	12,285,179	10,973,910
Public Safety	1,845,635	1,763,964	1,666,842	1,776,161	1,712,299	1,626,191	1,593,075
Public Works	1,821,141	1,858,104	1,874,964	1,800,400	1,858,805	1,679,448	1,852,132
Culture and Recreation	1,063,943	1,105,616	979,368	1,361,111	3,214,666 <sup>(a)</sup>	2,571,398 <sup>(a)</sup>	1,750,877 <sup>(a)</sup>
Health and Sanitation	7,517,663 <sup>(c)</sup>	4,046,193	3,057,282	2,135,284	3,434,882	3,670,056	3,551,255
Public Instruction	5,371,819	6,046,261	5,381,175	7,057,884	5,509,806	5,831,190	6,048,666
Human Services and Welfare	5,090,701	4,792,506	5,582,451	4,780,771	4,991,988	4,426,804	4,273,982
Urban Development	13,031,468 <sup>(d)</sup>	4,222,382	4,826,215	4,905,990	1,897,109	5,274,018	4,075,892
Loss on disposition of Asset	57,393	-	135,122	-	-	-	-
Interest on Long-Term Debt	3,804,291	2,572,880	2,544,588	2,359,767	2,065,212	1,341,702	1,665,337
<b>TOTAL EXPENSES</b>	<u>59,264,066</u>	<u>46,682,095</u>	<u>46,030,892</u>	<u>45,271,722</u>	<u>44,948,860</u>	<u>41,294,583</u>	<u>38,397,341</u>
<b>PROGRAM REVENUES</b>							
Charges for Services	1,047,589	776,752	591,734	413,329	2,445,212 <sup>(a)</sup>	1,438,771 <sup>(a)</sup>	1,701,432
Operating Grants and Contributions	11,449,145	10,428,588	10,435,747	9,921,342	10,655,352	11,251,174	11,519,460
Capital Grants and Contributions	108,064	114,567	124,280	280,850	144,868	208,654	186,581

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>GENERAL REVENUES</b>							
Taxes:							
Property Taxes, levied for General Purposes	9,511,364	9,625,207	8,670,371	8,723,643	9,567,779	9,838,949	8,705,931
Property Taxes, levied for Debt Service	2,844,609	3,745,245	3,794,815	3,533,617	2,617,520	2,884,125	2,215,706
Volume of Business Taxes	9,486,385	9,490,510	9,132,473	10,016,589	7,557,843	7,393,246	9,275,555
Sales and Usage Tax	3,360,924 <sup>(b)</sup>	2,611,633 <sup>(b)</sup>	-	-	-	-	-
Licenses and Permits	1,523,864	1,824,688	1,853,366	2,632,322	1,382,664	2,002,950	851,182
Intergovernmental	13,761,021 <sup>(d)</sup>	6,825,969	9,641,505	8,470,360	4,873,731	5,600,351	5,015,103
Interests	1,288,693	2,407,359	2,319,098	1,469,993	659,993	-	321,919
Miscellaneous	1,248,887	877,000	915,428	1,255,593	1,342,439	2,572,745	565,405
Special Item - Gain on Sale of Building	-	-	-	869,000	-	-	1,332,405
<b>TOTAL REVENUES</b>	<u>58,042,201</u>	<u>51,681,018</u>	<u>50,554,167</u>	<u>50,855,055</u>	<u>41,247,401</u>	<u>43,190,965</u>	<u>41,690,679</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ (3,964,653)</u>	<u>\$ 2,869,242</u>	<u>\$ 2,076,638</u>	<u>\$ 3,236,936</u>	<u>\$ (3,701,459)</u>	<u>\$ 1,896,382</u>	<u>\$ 3,293,338</u>

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

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

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

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>GENERAL REVENUES</b>							
Taxes:							
Property Taxes, levied for General Purposes	9,511,364	9,625,207	8,670,371	8,723,643	9,567,779	9,838,949	8,705,931
Property Taxes, levied for Debt Service	2,844,609	3,745,245	3,794,815	3,533,617	2,617,520	2,884,125	2,215,706
Volume of Business Taxes	9,486,385	9,490,510	9,132,473	10,016,589	7,557,843	7,393,246	9,275,555
Sales and Usage Tax	3,360,924 <sup>(b)</sup>	2,611,633 <sup>(b)</sup>	-	-	-	-	-
Licenses and Permits	1,523,864	1,824,688	1,853,366	2,632,322	1,382,664	2,002,950	851,182
Intergovernmental	13,761,021 <sup>(d)</sup>	6,825,969	9,641,505	8,470,360	4,873,731	5,600,351	5,015,103
Interests	1,288,693	2,407,359	2,269,507	1,469,993	659,993	-	321,919
Miscellaneous	1,248,887	877,000	915,428	1,255,593	1,342,439	2,572,745	565,405
Special Item - Gain on Sale of Building	-	-	-	869,000	-	-	1,332,405
Capital Contributions	(570,481)	(91,933)	-	-	-	-	-
Transfers	<u>1,001,022</u>	<u>313,527</u>	<u>1,499,420</u>	<u>216,785</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>56,061,086</u>	<u>48,949,112</u>	<u>48,928,646</u>	<u>47,803,423</u>	<u>41,247,401</u>	<u>43,190,965</u>	<u>41,690,679</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ (3,202,980)</u>	<u>\$ 2,267,017</u>	<u>\$ 2,897,754</u>	<u>\$ 2,531,701</u>	<u>\$ (3,701,459)</u>	<u>\$ 1,896,382</u>	<u>\$ 3,293,338</u>

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

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

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

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

GOVERNMENT OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

NET ASSETS' CHANGE TREND FOR THE LAST FOUR FISCAL YEARS  
BUSINESS – TYPE ACTIVITIES

	<u>2009</u>		<u>2008</u>		<u>2007</u>		<u>2006</u>	
	<u>AGUADILLA'S WATERFALLS AQUATIC PARK</u>	<u>AGUADILLA ICE SKATING ARENA</u>						
Expenses	\$ 1,955,310	\$ 787,478	\$ 1,396,436	\$ 733,245	\$ 1,373,748	\$ 1,072,889	\$ 1,182,640	\$ 1,163,757
<b>PROGRAM REVENUES</b>								
Charges for Services	1,769,445	642,211	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	-	570,481	-	91,933	-	-	-	-
Transfers	(1,001,022)	-	(313,527)	-	(1,499,420)	-	(216,785)	-
<b>TOTAL REVENUES</b>	<u>768,423</u>	<u>1,212,692</u>	<u>1,984,749</u>	<u>747,157</u>	<u>658,071</u>	<u>967,450</u>	<u>1,745,065</u>	<u>1,306,567</u>
	<u>\$ (1,186,887)</u>	<u>\$ 425,214</u>	<u>\$ 588,313</u>	<u>\$ 13,912</u>	<u>\$ (715,677)</u>	<u>\$ (105,439)</u>	<u>\$ 562,425</u>	<u>\$ 142,810</u>

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

GOVERNMENT OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

FUND BALANCES FOR THE LAST TEN FISCAL YEARS  
GOVERNMENTAL ACTIVITIES

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003<sup>(a)</sup></u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
<b>General Fund</b>										
Reserved	\$ 645,059	\$ 5,352,209	\$ 1,183,645	\$ 3,656,857	\$ 2,249,745	\$ 1,864,064	\$ 1,252,968	\$ 685,048	\$ 3,685,114	\$ 2,271,222
Unreserved (Deficit)	<u>9,854,931</u>	<u>5,130,875</u>	<u>8,409,827</u>	<u>4,630,366</u>	<u>1,706,644</u>	<u>1,884,212</u>	<u>1,538,151</u>	<u>592,824</u>	<u>(3,444,493)</u>	<u>(2,187,139)</u>
<b>Total General Fund</b>	<b><u>\$ 10,499,990</u></b>	<b><u>\$ 10,483,084</u></b>	<b><u>\$ 9,593,472</u></b>	<b><u>\$ 8,287,223</u></b>	<b><u>\$ 3,956,389</u></b>	<b><u>\$ 3,748,276</u></b>	<b><u>\$ 2,791,119</u></b>	<b><u>\$ 1,277,872</u></b>	<b><u>\$ 240,621</u></b>	<b><u>\$ 84,083</u></b>
<b>All Other Governmental Funds</b>										
Reserved	\$ 36,518,175	\$ 39,363,319	\$ 32,722,895	\$ 38,307,420	\$ 37,382,909	\$ 29,350,576	\$ 24,189,051	\$ 6,677,467	\$ 9,424,658	\$ 18,201,847
Unreserved (Deficit):										
Special Revenue Fund	(27,438)	(56,517)	-	-	-	144,701	103,370	1,335,641	7,133,169	6,491,136
Capital Project Fund	<u>(252,785)</u>	<u>(146,426)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total All Other Governmental Funds</b>	<b><u>\$ 36,237,952</u></b>	<b><u>\$ 39,160,376</u></b>	<b><u>\$ 32,722,895</u></b>	<b><u>\$ 38,307,420</u></b>	<b><u>\$ 37,382,909</u></b>	<b><u>\$ 29,495,277</u></b>	<b><u>\$ 24,292,421</u></b>	<b><u>\$ 8,013,108</u></b>	<b><u>\$ 16,557,827</u></b>	<b><u>\$ 24,692,983</u></b>

<sup>(a)</sup> Implementation of GASB Statement 34 by the **Municipality**.

GOVERNMENT OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

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

	2009	2008	2007	2006	2005	2004	2003 <sup>(a)</sup>	2002	2001	2000
<b>REVENUES</b>										
Property Taxes	\$ 12,355,973	\$ 13,612,115	\$ 12,223,523	\$ 12,257,260	\$ 14,916,518	\$ 11,826,181	\$ 10,921,637	\$ 10,498,622	\$ 10,572,217	\$ 10,202,047
Volume of Business Taxes	9,486,385	9,490,510	9,132,473	10,016,589	7,557,843	7,393,246	9,275,555	8,470,503	7,543,806	6,628,682
Sales and Usage Taxes	3,360,924	2,611,633	-	-	-	-	-	-	-	-
Federal Assistances	12,209,978	10,950,356	11,148,041	10,392,610	10,556,191	11,056,456	10,936,225	10,548,776	10,494,242	12,238,290
Intergovernmental	13,761,021	6,825,969	9,641,505	8,470,360	3,575,404	7,159,352	6,651,764	5,451,724	5,392,588	3,890,138
Licenses and Permits	1,523,864	1,824,688	1,853,366	2,632,322	1,382,664	2,002,950	851,182	331,624	610,524	509,653
Interest	1,288,693	2,407,359	2,269,507	1,432,080	989,435	1,135,891	579,940	1,636,064	1,476,228	1,434,555
Charges for Services	1,047,589	776,752	591,734	413,579	954,235	920,642	811,811	737,106	375,714	531,534
Miscellaneous	1,248,887	877,000	915,428	1,293,256	475,994	1,576,283	953,635	505,850	715,656	354,501
Total Revenues	<u>56,283,314</u>	<u>49,376,382</u>	<u>47,775,577</u>	<u>46,908,056</u>	<u>40,408,284</u>	<u>43,071,001</u>	<u>40,981,749</u>	<u>38,180,269</u>	<u>37,180,975</u>	<u>35,789,400</u>
<b>EXPENDITURES</b>										
Current:										
Mayor and Municipal Legislature	2,162,643	1,435,091	1,463,533	1,379,470	1,498,901	2,547,970	2,516,709	2,247,347	2,230,082	2,615,311
General Government	15,399,642	16,734,299	16,449,942	15,253,685	16,553,913	10,721,141	11,184,863	14,450,802	13,693,637	11,155,689
Public Safety	1,759,031	1,700,773	1,574,827	1,694,440	1,633,078	1,528,952	1,510,667	1,382,003	1,103,899	1,516,007
Public Works	1,561,329	1,598,784	1,619,285	1,556,446	1,617,941	1,401,676	1,535,509	1,674,516	3,951,939	3,617,310
Health and Sanitation	1,001,882	3,725,500	2,920,164	2,458,784	3,167,894	3,357,537	2,554,144	2,515,073	1,030,777	291,667
Culture and Recreation	3,822,624	1,043,183	897,258	1,303,340	1,127,415	2,529,441	1,706,833	1,086,552	743,354	1,320,035
Public Instruction	5,596,055	6,078,591	5,534,232	6,021,802	5,509,806	5,831,190	5,617,329	5,348,974	4,477,278	3,597,330
Human Service and Welfare	5,028,977	4,731,427	5,504,421	4,727,195	4,942,160	4,376,976	4,663,455	4,634,992	3,731,464	4,289,295
Urban Development	12,832,305	4,077,698	4,183,065	4,747,862	2,588,779	8,171,020	6,897,238	7,231,839	14,117,934	13,009,782
Capital Outlay	11,517,613	11,918,942	9,749,437	5,351,016	1,147,440	728,383	551,855	3,498,471	3,380,646	1,563,177
Collections applied to Property Taxes Advance	-	-	-	-	-	-	-	5,054,085	6,344,987	5,514,833

GOVERNMENT OF PUERTO RICO  
MUNICIPALITY OF AGUADILLA, PUERTO RICO

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

	2009	2008	2007	2006	2005	2004	2003 <sup>(a)</sup>	2002	2001	2000
Debt Service:										
Principal Retirement	3,467,334	2,902,364	2,642,233	2,441,000	2,520,000	1,595,000	3,330,000	1,880,000	2,250,000	1,875,000
Interest Payment and Other Charges	3,804,291	2,572,880	2,544,588	2,359,767	2,065,212	1,341,702	1,665,337	1,613,473	1,613,583	1,218,670
Bond Issue Costs	16,201	51,269	-	35,135	-	-	-	-	-	-
Total Expenditures	67,969,927	58,570,801	55,082,985	49,329,942	44,372,539	44,130,988	43,733,939	52,618,127	58,669,580	51,584,106
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(11,686,613)	(9,194,419)	(7,307,408)	(2,421,886)	(3,964,255)	(1,059,987)	(2,752,190)	(14,437,858)	(21,488,605)	(15,794,706)
OTHER FINANCING SOURCES (USES)										
Property Taxes Advance	-	-	-	-	-	-	-	6,590,175	6,344,987	5,641,051
Bond Issued	7,780,073	16,207,985	1,529,712	6,541,446	12,060,000	7,220,000	18,355,000	-	7,165,000	4,860,000
Transfer-In	5,376,858	2,441,916	3,534,896	2,994,757	559,168	1,952,768	3,482,346	6,351,354	10,598,581	10,696,712
Transfer-Out	(4,375,836)	(2,128,389)	(2,035,476)	(2,777,972)	(559,168)	(1,952,768)	(3,482,346)	(6,011,139)	(10,598,581)	(10,696,712)
Total Other Financing Sources and Uses	8,781,095	16,521,512	3,029,132	6,758,231	12,060,000	7,220,000	18,355,000	6,930,390	13,509,987	10,501,051
SPECIAL ITEM										
Proceeds from Sale	-	-	-	919,000	-	-	2,189,750	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (2,905,518)</b>	<b>\$ 7,327,093</b>	<b>\$ (4,278,276)</b>	<b>\$ 5,255,345</b>	<b>\$ 8,095,745</b>	<b>\$ 6,160,013</b>	<b>\$ 17,792,560</b>	<b>\$ (7,507,468)</b>	<b>\$ (7,978,618)</b>	<b>\$ (5,293,655)</b>
Debt service as a percentage of non capital expenditures <sup>(b)</sup>	14.82%	13.44%	12.92%	12.35%	11.87%	7.26%	13.08%	8.61%	8.57%	7.47%

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

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

**REAL PROPERTY TAX VALUATION**

<b>FISCAL YEAR</b>	<b>TAXABLE VALUE</b>	<b>EXEMPT VALUE</b>	<b>GROSS VALUE</b>	<b>EXONERATED VALUE</b>	<b>NET ASSESSED VALUE</b>
2009 <sup>(a)</sup>	\$ 182,728,361	\$ 11,505,871	\$ 171,222,490	\$ 83,408,949	\$ 87,813,541
2008	182,728,361	11,505,871	171,222,490	83,408,949	87,813,541
2007	175,521,030	12,259,645	163,261,385	82,680,798	80,580,587
2006	172,942,348	14,539,269	158,403,079	79,778,120	78,624,959
2005	171,568,818	12,956,380	158,612,438	79,406,918	79,205,520
2004	167,099,112	12,627,588	154,471,524	77,957,375	76,514,149
2003	163,896,125	12,456,957	151,439,168	76,765,432	74,673,736
2002	158,562,114	11,996,523	146,565,591	76,125,632	70,439,959
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

**PERSONAL PROPERTY TAX VALUATION**

<b>FISCAL YEAR</b>	<b>TAXABLE VALUE</b>	<b>EXEMPT VALUE</b>	<b>GROSS VALUE</b>	<b>EXONERATED VALUE</b>	<b>NET ASSESSED VALUE</b>
2009 <sup>(a)</sup>	\$ 237,181,937	\$ 155,645,466	\$ 81,536,471	\$ 3,456,438	\$ 78,080,033
2008	237,181,937	155,645,466	81,536,471	3,456,438	78,080,033
2007	251,403,170	174,123,584	77,279,586	3,534,443	73,745,143
2006	338,127,158	255,890,622	82,236,536	3,857,992	78,378,544
2005	287,529,031	212,548,173	74,980,858	3,548,164	71,432,694
2004	277,018,351	197,776,537	79,241,814	3,143,278	76,098,536
2003	265,123,870	189,410,128	75,713,742	3,015,758	72,697,984
2002	254,230,255	179,251,007	74,979,248	2,854,466	72,124,782
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

TOTAL PROPERTY TAX VALUATION

FISCAL YEAR	TAXABLE VALUE	EXEMPT VALUE	GROSS VALUE	EXONERATED VALUE	NET ASSESSED VALUE	TAX EFFECTIVE RATE <sup>(b)</sup>
2009 <sup>(a)</sup>	\$ 419,910,298	\$ 167,151,337	\$ 252,758,961	\$ 86,865,387	\$ 165,893,574	7.66
2008	419,910,298	167,151,337	252,758,961	86,865,387	165,893,574	7.66
2007	426,924,200	186,383,229	240,540,971	86,215,241	154,325,730	7.66
2006	511,069,506	270,429,891	240,639,615	83,636,112	157,003,503	7.66
2005	459,097,849	225,504,553	233,593,296	82,955,082	150,638,214	7.66
2004	444,117,463	210,404,125	233,713,338	81,100,653	152,612,685	7.66
2003	429,019,995	201,867,085	227,152,910	79,781,190	147,371,720	7.66
2002	412,792,369	191,247,530	221,544,839	78,980,098	142,564,741	7.66
2001	397,953,627	181,884,138	216,069,489	78,113,683	137,955,806	7.66
2000	388,813,423	176,376,816	212,436,607	77,358,969	135,077,638	7.66

<sup>(a)</sup> No revisions on the Taxable, Exempt or Exonerated Value were made by the Municipal Revenue Collection Center for the Fiscal Year 2008-2009.

<sup>(b)</sup> Total Direct Rate is the weighted average of all individual rates applied.

*REAL PROPERTY*

<i>FISCAL YEAR</i>	<i>GENERAL PURPOSES</i>	<i>DEBT SERVICES</i>	<i>GOVERNMENT OF PUERTO RICO</i>	<i>DISCOUNT</i>	<i>TOTAL</i>
2009	6.00%	1.50%	1.03%	0.20%	8.53%
2008	6.00%	1.50%	1.03%	0.20%	8.53%
2007	6.00%	1.50%	1.03%	0.20%	8.53%
2006	6.00%	1.50%	1.03%	0.20%	8.53%
2005	6.00%	1.50%	1.03%	0.20%	8.53%
2004	6.00%	1.50%	1.03%	0.20%	8.53%
2003	6.00%	1.50%	1.03%	0.20%	8.53%
2002	6.00%	1.50%	1.03%	0.20%	8.53%
2001	6.00%	1.50%	1.03%	0.20%	8.53%
2000	6.00%	1.50%	1.03%	0.20%	8.53%

*PERSONAL PROPERTY*

<i>FISCAL YEAR</i>	<i>GENERAL PURPOSES</i>	<i>DEBT SERVICES</i>	<i>GOVERNMENT OF PUERTO RICO</i>	<i>DISCOUNT</i>	<i>TOTAL</i>
2009	4.00%	1.50%	1.03%	0.20%	6.53%
2008	4.00%	1.50%	1.03%	0.20%	6.53%
2007	4.00%	1.50%	1.03%	0.20%	6.53%
2006	4.00%	1.50%	1.03%	0.20%	6.53%
2005	4.00%	1.50%	1.03%	0.20%	6.53%
2004	4.00%	1.50%	1.03%	0.20%	6.53%
2003	4.00%	1.50%	1.03%	0.20%	6.53%
2002	4.00%	1.50%	1.03%	0.20%	6.53%
2001	4.00%	1.50%	1.03%	0.20%	6.53%
2000	4.00%	1.50%	1.03%	0.20%	6.53%

Taxpayer	2009		2000	
	Total Business	Percentage of Total Business	Total Business	Percentage of Total Business
Ramey Resort, Inc	\$ 20,923,870	0.126	N/AV	N/AV
Pegasus Cable Television	3,778,380	0.023	N/AV	N/AV
Ferresan Development	4,323,700	0.026	N/AV	N/AV
Aguadilla Shopping Center	13,728,700	0.083	N/AV	N/AV
Luan Investment	37,794,320	0.228	N/AV	N/AV
Cooperativa Central Borinquen Plaza	5,760,000	0.035	N/AV	N/AV
Almacenes Pitusa	7,801,010	0.047	N/AV	N/AV
Aguadilla Cinema, Corp.	1,839,040	0.011	N/AV	N/AV
NL Stores, Inc	2,506,440	0.015	N/AV	N/AV
Aguadilla Bowling Center	3,061,770	0.018	N/AV	N/AV
Ten largest taxpayers	101,517,230	0.612		
All other taxpayers	64,376,344	0.388		
Total assessed valuation-all taxpayers	\$ 165,893,574	1.000		

**Note:** Information for the Fiscal Year 2000 was not available.

FISCAL YEAR	TAX LEVIED FOR THE FISCAL YEAR	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
		AMOUNT	PERCENTAGE OF LEVY		AMOUNT	PERCENTAGE OF LEVY
2009	15,435,522.00	14,702,014.00	95.25%	-	14,702,014.00	95.25%
2008	14,703,927.00	14,228,893.00	96.77%	154,090.00	14,382,983.00	97.82%
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%

SOURCE: Department of Finance, Municipality of Aguadilla.

2009

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

2008

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

2007

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

2006

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

2005

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

2004

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

2003

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

2002

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

2001

<i>INCOME (IN THOUSANDS)</i>	<i>NUMBER OF FILERS</i>	<i>PERCENTAGE OF TOTAL</i>	<i>TOTAL INCOME (IN THOUSANDS)</i>	<i>PERCENTAGE OF TOTAL</i>
\$5 - \$1,000	1,402	95.90%	177,401	14.47%
\$1,000 - \$100,000	59	4.04%	26,997	2.20%
Over \$100,000	1	0.07%	1,021,544	83.33%
	<b>1,462</b>	<b>100%</b>	<b>\$ 1,225,942</b>	<b>100%</b>

2000

<i>INCOME (IN THOUSANDS)</i>	<i>NUMBER OF FILERS</i>	<i>PERCENTAGE OF TOTAL</i>	<i>TOTAL INCOME (IN THOUSANDS)</i>	<i>PERCENTAGE OF TOTAL</i>
\$5 - \$1,000	1,485	96.68%	165,448	14.74%
\$1,000 - \$100,000	50	3.26%	95,448	8.50%
Over \$100,000	1	0.07%	861,729	76.76%
	<b>1,536</b>	<b>100%</b>	<b>\$ 1,122,625</b>	<b>100%</b>

FISCAL YEAR	FINANCIAL INSTITUTIONS <sup>(a)</sup>		OTHER ORGANIZATIONS	
	RATE	DISCOUNT <sup>(b)</sup>	RATE	DISCOUNT <sup>(b)</sup>
2009	1.50%	5.00%	0.40%	5.00%
2008	1.50%	5.00%	0.40%	5.00%
2007	1.50%	5.00%	0.40%	5.00%
2006	1.50%	5.00%	0.40%	5.00%
2005	1.50%	5.00%	0.40%	5.00%
2004	1.50%	5.00%	0.40%	5.00%
2003	1.50%	5.00%	0.40%	5.00%
2002	1.50%	5.00%	0.40%	5.00%
2001	1.50%	5.00%	0.40%	5.00%
2000	1.50%	5.00%	0.40%	5.00%

<sup>(a)</sup> This rate applies to Financial Institutions and Savings and Loan Associations.

<sup>(b)</sup> See Notes to the Basic Financial Statements.

<i>FISCAL YEAR</i>	<i>SPECIAL OBLIGATION BONDS</i>	<i>GENERAL OBLIGATION BONDS</i>	<i>TOTAL OBLIGATION BONDS</i>
<i>2009</i>	\$ 33,042,216	\$ 45,135,000	\$ 78,177,216
<i>2008</i>	30,055,143	43,660,000	73,715,143
<i>2007</i>	30,403,158	29,705,000	60,108,158
<i>2006</i>	31,205,000	29,790,446	60,995,446
<i>2005</i>	27,320,000	29,850,000	57,170,000
<i>2004</i>	22,740,000	23,115,000	45,855,000
<i>2003</i>	18,105,000	22,775,000	40,880,000
<i>2002</i>	2,705,000	24,770,000	27,475,000
<i>2001</i>	3,310,000	26,045,000	29,355,000
<i>2000</i>	4,515,000	19,925,000	24,440,000

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

**OUTSTANDING DEBT RATIO - PER PERSONAL INCOME**

<b>FISCAL YEAR</b>	<b>TOTAL OUTSTANDING DEBT</b>	<b>PERSONAL INCOME <sup>1</sup></b>	<b>OUTSTANDING DEBT RATIO</b>
2009	\$ 78,177,216	\$ 1,087,710,000	7.187%
2008	73,715,143	952,254,992	7.741%
2007	60,108,158	834,405,389	7.204%
2006	60,995,446	732,521,130	8.327%
2005	57,170,000	702,746,721	8.135%
2004	45,855,000	436,612,937	10.502%
2003	40,880,000	372,254,104	10.982%
2002	27,475,000	339,656,003	8.089%
2001	29,355,000	305,538,327	9.608%
2000	24,440,000	478,345,575	5.109%

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

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

**OUTSTANDING DEBT RATIO - PER CAPITA**

<b>FISCAL YEAR</b>	<b>TOTAL OUTSTANDING DEBT</b>	<b>PER CAPITA <sup>1</sup></b>	<b>OUTSTANDING DEBT RATIO</b>
2009	\$ 78,177,216	67,491	\$ 1,158.34
2008	73,715,143	67,181	1,097.26
2007	60,108,158	67,167	894.91
2006	60,995,446	66,926	911.39
2005	57,170,000	69,920	817.65
2004	45,855,000	66,363	690.97
2003	40,880,000	63,605	642.72
2002	27,475,000	65,644	418.55
2001	29,355,000	65,266	449.77
2000	24,440,000	64,685	377.83

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

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

**OUTSTANDING DEBT RATIO - PER PROPERTY TAX ASSESSED VALUE**

<b>FISCAL YEAR</b>	<b>TOTAL OUTSTANDING DEBT</b>	<b>NET ASSESSED VALUE <sup>1</sup></b>	<b>OUTSTANDING DEBT RATIO</b>
2009	\$ 78,177,216	\$ 165,893,574	47.12%
2008	73,715,143	165,893,574	44.44%
2007	60,108,158	154,325,730	38.95%
2006	60,995,446	157,003,503	38.85%
2005	57,170,000	150,638,214	37.95%
2004	45,855,000	152,612,685	30.05%
2003	40,880,000	147,371,720	27.74%
2002	27,475,000	142,564,741	19.27%
2001	29,355,000	137,955,806	21.28%
2000	24,440,000	135,077,638	18.09%

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

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

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST AND FISCAL CHARGES</b>	<b>TOTAL DEBT SERVICE</b>	<b>TOTAL GENERAL GOVERNMENTAL EXPENDITURES</b>	<b>PERCENTAGE OF DEBT SERVICE TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES</b>
2009	2,260,000	2,644,379	4,904,379	27,460,267	17.86%
2008	1,825,000	1,642,131	3,467,131	29,126,672	11.90%
2007	1,595,000	1,558,753	3,153,753	29,125,072	10.83%
2006	1,500,000	1,476,931	2,976,931	25,870,304	11.51%
2005	1,775,000	1,543,582	3,318,582	24,692,725	13.44%
2004	1,320,000	1,135,450	2,455,450	23,704,670	10.36%
2003	1,160,000	984,531	2,144,531	22,735,270	9.43%
2002	1,275,000	1,078,748	2,353,748	28,688,186	8.20%
2001	1,045,000	1,001,446	2,046,446	30,929,576	6.62%
2000	820,000	320,744	1,140,744	27,351,342	4.17%

Source: Department of Finance of the Municipality.

<i>FISCAL YEAR</i>	<i>POPULATION <sup>2</sup></i>	<i>NET ASSESSED VALUE <sup>1</sup></i>	<i>GENERAL OBLIGATION BONDS</i>	<i>PERCENTAGE OF PERSONAL INCOME <sup>2</sup></i>	<i>PERCENTAGE OF NET ASSESSED VALUE OF TAXABLE PROPERTY</i>	<i>BONDED DEBT PER CAPITA</i>
2009	67,491	\$ 165,893,574	\$ 45,135,000	4.15%	27.21%	\$ 668.76
2008	67,181	165,893,574	43,660,000	4.58%	26.32%	649.89
2007	67,167	154,325,730	29,705,000	3.56%	19.25%	442.26
2006	66,926	157,003,503	29,790,446	4.07%	18.97%	445.13
2005	69,920	150,638,214	29,850,000	4.25%	19.82%	426.92
2004	66,363	152,612,685	23,115,000	5.29%	15.15%	348.31
2003	63,605	147,371,720	22,775,000	6.12%	15.45%	358.07
2002	65,644	142,564,741	2,705,000	0.80%	1.90%	41.21
2001	65,266	137,955,806	26,045,000	8.52%	18.88%	399.06
2000	64,685	135,077,638	19,925,000	4.17%	14.75%	308.03

**Source:** Department of Finance of the **Municipality**.

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

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

Value of Taxable Property		\$	419,910,298
Percentage of Legal Margin			<u>0.10</u>
Legal Margin		\$	41,991,030
Debt Outstanding and/or Authorized:			
Principal		\$	36,080,000
Authorized			7,506,000
Less: Fund Balance of Debt Service			
Fund Balance at June 30, 2009	\$	3,668,129	
Accrued Interests 2008 - 2009	1,628,894		<u>(2,039,235)</u>
Net Debt			<u>41,546,765</u>
<b>Legal Debt Margin</b>		<b>\$</b>	<b><u>444,265</u></b>

<i>FISCAL YEAR</i>	<i>LEGAL DEBT LIMIT</i>	<i>TOTAL NET DEBT APPLICABLE TO LIMIT</i>	<i>LEGAL DEBT MARGIN <sup>(1)</sup></i>	<i>TOTAL NET DEBT APPLICABLE TO THE LIMIT AS A PERCENTAGE OF DEBT LIMIT</i>
2009	\$ 41,991,030	\$ 41,546,765	\$ 444,265	98.94%
2008	41,991,030	40,445,123	1,545,907	96.32%
2007	42,692,420	27,932,778	14,759,642	65.43%
2006	51,106,951	35,899,446	15,207,505	70.24%
2005	45,909,785	24,600,721	21,309,064	53.58%
2004	44,411,746	28,467,621	15,944,125	64.10%
2003	42,902,000	24,019,859	18,882,141	55.99%
2002	41,279,237	16,690,790	24,588,447	40.43%
2001	39,795,363	369,893	39,425,470	0.93%
2000	38,881,342	1,504,850	37,376,492	3.87%

Source: Department of Finance of the Municipality.

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

LAST TEN FISCAL YEARS							
FISCAL YEAR	POPULATION	PERSONAL INCOME	PER CAPITA <sup>1</sup>	INFLATION RATE	LABOR FORCE <sup>2</sup>	EMPLOYMENT <sup>2</sup>	UNEMPLOYMENT RATE
2009	67,491	\$ 1,087,710,000	\$ 16,116	12.05%	20,906	17,185	17.80%
2008	67,181	952,254,992	14,174	12.36%	23,400	20,475	12.50%
2007	67,167	834,405,389	12,423	11.89%	23,546	20,720	12.00%
2006	66,926	732,521,130	10,945	8.17%	23,452	20,239	13.70%
2005	69,920	702,746,721	10,051	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	7,780	4.94%	20,175	17,532	13.10%
2000	64,685	478,345,575	7,395	5.40%	20,113	16,593	17.50%

**Note 1:** Per capita data was computed using US Census Bureau, 2006-2008 American Community Survey 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.

FUNCTIONS	FISCAL YEARS									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Mayor and Municipal Legislature	60	69	50	65	71	72	40	39	35	45
General Government	167	177	143	184	203	185	200	137	114	88
Public Safety	63	66	62	64	61	61	62	50	52	48
Public Works	82	44	34	39	36	39	43	45	94	83
Culture and Recreation	37	36	58	31	30	64	48	27	27	45
Health and Sanitation	136	162	138	139	122	77	65	89	58	63
Human Services and Welfare	100	101	88	90	60	76	64	55	44	34
Urban Development	49	64	55	51	62	53	82	134	38	7
<b>TOTAL</b>	<b>694</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>

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

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

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

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

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