

**GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**
For The Fiscal Year Ended June 30, 2010

Government of Puerto Rico
Municipality of Aguadilla
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2010



Prepared by:
Finance Department

Noemí Alfonso Valle
Finance Director

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FISCAL YEAR ENDED JUNE 30, 2010

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INTRODUCTORY SECTION

- Letter of Transmittal
- Certificate of Achievement -
Governmental Finance Officers
Association
- Organizational Chart
- List of Principal Officials



Featured on our cover is the Fountain "Campanitas de Cristal", part of the monument to famous puertorrican composer Rafael Hernández on the city's center square.



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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, 2010. For the third 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, 2010 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, 2010 are fairly presented in conformity with the accounting principles generally accepted in the United States of America. The independent's auditor's report is presented as the first component of the financial section of this report.

THE REPORT

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

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

individual fund statements and schedules, as well as the independent auditor's report and required supplementary information. The MD&A serves as a narrative introduction, overview, and analysis that accompany the basic financial statements. The MD&A should be read in conjunction with the transmittal letter. The basic financial statements include the government-wide financial statements; which presents an overview of the *Municipality's* entire operations. These statements provide separate data for "governmental activities" and "business type activities". The fund level statements present the financial information of each of the *Municipality's* major funds, as well as non-major funds.

The Statistical Section includes tables containing historical financial data, debt statistics, and other miscellaneous social and economic data of the *Municipality*. The information included in the statistical section has not been audited.

AN OVERVIEW OF THE MUNICIPALITY



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

The *Municipality* occupies a total area of 76.3 square miles, of which 36.6 square miles are land area and 39 square miles of water. This *Municipality* serves a population of approximately 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 16 Legislators also elected in the general elections of Puerto Rico for a four-year period. The Mayor appoints the Finance Director and Internal Auditor both positions have to be confirmed by the Municipal Legislature.

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

However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Private-sector standards of accounting and financial reporting issued 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 \$544 thousand 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 \$1.4 millions for their operation of the current fiscal year.



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



This department is in charge of the coordination of the landfill closure and post-closure maintenance. The closure of the landfill is estimated at \$2 million dollars, for which the *Municipality* issued debt for \$2.1 million in order to fund the activity, and the post-closure costs are estimated at \$1.3 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.

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

PUBLIC SAFETY Aguadilla has its own police department, Aguadilla's City Police Department (ACPD). The ACPD only has jurisdiction in the Municipality of Aguadilla and provides service and protection to local citizens and travelers alike. This year we provided a budget of approximately \$1.7 million dollars for equipment, payroll, and other related expenditures. This department has 60 employees from which only nine are for administrative functions.



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

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

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

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

At the beginning of this fiscal year we were awarded over \$176,000 of ARRA funds from the Homeland Security Bureau of Customs and Border Protection to fund **Operation Stonegarden**. The purpose of this is to establish a working partnership between the ACPD, FURA, and the US Border Patrol. This partnership is intended to enhance law enforcement preparedness and operational readiness along the coastal areas, in order to secure a location prone to migrant landings. These funds will be awarded in equal amounts during the next three years primarily for repairs, new equipment purchases, fuel expenses, and overtime payments to security personnel.

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



Other projects that are similar in nature are being performed in two districts of Aguadilla, at a cost of \$5.8 million dollars. In addition, we are performing some improvements in the sewer system of Barrio Palmar. The *Municipality* finances this project, but the capitalization of the construction belongs to the Puerto Rico Water and Sewer Authority.

OFFICE OF PERMITS On 2000, a Territorial Ordering Plan was adopted by the *Municipality* in order to make an inventory of land, roads, and infrastructure that is property of the *Municipality*.

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

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

NEW PROJECTS



There are currently two projects ongoing constructions at the **Aguadilla's Waterfalls Aquatic Park**. The first is a new water slide and ride, and the second is a new hotel adjacent to the park, which will be called **Las Cascadas Hotel**. This project represents an economic injection for the *Municipality* and an employment source for the west region of Puerto Rico.

This Hotel will be located on an area of approximately 2 acres and 92,874 square feet of construction, with a building of seven (7) luxury floors. This facility will have 79 rooms, from which eight (8) would be suites, and another eight rooms would have accommodations for special needs.

Some of the amenities and facilities that our guests will enjoy include: an Internet Café, a sport bar, gym, spa, and gifts shops, among others. In addition, facilities for meetings and activities for capacity of up to 350 persons will be available. At the hotel's roof, will be located a thematic pool with sport bar and other facilities.

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

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

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

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

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

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



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

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

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



The new **Market Place** was finally completed this year. 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 project was almost completed this year. The *Municipality* has invested over \$7 million dollars on this project.

The Project will consist of a base that will be at the upstream end of the project and includes construction of a debris control structure consisting of an access road, clearing, grubbing, grading, and a concrete crib dam. Work will also include repair and relining approximately 31 meters of an existing tunnel with two construction options, this are:

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

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

In the City Hall, we constructed an **Anthropologic Museum**, which is available for all Aguadilla's Citizens. In addition to this project, an Annex to the City Hall is under construction, with an investment of \$1.6 million during the year.

The new building will have eight floors in which the municipal departments will be communicated through a bridge over the Garcia 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.

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 believed that is the only facility of its kind in the Caribbean. Although Puerto Rico hosts several ice skating events during the Christmas season,



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

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

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

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

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

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

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

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

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

Though the infrastructure still exists, it was handed over to the Government of Puerto Rico in 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 everyone who likes this sport, a splash park and other recreational sites for kids, and a racetrack. In addition, a building is located in the center of the park, which has gazebos, and in the second floor a room available for rent.

The strategic location of Aguadilla has made it one of the most famous in world-class surfing beaches. Aguadilla's beaches, being the most numerous of all other municipalities in Puerto Rico, host a variety of amateur and professional surfing events every year. They have also hosted a variety of championships, including the ISA world championships in 1968 and 1988. Aguadilla's famous surfing spots include "Surfer's Beach", "Table Tops", "Gas Chamber", "Las Ruinas", and "Survival".

ECONOMIC FACTORS

Local Economy



Aguadilla was once primarily a fishing village, but has changed with the times. Although there is still a great deal of commercial fishing in Aguadilla,

the city is now also home to a variety of industrial plants ranging from LifeScan, Symmetricom and Hewlett Packard at San Antonio Technological Park. These industrial plants have drastically increased the income per capita of Aguadilla, giving rise to a robust middle class and upper-middle class, by Puerto Rican standards.

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

Effective November 15, 2006, the Government of Puerto Rico implemented a State Sales Tax of 6%. Through the Law No. 80 of July 29, 2007, all Municipalities in Puerto Rico were required to impose an additional 1%, which is retained by the Municipalities. We restricted the use of the 1% for the solid waste disposal management. During this fiscal year, the Sales and Usage Tax Revenue was almost \$3.7 million.

Long - Term Financial Planning

As shown in the Balance Sheet - Governmental Funds Financial Statements, the General Fund has a total of \$10.1 million dollars of unrestricted fund balance. Approximately \$551 thousand dollars are restricted to encumbrances incurred during the year that were outstanding at June 30, 2010. Additionally there is \$1 million reserved for future expenditures, primarily for the landfill post-closure costs.

The Due from Other Funds line item of the Balance Sheet – Governmental Funds Financial Statements General Fund which is \$5.5 million dollars, mainly related to the expenditures incurred by Rural Development Projects, which are financed by the General Fund until the Federal Government transfers the funds.

Relevant Financial Policies

Budgeting As an internal control, the budgetary control is maintained by line item and administered by the Executive Branch and the Legislative Branch. The Mayor in addition to the administration of the Executive Branch Budget is authorized to make adjustments through Executive Orders, which have to be notified to the Legislative Branch.

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

Major Initiatives

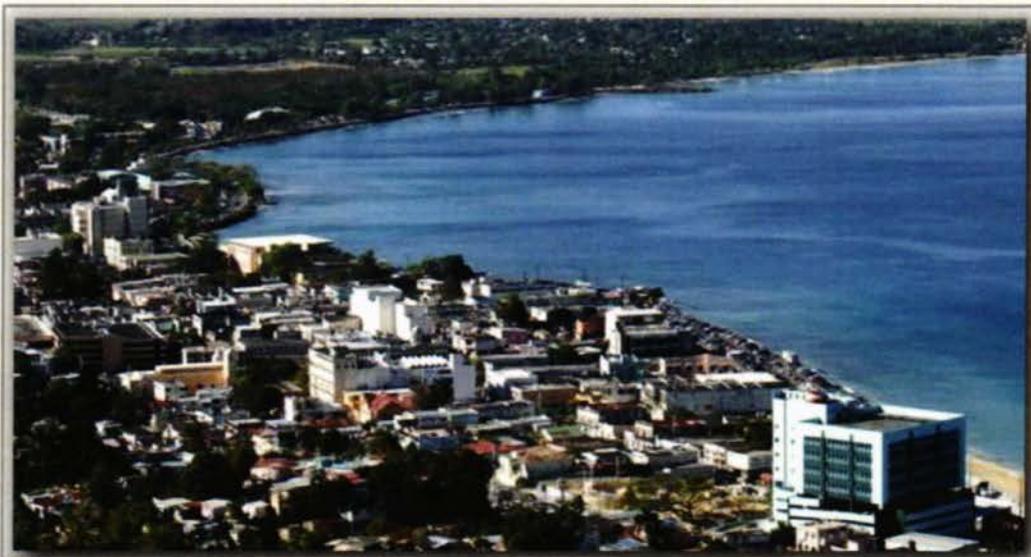
The *Municipality* is in the process of creating several new municipal enterprises. These will include two cemeteries, one of them for Veterans, and a waste management company. We expect to begin construction of the **Tres Palmas Park**, which will have an artificial lake, a basketball court, and a baseball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

AWARDS AND ACKNOWLEDGMENTS

Last year we received our first Certificate of Achievement for Excellence in Financial Reporting for our Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2009. This year, for the third consecutive time, we present our financial report under the requirements of the CAFR.

Respectfully submitted,

Mrs. Noemi Alfonso Valle
Finance Director



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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Commonwealth of Puerto Rico,
Municipality of Aguadilla

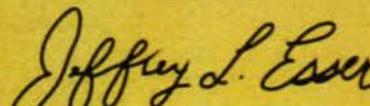
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2009

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




President


Executive Director

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HON. CARLOS MENDEZ MARTINEZ
MAYOR

CITY ADMINISTRATOR

HON. RAFAEL FERNANDEZ NADAL
MUNICIPAL LEGISLATURE PRESIDENT

CONSULTING OFFICES

PERMITS

HUMAN RESOURCES

PUBLIC RELATIONS

AUDITING

FINANCE

LAND PLANNING

PURCHASES

CENTRAL ARCHIVES

PROJECT PLANNING
AND
ADMINISTRATION

MAYOR'S OFFICE

CULTURE AND
TOURISM

LEGAL DIVISION

BUDGET

INTERNAL AUDITOR

ENVIRONMENTAL
CONTROL

OASIS

SPORTS & RECREATION

EMERGENCY CONTROL

GERIATRIC CENTER

SECTION 8 HOUSING
PROGRAM

MUNICIPAL SECRETARY

PUBLIC WORKS

MUNICIPAL POLICE

TECHNICAL SERVICES

TECHNOLOGICAL
DEVELOPMENT

FEDERAL PROGRAMS

SCHOOL
TRANSPORTATION

PUBLIC BUILDINGS

EMBELLISHMENT AND
MAINTENANCE

SANITATION

MUNICIPAL ENTERPRISES

RECYCLING

WATERFALLS AQUATIC
PARK

ICE SKATING ARENA

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ELECTED OFFICIALS

MAYOR

HON. CARLOS MENDEZ MARTINEZ

MUNICIPAL LEGISLATURE

PRESIDENT

HON. RAFAEL FERNANDEZ NADAL

VICEPRESIDENT

HON. IGNACIO SUAREZ ACEVEDO

LEGISLATORS

HON. ANA N. MENDEZ BARRETO

HON. MELVIN BARRETO RUIZ

HON. EDWIN MATOS CARDONA

HON. DAVID GONZALEZ PUMAREJO

HON. JOSE R. BARRADAS MEJIAS

HON. RAFAEL CRESPO PADILLA

HON. ALBERTO L. TORRES TORRES

HON. ISABEL GOMEZ ORTIZ

HON. CARLOS M. CORDERO RIVERA

HON. EVELYN HERNANDEZ TALAVERA

HON. MIRTA SOTOMAYOR GONZALEZ

HON. MILTON MORALES PEREZ

HON. ARMANDO FRANCO GONZALEZ

HON. EDGAR SANABRIA ALVAREZ

APPOINTED OFFICIALS



MS. WANDA I. PEREZ – MAYOR OFFICE DIRECTOR

MS. NOEMI ALFONSO VALLE – FINANCE DIRECTOR

MR. DAVID MORALES FELICIANO – AUDIT DEPARTMENT DIRECTOR

MS. DAMARIS MEDINA – MUNICIPAL SECRETARY

MS. LISSETTE FELICIANO – ASSISTANT TO THE MAYOR

MS. EVELYN GONZALEZ – SPECIAL ASSISTANT TO THE MAYOR

MS. JESSICA ACEVEDO – PLANNING & BUDGET DEPARTMENT DIRECTOR

MS. NANNETTE GUEVARA – HUMAN RESOURCES DEPARTMENT DIRECTOR

ENG. ORLANDO GONZALEZ – PERMITS DEPARTMENT DIRECTOR

MR. JOSE CASTRO – PUBLIC WORKS DIRECTOR

FINANCIAL SECTION

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



A view of the Rafael Hernández International Airport
located on the old Ramey Air Force Base



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Municipality of Aguadilla, Puerto Rico**, as of and for the year ended June 30, 2010, 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.

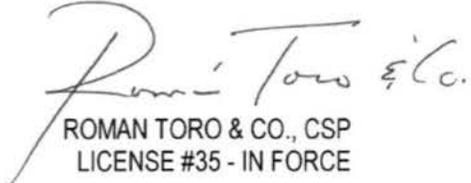
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2010, 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 28, 2010

Stamp #2496021 was affixed to
the original of this report

The following is a discussion and analysis of the **Municipality of Aguadilla, Puerto Rico (Municipality)**'s financial performance, including an overview and analysis of the financial activities of the Municipality for the fiscal year ended June 30, 2010. Readers should consider this information in conjunction with the information included in our letter of transmittal, which can be found preceding this narrative, and with the Municipality's financial statements, including the notes to the financial statements, which are located after this analysis.

FINANCIAL HIGHLIGHTS

Government-wide Highlights

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

- Total assets of the **Municipality** Governmental Activities, on a government-wide basis, increased at the close of fiscal year 2010 by \$9,638,319, and 2009 increased by \$3,467,498, as restated.
- Total assets of the **Municipality** Business-Type Activities, on a government-wide basis, exceeded its liabilities at the close of fiscal year 2010 by \$10,778,620 and 2009 by \$10,596,280 (net assets).
- Total net assets of the **Municipality**, on a government-wide basis, exceeded its liabilities at the close of fiscal year 2010 by \$138,666,476, and 2009 by \$134,252,587, as restated.
- Total Revenues of the **Municipality** Governmental Activities, on a government-wide basis, decreased by \$5.8 million (9.9%) and expenses decreased \$11.2 million (19%) in comparison with year 2009.
- Total Revenues of the **Municipality** Business-Type Activities, on a government-wide basis, decreased by \$147,348 (0.6%) and expenses decreased \$706,292 (25.8%) in comparison with year 2009.
- Total net change in net assets, on a government-wide basis, amounted to \$4,231,549, and increased by \$6,836,273 (262.5%) with respect to prior year (2009) net change.

Fund Highlights

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

- At the close of the current fiscal year, the **Municipality's** governmental funds reported combined ending fund balances of \$40,782,828, a decrease of \$5,955,114 in comparison with the prior year.
- Proprietary funds reported combined fund net assets of \$10,778,620, an increase of \$182,340 in comparison with the prior year, after net transfer of \$45,472 to the general fund. Without this transfer the result of operation of the proprietary funds was negative by \$227,812.
- The General Fund reported an excess of revenues over expenditures and other financing sources and uses of \$1,227,036 and unreserved fund balance of \$10,159,195.

General Financial Highlights

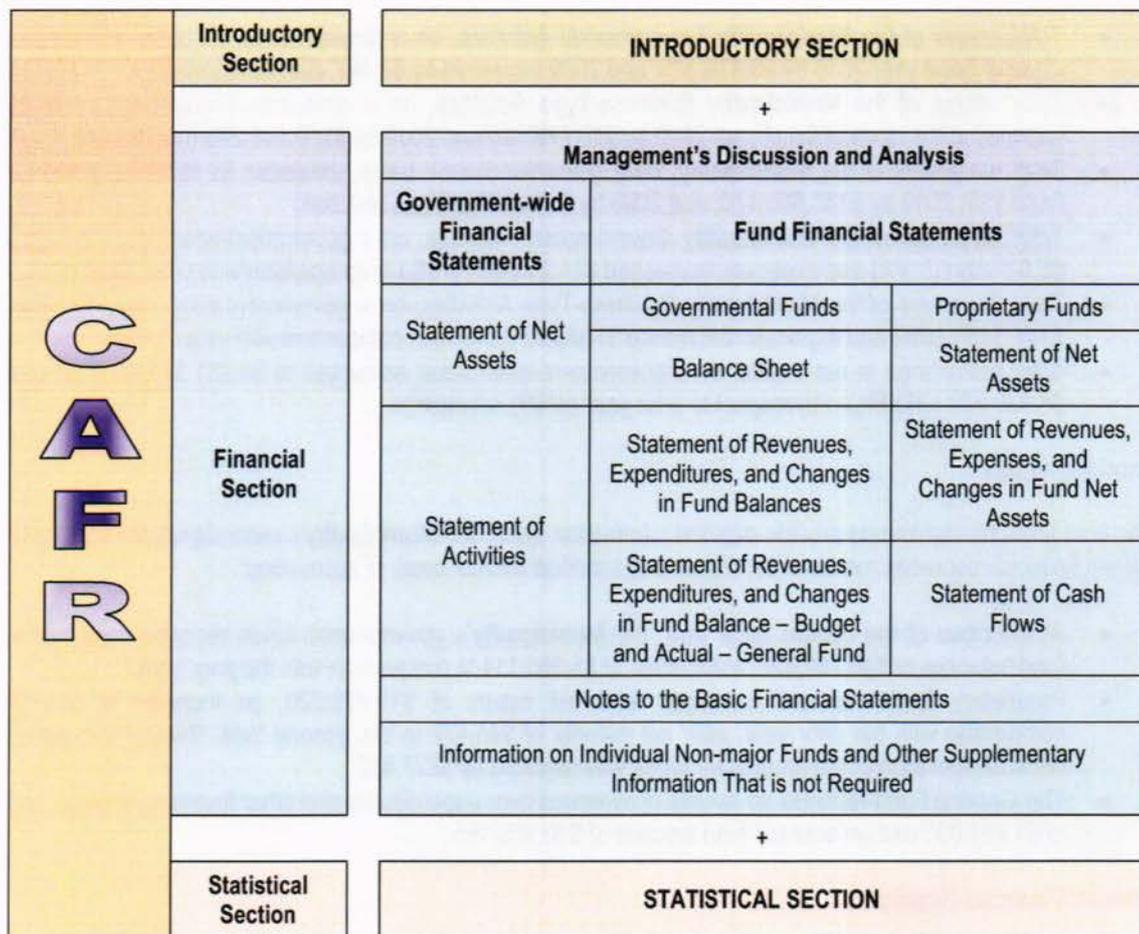
- The investment in net capital assets as of June 30, 2010 was \$121,363,690 (net of related debt), \$111,474,441 from governmental activities and \$9,889,249 from business-type activities.
- Long term debt general and special obligations bonds increased to \$79,859,291, approximately an increase of 2.2% (\$1,682,075) with respect to prior year balance.
- Other long term debt increases and net reductions from payments amounted to \$76,073 and \$1,562,146, respectively. Such decrease is principally for payments of estimate of landfill closure costs during the fiscal year.
- On a budgetary basis, actual revenues exceeded actual expenditures by \$650,750, net of \$1,392,815 designated general fund for future expenditures (transfers out to other funds).

- Estimated Revenues increase by \$89,122 and total expenditures reflect economies of \$561,628. Total Variances amounted to \$650,750 or 2.4% of estimated resources.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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



The **Municipality's** basic financial statements consist of two kinds of statements, each with a different view of the **Municipality's** finances. The governmental-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 governmental-wide statements. The following figure summarizes the major features of the financial statements. The overview section below also describes the structure and contents of each of the statements in more detail.

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

Basic Financial Statements

- **Government-Wide Financial Statements**

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

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

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

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

The governmental activities of the **Municipality** include general government, public works and sanitation; public safety, culture and recreation, housing, welfare, and community development and education. These activities are primarily financed through property taxes, other local taxes and intergovernmental revenues. The business-type activities of the **Municipality** include the Aguadilla's Waterfalls Aquatic Park 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, 2010 and 2009:

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and Non-current Assets	\$ 58,949,852	\$ 64,904,540	\$ 1,015,992	\$ 766,966	\$ 59,965,844	\$ 65,671,506
Capital Assets (as Restated)	166,035,685	150,442,678	9,889,249	10,136,238	175,924,934	160,578,916
Total Assets	224,985,537	215,347,218	10,905,241	10,903,204	235,890,778	226,250,422
Current Liabilities	3,170,890	3,139,756	33,320	185,929	3,204,210	3,325,685
Deferred Revenues	6,655,651	7,444,832	-	-	6,655,651	7,444,832
Long-Term Liabilities	87,271,140	87,074,874	93,301	120,995	87,364,441	87,195,869
Total Liabilities	97,097,681	97,659,462	126,621	306,924	97,224,302	97,966,386
Net Assets:						
Investment in Capital Assets,						
Net of Related Debt (as Restated)	111,474,441	98,858,466	9,889,249	10,136,238	121,363,690	108,994,704
Restricted	16,567,611	23,283,794	-	-	16,567,611	23,283,794
Unrestricted (as Restated)	(154,196)	1,514,047	889,371	460,042	735,175	1,974,089
Total Net Assets	\$127,887,856	\$ 123,656,307	\$ 10,778,620	\$ 10,596,280	\$ 138,666,476	\$ 134,252,587

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 \$138,666,476 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 \$111,474,441 [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.

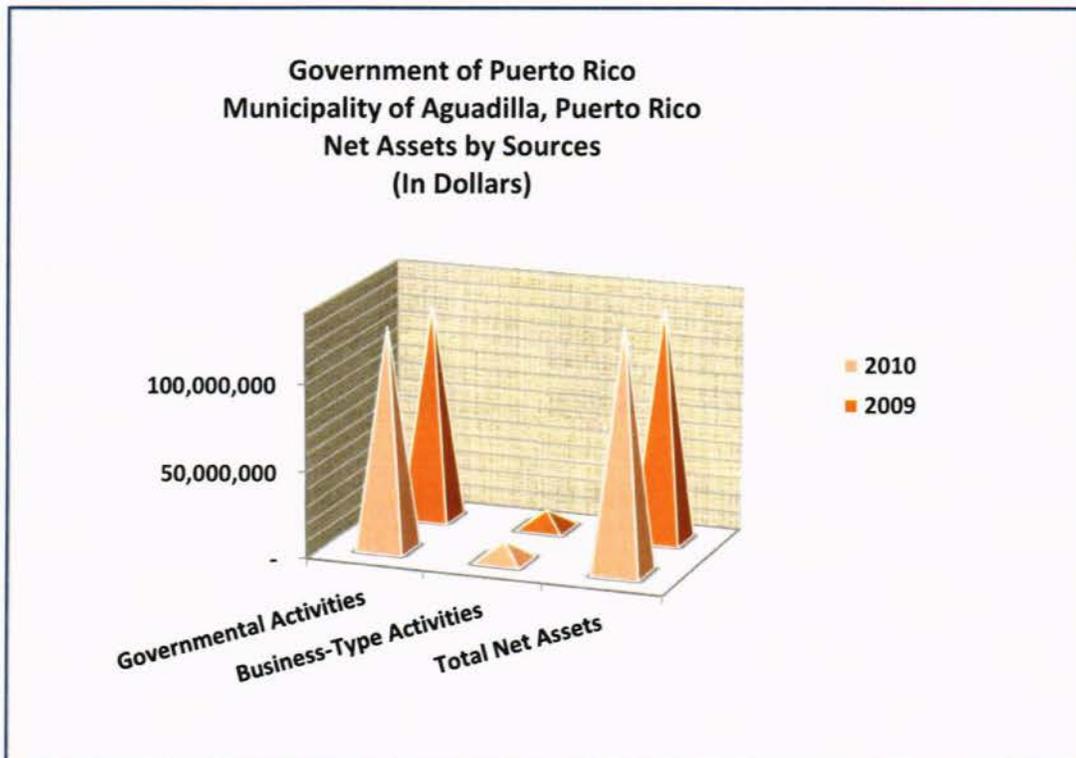
Restricted net assets represent resources that are subject to external restrictions on how they may be used.

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, 2010 the **Municipality** presented unrestricted net assets of \$735,175. This balance was affected by long term obligations such as compensated absences \$4,488,986, and other debts for the amount of \$2,922,863 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 \$889,371 in unrestricted net assets reported in connection with the **Municipality's** business-type activities and \$154,196 deficit in governmental activities.

An additional portion of the **Municipality's** net assets (\$16,567,611) represents resources that are subject to external restrictions on how they may be used. There was a decrease of \$6,716,183 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, 2010 and 2009:

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	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,523,788	\$ 1,047,589	\$ 2,264,308	\$ 2,411,656	\$ 3,788,096	\$ 3,459,245
Operating Grants and Contributions	12,352,994	12,047,401	-	-	12,352,994	12,047,401
Capital Grants and Contributions	143,179	108,064	-	-	143,179	108,064
General Revenues:						
Property Taxes	13,763,011	12,355,973	-	-	13,763,011	12,355,973
Volume of Business Taxes	8,335,598	9,486,385	-	-	8,335,598	9,486,385
Sales and Usage Taxes	3,670,110	3,360,924	-	-	3,670,110	3,360,924
Licenses and Permits	1,737,351	1,523,864	-	-	1,737,351	1,523,864
Intergovernmental	7,474,784	13,761,021	-	-	7,474,784	13,761,021
Interests	565,888	1,288,693	-	-	565,888	1,288,693
Other General Revenues	1,004,529	1,248,887	-	-	1,004,529	1,248,887
Total Revenues	50,571,232	56,228,801	2,264,308	2,411,656	52,835,540	58,640,457
Governmental Activities Expenses:						
General Administration	18,673,061	19,660,012	-	-	18,673,061	19,660,012
Public Safety	1,826,605	1,845,635	-	-	1,826,605	1,845,635
Public Works	1,697,101	1,821,141	-	-	1,697,101	1,821,141
Culture and Recreation	1,260,932	1,063,943	-	-	1,260,932	1,063,943
Health and Sanitation	4,387,430	7,517,663	-	-	4,387,430	7,517,663
Public Instruction	5,717,719	5,371,819	-	-	5,717,719	5,371,819
Human Services and Welfare	7,259,936	5,090,701	-	-	7,259,936	5,090,701
Urban Development	4,421,722	13,031,468	-	-	4,421,722	13,031,468
Interest Costs	2,812,231	3,804,291	-	-	2,812,231	3,804,291
Loss on Disposition of Asset	-	57,393	-	-	-	57,393
Total Expenses	48,056,737	59,264,066	-	-	48,056,737	59,264,066
Business-Type Activities Expenses						
Aguadilla's Waterfalls Aquatic Park	-	-	1,375,249	1,955,310	1,375,249	1,955,310
Aguadilla Ice Skating Arena	-	-	661,247	787,478	661,247	787,478
Total Expenses	-	-	2,036,496	2,742,788	2,036,496	2,742,788
Capital Contributions	1,671,582	(570,481)	-	570,481	1,671,582	-
Transfer-in (Out)	45,472	1,001,022	(45,472)	(1,001,022)	-	-
Changes in Net Assets	4,231,549	(2,604,724)	182,340	(761,673)	4,413,889	(3,366,397)
Net Assets - Beginning, as Restated	123,656,307	126,261,031	10,596,280	11,357,953	134,252,587	137,618,984
Net Assets - Ending	\$127,887,856	\$123,656,307	\$ 10,778,620	\$ 10,596,280	\$138,666,476	\$134,252,587

Analysis of Changes in Net Assets

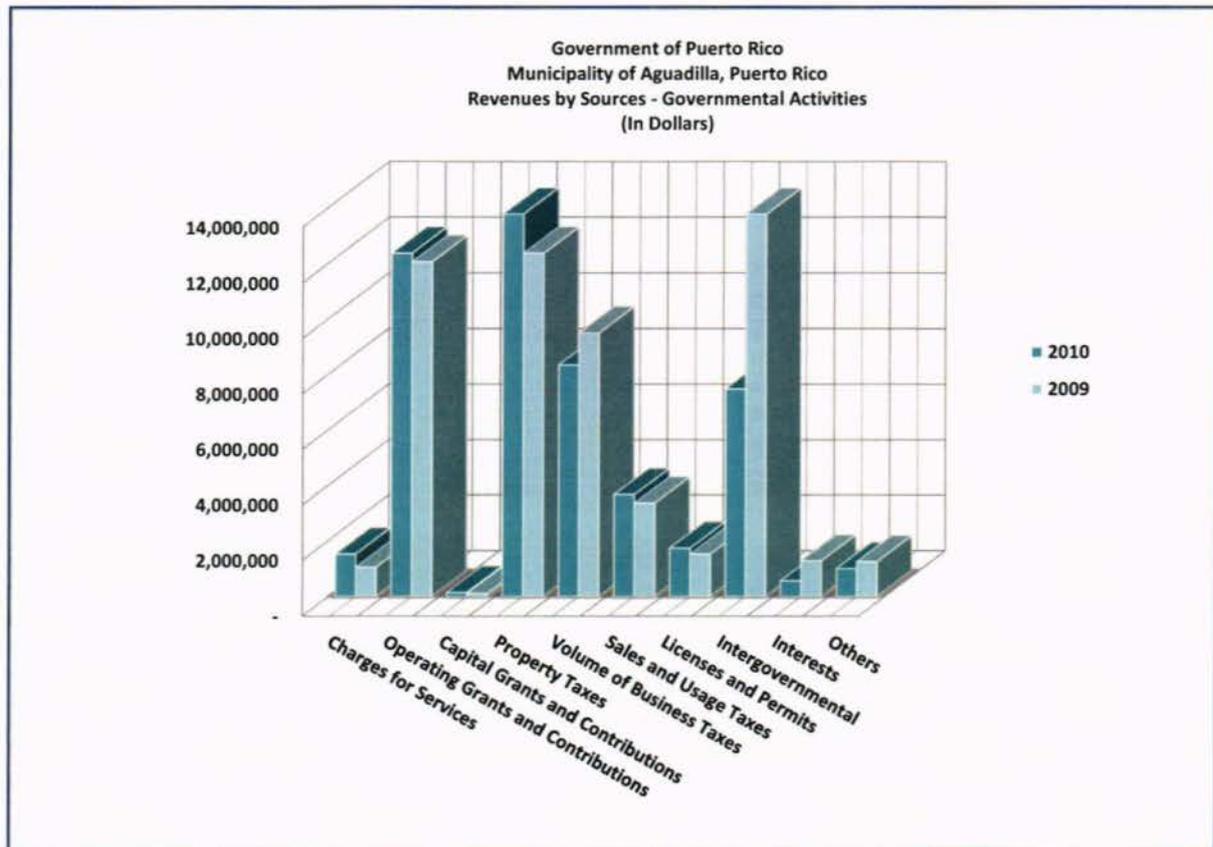
The Municipality's net assets overall increased by \$4,413,889 during fiscal year 2009-2010, compared to a (\$3,366,397) decrease last fiscal year. The governmental activities component of this change was a \$4,231,549 increase, and business-type activities increase of \$182,340 that compare with the prior year net change of (\$761,673). A discussion of these changes is presented in the government and business-type activities below.

Governmental Activities. The **Municipality's** net assets increased by \$4,231,549 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 presents revenues comparison by sources of the governmental activities during the past two years:

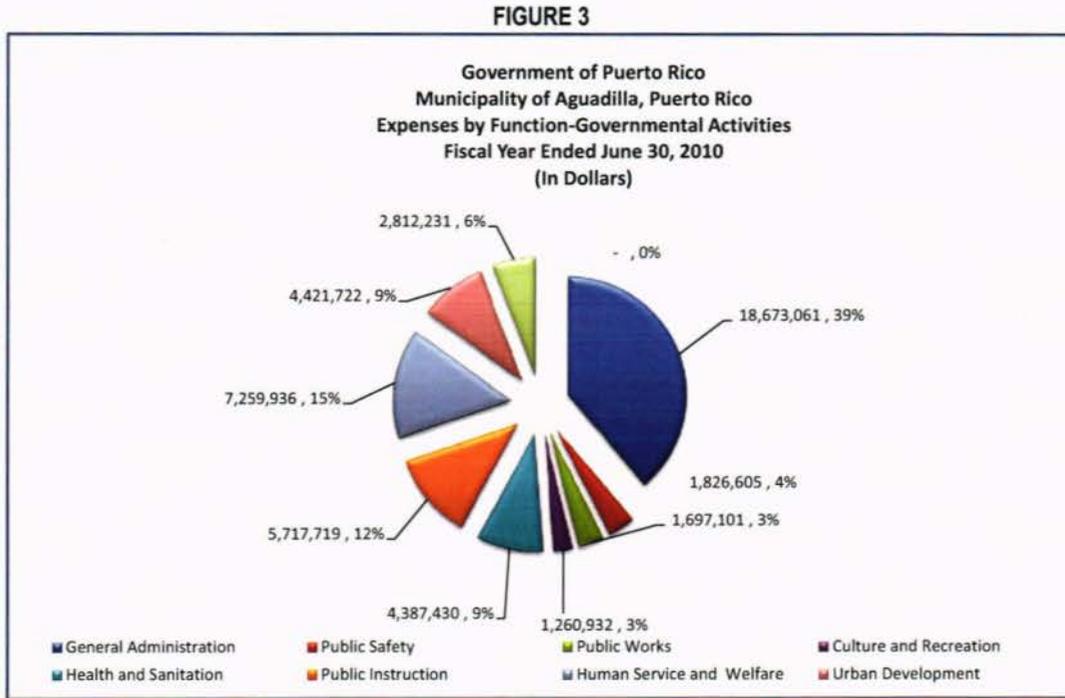
FIGURE 2



Approximately 24.4% of the **Municipality's** revenues came from grants and contributions, 27.2% from property taxes, volume of business taxes 16.5%, intergovernmental 14.8%, and 17.1% from other sources. The **Municipality's** expenses cover a range of services. The largest expenses are general administration with 38.9%, education representing approximately 11.9%, human services and welfare with 15.1%, and urban development with 9.2%. Program revenues of the **Municipality** covered 29.2% of total expenses.

Expenses decreased 19% or \$11.2 million in comparison with 2009 year. Significant decreases were registered on health and sanitation and urban development projects incurred for the benefit of the community.

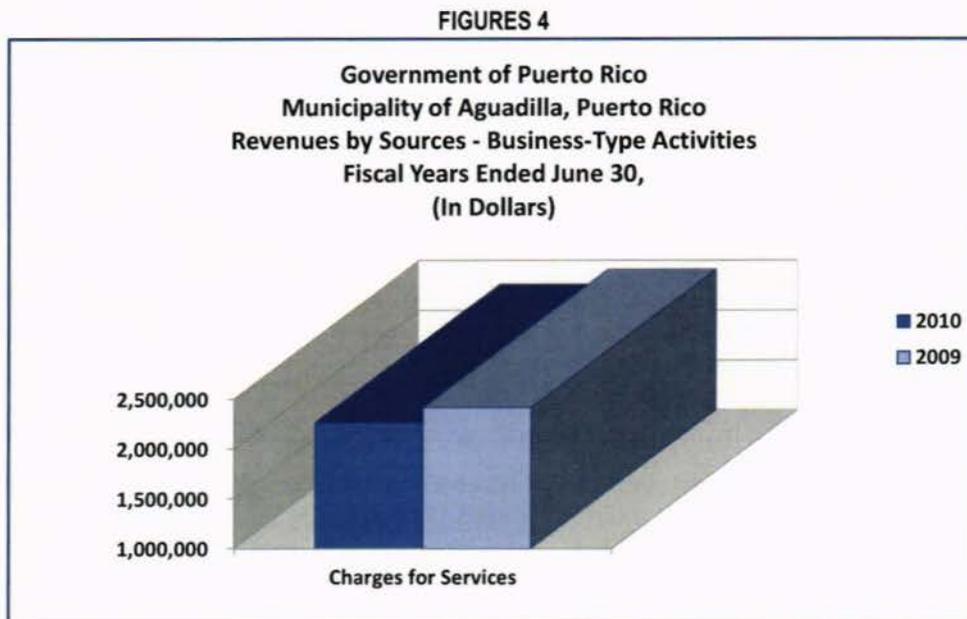
Figure 3 presents expenses by function of the governmental activities during the fiscal year 2009-2010:

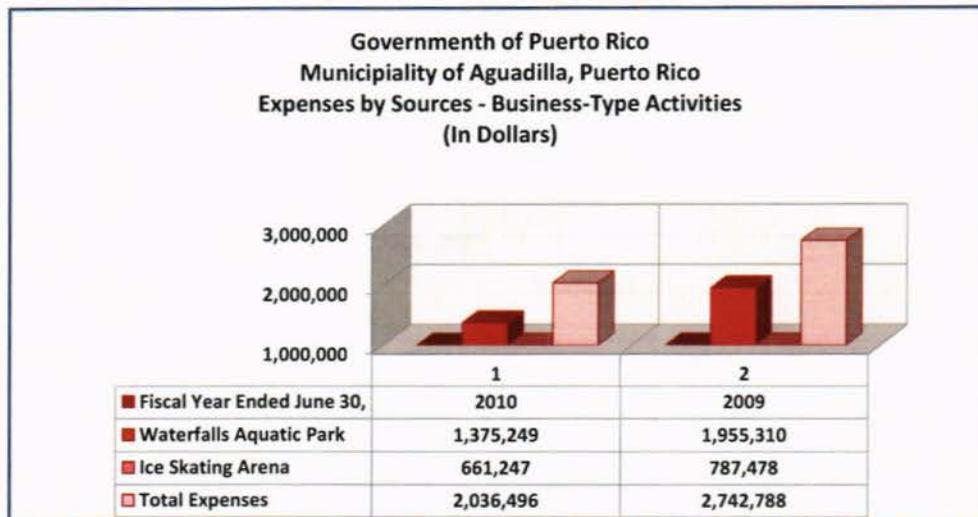


Business-Type Activities. The proprietary fund net assets increased by \$182,340 during the current fiscal year, after a net transfer-out of \$45,472 to general fund.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. Charges for services decrease by \$147,348 during year due to the economic recession.

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





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

Table 3

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

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Governmental Activities:				
General Government	\$ 18,673,061	\$ 19,660,012	\$ 18,424,631	\$ 19,532,414
Public Safety	1,826,605	1,845,635	1,826,605	1,845,635
Public Works	1,697,101	1,821,141	1,697,101	1,821,141
Culture and Recreation	1,260,932	1,063,943	1,260,932	1,063,943
Health and Sanitation	4,387,430	7,517,663	3,112,072	6,597,672
Public Instruction	5,717,719	5,371,819	(879,207)	(91,555)
Human Services and Welfare	7,259,936	5,090,701	3,406,237	837,049
Urban Development	4,421,722	13,031,468	2,376,174	11,191,285
Interest Costs	2,812,231	3,804,291	2,812,231	3,804,291
Loss on Disposition of Asset	-	57,393	-	57,393
Total Expenses	<u>48,056,737</u>	<u>59,264,066</u>	<u>34,036,776</u>	<u>46,659,268</u>
Business-Type Activities:				
Aguadilla's Waterfall Park	1,375,249	1,955,310	(218,378)	185,865
Aguadilla Ice Skating Arena	661,247	787,478	(9,434)	145,267
Total Expenses	<u>2,036,496</u>	<u>2,742,788</u>	<u>(227,812)</u>	<u>331,132</u>
Total Expenses	<u>\$ 50,093,233</u>	<u>\$ 62,006,854</u>	<u>\$ 33,808,964</u>	<u>\$ 46,990,400</u>

Some of the cost of governmental activities in 2010 was paid by those who directly benefited from the programs (\$1,523,788) and other governments and organizations that subsidized certain programs with grants and contributions (\$12,352,994). The \$34,036,776 net cost of services was covered by other general revenues including property taxes, volume of business taxes, sales and usage taxes, intergovernmental and others. Business-type activities in 2010 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, 2010, the governmental funds reported combined ending fund balances of \$40,782,828, a net decrease of \$5,955,114 in comparison with the prior year. This decrease was due primarily by the investment in capital assets that represent expenditures (\$11,852,805). Of total combined fund balances, \$10,159,195 (25%) 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 86.7% of total ending general fund balance. For the year ended June 30, 2010, the fund balance of the general fund increased by \$1,227,036 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 2009-2010 was less than prior year budget by approximately \$2.9 million due to the decrease in property taxes, volume of business taxes, intergovernmental and reduction in construction excise taxes and interest on investments. Actual revenues were more than the revised budgeted revenues by \$89,122 due to a reduction on miscellaneous revenues.

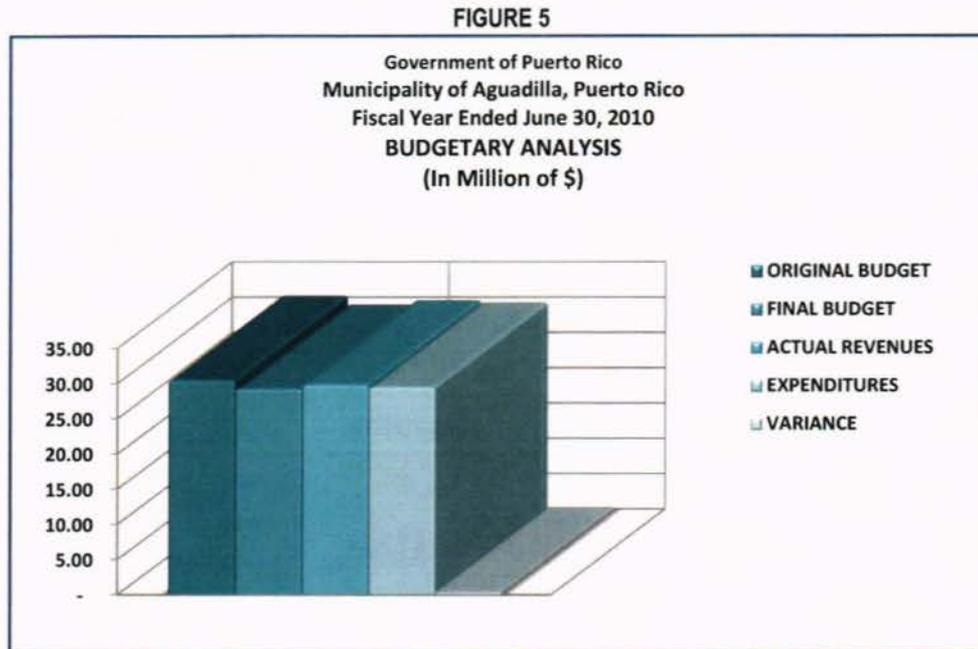
Also, economies were generated during the years in the amount of \$561,628. The **Municipality** reported less expenditure than appropriations in those functions on payments for purchase of equipment and professional and nonprofessional services. Total Variances amounted to \$650,750 or 2.4% of estimated resources.

Table 4

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

Description	2010	2009
Revenues:		
Property Taxes	\$ 9,890,862	\$ 9,511,364
Volume of Business Taxes	8,335,598	9,486,385
Intergovernmental	6,222,425	6,740,713
Licenses and Permits	1,737,351	1,523,864
Interests	401,166	988,681
Charges for Service	248,430	127,598
Miscellaneous	961,138	688,382
Total Revenues	27,796,970	29,066,987
Expenditures:		
General Government	14,774,125	15,982,020
Public Safety	1,684,024	1,759,031
Public Work	1,385,399	1,548,929
Culture and Recreation	818,477	1,001,882
Health and Sanitation	3,323,719	3,220,026
Solid Waste Disposal	1,084,877	-
Human Services and Welfare	3,454,961	3,414,240
Urban Development	670,233	414,901
Capital Outlay	83,044	119,238
Total Expenditures	27,278,859	27,460,267
Net Transfer In (Out)	(1,401,075)	(1,589,814)
Other Financing Sources	2,110,000	-
Net Increase in Fund Balance	\$ 1,227,036	\$ 16,906

Figure 5 presents the budgetary comparison by their components during the fiscal year 2009-2010:



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the **Municipality** has invested \$175,924,934 (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 \$9,975,713 or 6.1% more than prior year.

The **Municipality** acquired a total of \$13,608,784 of capital assets during the fiscal year 2009-2010 as follows:

- Construction in progress of buildings and facilities – \$10,792,833 (\$2,469,902 was terminated and presented as addition to buildings and infrastructure)
- Acquisition of Building – \$1,691,582
- Construction of Infrastructure – \$314,298
- Acquisition of Motor Vehicles – \$249,621
- Acquisition of Machinery and Equipment – \$560,450

Motor vehicles, machinery and equipment were eliminated for a total amount of \$113,564.

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

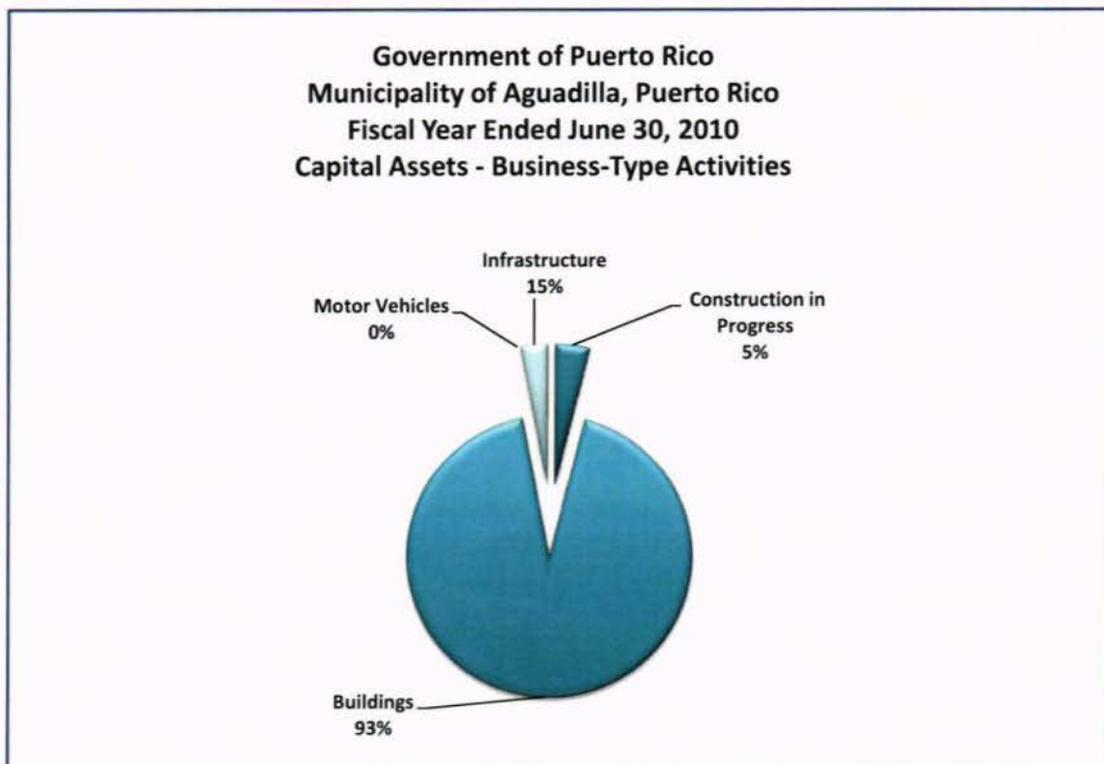
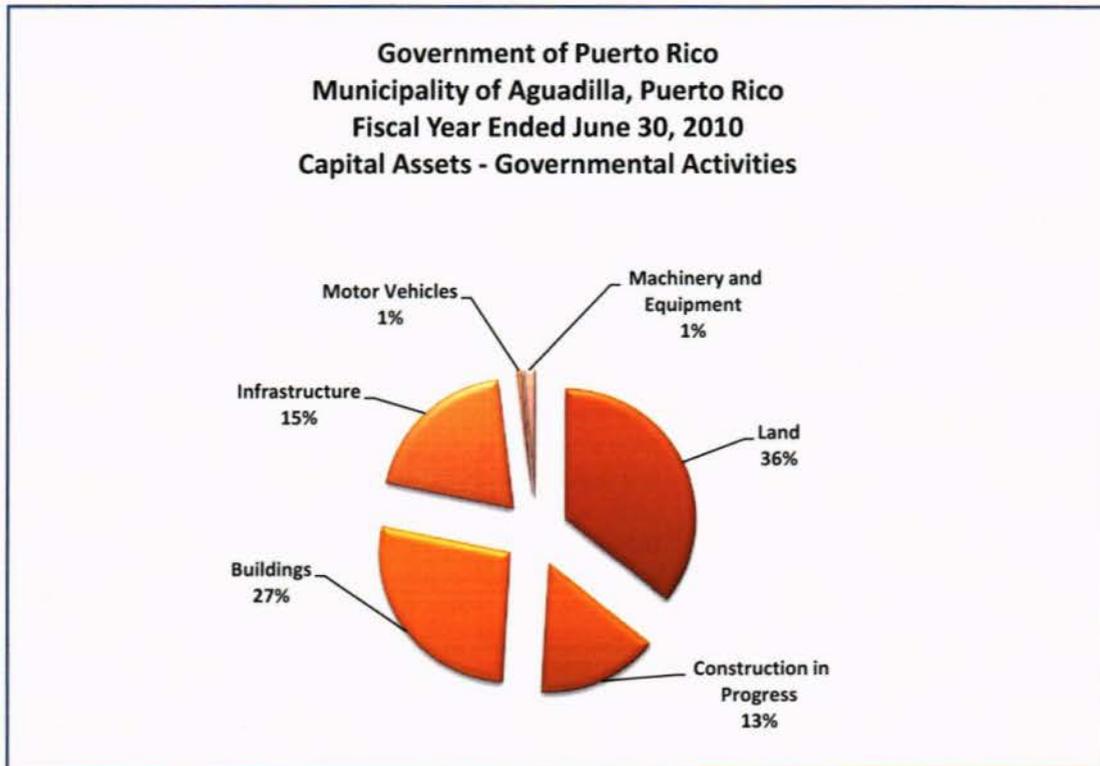
Table 5

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

Description	2010	2009
Governmental Activities:		
Non-Depreciable Capital Assets:		
Land	\$ 59,420,534	\$ 59,420,534
Construction in Progress	25,112,368	16,789,437
Depreciable Capital Assets:		
Buildings	45,360,506	42,953,942
Infrastructure	32,822,000	32,861,421
Motor Vehicles	1,062,912	1,461,110
Machinery and Equipment	2,257,365	2,326,539
Total Governmental Capital Assets	<u>166,035,685</u>	<u>155,812,983</u>
Business-Type Activities:		
Non-Depreciable Capital Assets:		
Construction in Progress	387,504	387,504
Depreciable Capital Assets:		
Buildings	9,198,455	9,430,382
Motor Vehicles	4,728	7,565
Equipment	298,562	310,787
Total Business-Type Capital Assets	<u>9,889,249</u>	<u>10,136,238</u>
Total	<u>\$ 175,924,934</u>	<u>\$ 165,949,221</u>

Figure 6 presents the components of capital assets during the fiscal year 2009-2010:

FIGURES 6



Long-Term Debts

New general and special obligations bonds were issued for new capital projects in the amount of \$3.1 million, \$3.0 million was refinance, and \$2.1 million was issued to cover the landfill closing costs. Important projects for our communities should be constructed with the funds available in the capital project fund.

At year-end, the **Municipality** had \$79,859,291 in general and special obligations bonds, an increase of 2.2% with respect to prior year. Following is a summary of the **Municipality's** outstanding debt as of June 30, 2010 and 2009:

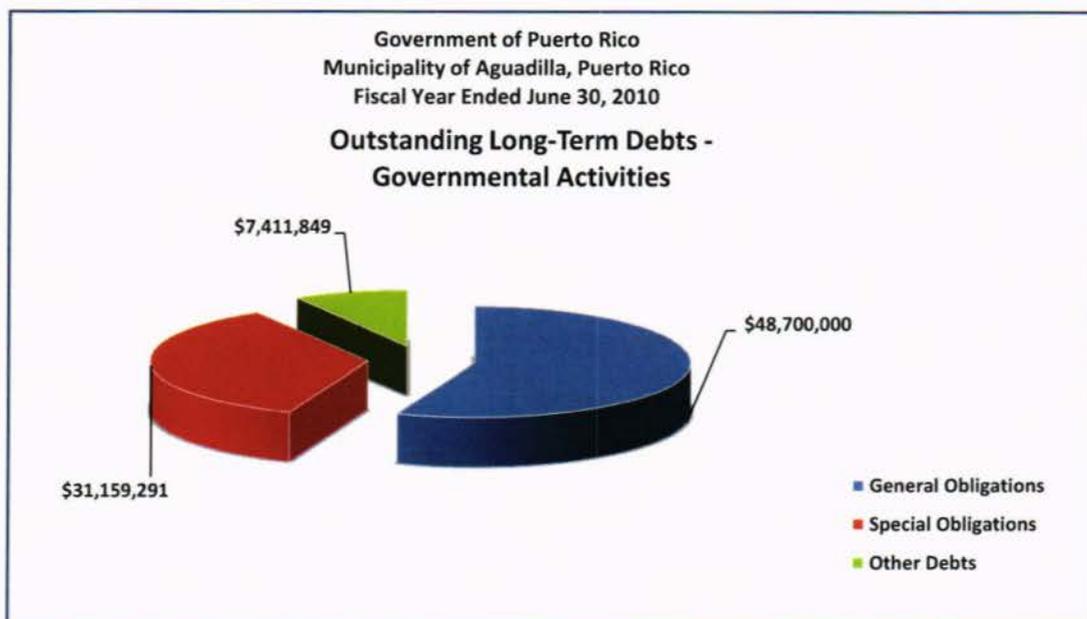
More detailed information about the **Municipality's** long-term liabilities is presented in Note 11 to the financial statements.

Table 6

Government of Puerto Rico Municipality of Aguadilla, Puerto Rico Outstanding Long-Term Debt As of June 30,		
	2010	2009
Governmental Activities:		
General and Special Obligation Bonds	\$ 79,859,291	\$ 78,177,216
Law Number 146 - MRCC	209,021	218,522
LIMS - MRCC	179,457	290,620
Deferred Credits	41,771	59,594
Landfill Obligation	2,292,614	3,377,491
Claims	200,000	200,000
Compensated Absences	4,488,986	4,751,431
Total	\$ 87,271,140	\$ 87,074,874
Business-Type Activities:		
Compensated Absences	\$ 93,301	\$ 93,565

Figure 7 presents the components of Long-Term Debts during the fiscal year 2009-2010:

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 2009-2010 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 17.5% (principally by the reduction of the Hewlett-Packard Mfg.), which compares with the Government of Puerto Rico rate of 16.9%.

The **Municipality** applied a conservative approach in development budget estimates. Amounts available for appropriations in the General Fund for the fiscal year 2010-2011 are \$27.7 million, approximately the same as the fiscal year 2009-2010. The **Municipality** expects limited changes in revenues for the next year due to Puerto Rico economic rescission. Budgeted expenditures are expected to stabilize accordingly to the projected revenues. Among planned projects, this budget may be adjusted in accordance with economic injection projected when the construction project promoted by the **Municipality** and others private projects were develop during the year.

AMERICAN RECOVERY AND REINVESTMENT ACT

The **Municipality** received the following federal awards from the American Recovery and Reinvestment Act during fiscal year 2009-2010:

Federal Program	CFDA Number	Total Award	Total Expended
Community Development Block Grants/Entitlement Grants – Cluster [Construction of Sidewalks and Curbs as part of the reconstruction of the State Road PR 125]	14.253	\$ 499,988	\$ 323,113
Homelessness Prevention and Rapid Re-Housing Program [Provide financial assistance (payment of delinquent utility and rental payments) (2.28 jobs)]	14.257	764,657	158,756
Aging Home Delivered Nutrition Service for States – Cluster [Provide for foods and other expenses]	93.705	13,197	10,046
Head Start Program – Cluster [Funds delegated for COLA, repairs and maintenance services, creating the following job: carpenters, electricians, painters, engineers, construction workers among others (42.06 jobs)]	93.708	<u>365,893</u>	<u>123,656</u>
Total		<u>\$1,643,735</u>	<u>\$ 615,571</u>

CONTACTING THE MUNICIPALITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS



Old Punta Borinquen Light House



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GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

STATEMENT OF NET ASSETS
JUNE 30, 2010

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash and Investments.....	\$ 32,598,912	\$ 712,764	\$ 33,311,676
Cash with Fiscal Agent.....	17,015,890	-	17,015,890
Receivables (Net):			
Property Taxes	465,416	-	465,416
Sales and Usage Taxes	245,870	-	245,870
Federal Grants.....	8,126,111	-	8,126,111
Municipal Revenue Collection Center	185,455	-	185,455
Others.....	<u>325,966</u>	<u>-</u>	<u>325,966</u>
	58,963,620	712,764	59,676,384
Deferred Charges.....	289,460	-	289,460
Internal Balances	(303,228)	303,228	-
Capital Assets:			
Land, Improvements and Construction in Progress.....	84,532,902	387,504	84,920,406
Other Capital Assets [Net of Depreciation].....	<u>81,502,783</u>	<u>9,501,745</u>	<u>91,004,528</u>
Total Capital Assets.....	<u>166,035,685</u>	<u>9,889,249</u>	<u>175,924,934</u>
TOTAL ASSETS	<u>224,985,537</u>	<u>10,905,241</u>	<u>235,890,778</u>
LIABILITIES:			
Accounts Payable and Accrued Expenses.....	1,767,840	33,320	1,801,160
Accrued Interest.....	789,682	-	789,682
Due to Governmental Units.....	116,880	-	116,880
Others	496,488	-	496,488
Deferred Revenues	6,655,651	-	6,655,651
Long-Term Liabilities:			
Due within One Year.....	7,907,696	65,511	7,973,207
Due in more than One Year.....	<u>79,363,444</u>	<u>27,790</u>	<u>79,391,234</u>
TOTAL LIABILITIES	<u>97,097,681</u>	<u>126,621</u>	<u>97,224,302</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt.....	111,474,441	9,889,249	121,363,690
Restricted for:			
Capital Projects.....	7,971,462	-	7,971,462
Head Start Program.....	4,171,245	-	4,171,245
Debt Service	2,375,421	-	2,375,421
Community Development Projects	2,049,483	-	2,049,483
Unrestricted (Deficit).....	<u>(154,196)</u>	<u>889,371</u>	<u>735,175</u>
TOTAL NET ASSETS	<u>\$127,887,856</u>	<u>\$ 10,778,620</u>	<u>\$138,666,476</u>

See accompanying Notes to the Basic Financial Statements.

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities:							
Mayor and Municipal Legislature.....	\$ 1,353,353	\$ -	\$ -	\$ -	(\$ 1,353,353)	\$ -	(\$ 1,353,353)
General Government.....	17,319,708	248,430	-	-	(17,071,278)	-	(17,071,278)
Public Safety.....	1,826,605	-	-	-	(1,826,605)	-	(1,826,605)
Public Works.....	1,697,101	-	-	-	(1,697,101)	-	(1,697,101)
Culture and Recreation.....	1,260,932	-	-	-	(1,260,932)	-	(1,260,932)
Health and Sanitation.....	4,387,430	1,275,358	-	-	(3,112,072)	-	(3,112,072)
Public Instruction.....	5,717,719	-	6,596,926	-	879,207	-	879,207
Human Services and Welfare.....	7,259,936	-	3,853,699	-	(3,406,237)	-	(3,406,237)
Urban Development.....	4,421,722	-	1,902,369	143,179	(2,376,174)	-	(2,376,174)
Interest on Long-Term Debts.....	2,812,231	-	-	-	(2,812,231)	-	(2,812,231)
Total Governmental Activities.....	48,056,737	1,523,788	12,352,994	143,179	(34,036,776)	-	(34,036,776)
Business-Type Activities:							
Aguadilla's Waterfalls Aquatic Park.....	1,375,249	1,593,627	-	-	-	218,378	218,378
Aguadilla Ice Skating Arena.....	661,247	670,681	-	-	-	9,434	9,434
Total Business-Type Activities.....	2,036,496	2,264,308	-	-	-	227,812	227,812
Total Activities.....	\$ 50,093,233	\$ 3,788,096	\$ 12,352,994	\$ 143,179	(34,036,776)	227,812	(33,808,964)
General Revenues:							
Taxes:							
Property Taxes, levied for General Purposes.....					9,890,862	-	9,890,862
Property Taxes, levied for Debt Service.....					3,872,149	-	3,872,149
Volume of Business Taxes.....					8,335,598	-	8,335,598
Sales and Usage Taxes.....					3,670,110	-	3,670,110
Licenses and Permits.....					1,737,351	-	1,737,351
Intergovernmental.....					7,474,784	-	7,474,784
Interests.....					565,888	-	565,888
Miscellaneous.....					1,004,529	-	1,004,529
Capital Contributions.....					1,671,582	-	1,671,582
Transfers.....					45,472	(45,472)	-
Total General Revenues, Capital Contributions and Transfers....					38,268,325	(45,472)	38,222,853
CHANGE IN NET ASSETS.....					4,231,549	182,340	4,413,889
Net Assets – Beginning of Year, As Restated.....					123,656,307	10,596,280	134,252,587
NET ASSETS – ENDING OF YEAR.....					\$127,887,856	\$ 10,778,620	\$138,666,476

See accompanying Notes to the Basic Financial Statements.

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2010

	GENERAL FUND	HEAD START FUND	REAL MARINA FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash and Cash Equivalents	\$ 12,151,464	\$ 443,420	\$ 12,107,491	\$ -	\$ 7,896,537	\$ 32,598,912
Cash with Fiscal Agent	1,155,345	-	-	6,857,369	9,003,176	17,015,890
Receivables:						
Property Taxes	-	-	-	465,416	-	465,416
Sales and Usage Taxes	-	-	-	-	245,870	245,870
Federal Grants	-	4,984,435	-	-	3,141,676	8,126,111
Municipal Revenue Collection Center	185,455	-	-	-	-	185,455
Due from Other Funds	5,489,584	-	-	-	-	5,489,584
Others Receivables	-	-	-	-	325,966	325,966
TOTAL ASSETS	\$ 18,981,848	\$ 5,427,855	\$ 12,107,491	\$ 7,322,785	\$ 20,613,225	\$ 64,453,204
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 280,800	\$ 171,786	\$ 28,830	\$ 1,920,000	\$ 1,286,424	\$ 3,687,840
Accrued Interest	-	-	-	789,682	-	789,682
Due to Governmental Units	116,880	-	-	-	-	116,880
Due to Other Funds	200,000	491,070	-	-	5,101,742	5,792,812
Others	496,488	-	-	-	-	496,488
Deferred Revenues:						
Volume of Business Taxes	6,160,654	-	-	-	-	6,160,654
Federal Grants	-	4,440,567	-	-	2,185,453	6,626,020
Total Liabilities	7,254,822	5,103,423	28,830	2,709,682	8,573,619	23,670,376
Fund Balances:						
Reserve For:						
Encumbrances	551,835	-	-	-	-	551,835
Debt Service	-	-	-	4,613,103	-	4,613,103
Capital Projects	-	-	12,078,661	-	7,529,798	19,608,459
Special Revenues	-	-	-	-	5,133,785	5,133,785
Designated for Future Expenditures	1,015,996	324,432	-	-	-	1,340,428
Unreserved (Deficit)	10,159,195	-	-	-	(623,977)	9,535,218
Total Fund Balances	11,727,026	324,432	12,078,661	4,613,103	12,039,606	40,782,828
TOTAL LIABILITIES AND FUND BALANCES	\$ 18,981,848	\$ 5,427,855	\$ 12,107,491	\$ 7,322,785	\$ 20,613,225	\$ 64,453,204

See accompanying Notes to the Basic Financial Statements.

Total Fund Balances – Governmental Funds (Page 20)..... \$ 40,782,828

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.....	\$ 84,532,902	
Depreciable Capital Assets	86,134,731	
Infrastructure Assets	46,358,783	
Accumulated Depreciation	<u>(50,990,731)</u>	
Total Capital Assets		166,035,685

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

Deferred Charges.....		289,460
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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	4,440,567	
CDBG	<u>1,690,456</u>	
Total Deferred Revenues		6,131,023

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

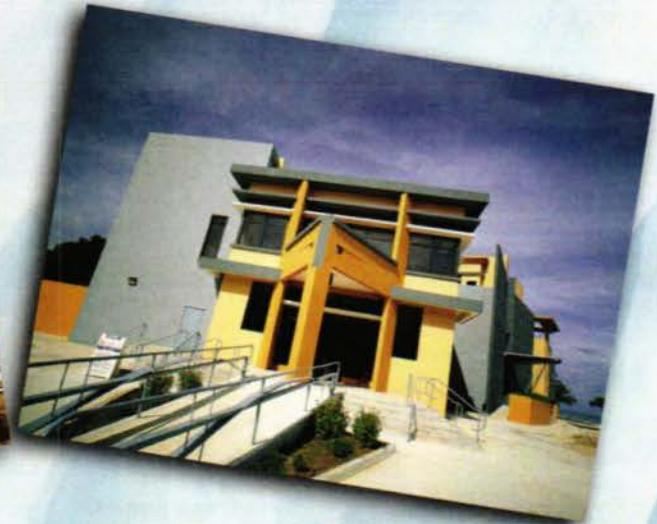
General Bonds and Special Bonds	77,939,291	
Landfill Closure and Post-Closure Costs.....	2,292,614	
Compensated Absences	4,488,986	
Claims	200,000	
Deferred Charges.....	41,771	
Property Taxes Advances	<u>388,478</u>	
Total Long-Term Liabilities		<u>(85,351,140)</u>

Total Net Assets of Governmental Activities (Page 18) \$127,887,856

Guadilla
CITY
ENTERPRISES

Las Cascadas
WATER PARK





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



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, 2010

	GENERAL FUND	HEAD START FUND	REAL MARINA FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES						
Property Taxes	\$ 9,890,862	\$ -	\$ -	\$ 3,872,149	\$ -	\$ 13,763,011
Volume of Business Taxes	8,335,598	-	-	-	-	8,335,598
Sales and Usage Taxes	-	-	-	706,619	2,963,491	3,670,110
Federal Assistances	-	5,921,543	-	-	6,420,836	12,342,379
Intergovernmental	6,222,425	-	-	-	1,252,359	7,474,784
Licenses and Permits	1,737,351	-	-	-	-	1,737,351
Interests	401,166	-	163,688	1,034	-	565,888
Charges for Service	248,430	-	-	-	1,275,358	1,523,788
Miscellaneous	961,138	-	-	-	43,391	1,004,529
Total Revenues	27,796,970	5,921,543	163,688	4,579,802	11,955,435	50,417,438
EXPENDITURES						
Current:						
Mayor and Municipal Assembly	1,248,151	-	-	-	-	1,248,151
General Government	13,525,974	-	-	-	1,856,234	15,382,208
Public Safety	1,684,024	-	-	-	37,633	1,721,657
Public Works	1,385,399	-	-	-	-	1,385,399
Culture and Recreation	818,477	-	-	-	69,287	887,764
Health and Sanitation	3,323,719	-	-	-	987,790	4,311,509
Public Instruction	-	5,715,424	-	-	-	5,715,424
Solid Waste Disposal	1,084,877	-	-	-	-	1,084,877
Human Services and Welfare	3,454,961	-	-	-	3,727,716	7,182,677
Urban Development	670,233	-	-	-	3,635,885	4,306,118
Capital Outlay	83,044	-	2,189,650	-	9,580,111	11,852,805
Debt Service:						
Principal	-	-	-	6,716,664	-	6,716,664
Interest and Other Charges	-	-	-	2,812,231	-	2,812,231
Bond Issue Costs	-	-	-	28,615	-	28,615
Total Expenditures	27,278,859	5,715,424	2,189,650	9,557,510	19,894,656	64,636,099
Excess of Revenues Over (Under)						
Expenditures	518,111	206,119	(2,025,962)	(4,977,708)	(7,939,221)	(14,218,661)

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, 2010

	GENERAL FUND	HEAD START FUND	REAL MARINA FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
OTHER FINANCING SOURCES (USES)						
Proceed of Bonds	\$ 2,110,000	\$ -	\$ -	\$ -	\$ 6,108,075	\$ 8,218,075
Transfers – In	120,914	-	-	5,922,682	45,472	6,089,068
Transfers – Out	<u>(1,521,989)</u>	<u>-</u>	<u>(198,712)</u>	<u>-</u>	<u>(4,322,895)</u>	<u>(6,043,596)</u>
Total Other Financing Sources and Uses	<u>708,925</u>	<u>-</u>	<u>(198,712)</u>	<u>5,922,682</u>	<u>1,830,652</u>	<u>8,263,547</u>
Net Change in Fund Balances	1,227,036	206,119	(2,224,674)	944,974	(6,108,569)	(5,955,114)
Fund Balances – Beginning, As Restated	<u>10,499,990</u>	<u>118,313</u>	<u>14,303,335</u>	<u>3,668,129</u>	<u>18,148,175</u>	<u>46,737,942</u>
FUND BALANCES – ENDING	<u>\$ 11,727,026</u>	<u>\$ 324,432</u>	<u>\$ 12,078,661</u>	<u>\$ 4,613,103</u>	<u>\$ 12,039,606</u>	<u>\$ 40,782,828</u>

See accompanying Notes to the Basic Financial Statements.

Net Change in Fund Balances – Total Governmental Funds (Page 23)..... (\$ 5,955,114)

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	\$ 13,524,387	
Depreciation Expense	<u>(3,301,675)</u>	
Excess of Capital Assets over Depreciation Expense		10,222,712

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	(521,589)	
Head Start	<u>675,383</u>	153,794

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

(8,218,075)

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.

6,716,664

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

Decrease in Landfill Closure and Post-Closure Costs	1,084,877	
Bond Issue Costs Amortization	(35,754)	
Decrease in Compensated Absences	<u>262,445</u>	

Total Additional Expenditures		<u>1,311,568</u>
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Change in Net Assets of Governmental Activities (Page 19) \$ 4,231,549

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, 2010

	BUDGET AMOUNTS		ACTUAL AMOUNTS BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES:				
Property Taxes	\$ 9,151,350	\$ 9,890,862	\$ 9,890,862	\$ -
Volume of Business Taxes	9,500,000	8,091,475	8,335,598	244,123
Intergovernmental Revenues.....	4,973,429	6,159,170	6,222,425	63,255
Licenses and Permits	1,710,852	1,685,899	1,737,351	51,452
Interests	1,104,934	399,282	401,166	1,884
Miscellaneous	1,040,910	1,481,160	1,209,568	(271,592)
Total Revenues.....	27,481,475	27,707,848	27,796,970	89,122
EXPENDITURES:				
Current:				
Mayor and Municipal Legislature	1,470,871	1,363,151	1,348,147	15,004
General Government	12,765,063	13,281,445	12,863,336	418,109
Public Safety	1,898,220	1,702,878	1,690,557	12,321
Public Works	1,496,057	1,402,994	1,390,842	12,152
Culture and Recreation.....	992,390	717,476	830,760	(113,284)
Health and Sanitation	3,653,911	3,413,193	3,358,462	54,731
Public Instruction	-	-	-	-
Solid Waste Disposal.....	-	-	-	-
Human Services and Welfare	3,716,477	3,640,443	3,489,390	151,053
Urban Development.....	735,384	721,420	693,625	27,795
Capital Outlays.....	64,950	72,033	88,286	(16,253)
Total Expenditures	26,793,323	26,315,033	25,753,405	561,628
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	688,152	1,392,815	2,043,565	650,750
Other Financing Sources (Uses):				
Transfers from Other Funds	-	120,914	120,914	-
Transfers to Other Funds.....	(688,152)	(1,513,729)	(1,513,729)	-
Total Other Financing Sources (Uses).....	(688,152)	(1,392,815)	(1,392,815)	-
Net Change in Fund Balance.....	-	-	650,750	650,750
Budgetary Fund Balance, July 1, 2009.....	5,041,816	5,041,816	5,041,816	-
BUDGETARY FUND BALANCE, JUNE 30, 2010	\$ 5,041,816	\$ 5,041,816	\$ 5,692,566	\$ 650,750

See accompanying Notes to the Basic Financial Statements.

	BUSINESS-TYPE ACTIVITIES – ENTERPRISE FUNDS		
	AGUADILLA'S WATERFALLS AQUATIC PARK	AGUADILLA ICE SKATING ARENA	TOTAL
ASSETS:			
Current Assets:			
Cash.....	\$ 425,901	\$ 286,863	\$ 712,764
Due from/(to) Other Funds.....	313,300	(10,072)	303,228
Total Current Assets	739,201	276,791	1,015,992
Noncurrent Assets:			
Capital Assets:			
Construction in Progress.....	387,504	-	387,504
Buildings and Equipment	6,628,606	6,811,585	13,440,191
Less Accumulated Depreciation	(3,176,268)	(762,178)	(3,938,446)
Total Noncurrent Assets	3,839,842	6,049,407	9,889,249
TOTAL ASSETS.....	4,579,043	6,326,198	10,905,241
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Expenses	30,334	2,986	33,320
Compensated Absences.....	39,379	26,132	65,511
Total Current Liabilities	69,713	29,118	98,831
Noncurrent Liabilities:			
Compensated Absences.....	25,831	1,959	27,790
TOTAL LIABILITIES	95,544	31,077	126,621
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	3,839,842	6,049,407	9,889,249
Unrestricted.....	643,657	245,714	889,371
TOTAL NET ASSETS	\$ 4,483,499	\$ 6,295,121	\$10,778,620

See accompanying Notes to the Basic Financial Statements.

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS – PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	BUSINESS-TYPE ACTIVITIES – ENTERPRISE FUNDS		
	AGUADILLA'S WATERFALLS AQUATIC PARK	AGUADILLA ICE SKATING ARENA	TOTAL
OPERATING REVENUES:			
Charges for Services	\$ 1,593,627	\$ 670,681	\$ 2,264,308
Total Operating Revenues	<u>1,593,627</u>	<u>670,681</u>	<u>2,264,308</u>
OPERATING EXPENSES:			
Contractual Services	115,186	44,538	159,724
Payroll Expenses	512,910	269,043	781,953
Fringes Benefits	72,138	61,598	133,736
Utilities	237,190	24,084	261,274
Repair and Maintenance	200,568	21,374	221,942
Supplies and Other Expenses	61,361	85,120	146,481
Depreciation	<u>175,896</u>	<u>155,490</u>	<u>331,386</u>
Total Operating Expenses	<u>1,375,249</u>	<u>661,247</u>	<u>2,036,496</u>
Income (Loss) Before Contribution and Transfers	<u>218,378</u>	<u>9,434</u>	<u>227,812</u>
Transfer-Out	<u>(45,472)</u>	<u>-</u>	<u>(45,472)</u>
CHANGES IN NET ASSETS	172,906	9,434	182,340
Net Assets, Beginning	<u>4,310,593</u>	<u>6,285,687</u>	<u>10,596,280</u>
NET ASSETS, Ending	<u>\$ 4,483,499</u>	<u>\$ 6,295,121</u>	<u>\$10,778,620</u>

See accompanying Notes to the Basic Financial Statements.

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	BUSINESS-TYPE ACTIVITIES – ENTERPRISE FUNDS		
	AGUADILLA'S WATERFALLS AQUATIC PARK	AGUADILLA ICE SKATING ARENA	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers and Users	\$ 1,593,627	\$ 705,590	\$ 2,299,217
Payments to Suppliers	(744,219)	(200,811)	(945,030)
Payments to Employees	(578,048)	(362,335)	(940,383)
Net Cash Provided (Used) by Operating Activities	<u>271,360</u>	<u>142,444</u>	<u>413,804</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Internal Activities – Receipts (Payments) to Other Funds	(143,300)	10,072	(133,228)
Operating Subsidies and Transfers to Other Funds	(45,472)	-	(45,472)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(188,772)</u>	<u>10,072</u>	<u>(178,700)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchases of Capital Assets	(71,910)	(12,487)	(84,397)
CASH FLOWS FROM INVESTING ACTIVITIES			
	-	-	-
Net Increase in Cash and Cash Equivalents	<u>10,678</u>	<u>140,029</u>	<u>150,707</u>
Cash, Beginning	<u>415,223</u>	<u>146,834</u>	<u>562,057</u>
Cash, Ending	<u>\$ 425,901</u>	<u>\$ 286,863</u>	<u>\$ 712,764</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income	\$ 218,378	\$ 9,434	\$ 227,812
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	175,896	155,490	331,386
(Increase) Decrease in Current Assets and Liabilities:			
Receivables, Net	-	34,909	34,909
Accounts and Others Payable	(129,914)	(25,695)	(155,609)
Accrued Expenses	<u>7,000</u>	<u>(31,694)</u>	<u>(24,694)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 271,360</u>	<u>\$ 142,444</u>	<u>\$ 413,804</u>

See accompanying Notes to the Basic Financial Statements.

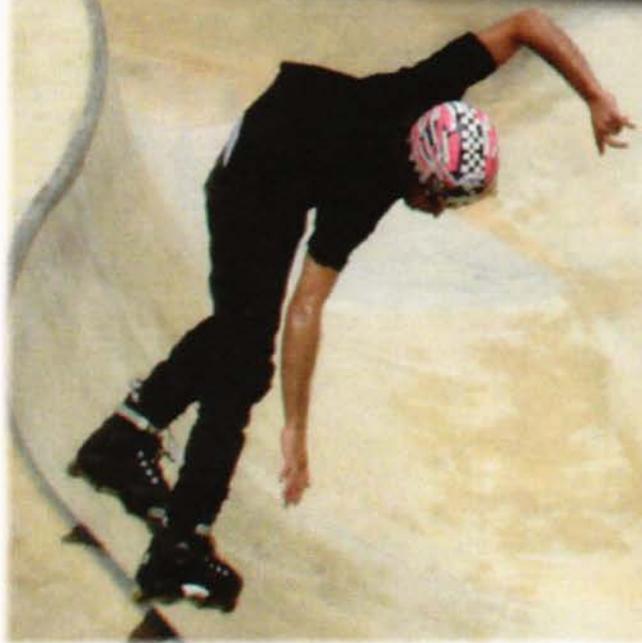
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Guadilla CITY ENTERPRISES



Guadilla
CITY
ENTERPRISES

Ramey's
Skate & Splash
park



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

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

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

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

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

These financial statements present the respective financial position of the governmental and business type activities, each major fund, and the aggregate remaining fund information of the **Municipality**, as of June 30, 2010, 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**. For the most part, the effect of interfund activity has been removed from these financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

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

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

Governmental Funds and Proprietary Funds Financial Statements (GFFS)

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

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

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

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

Notes to the Basic Financial Statements

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

Required Supplementary Information

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

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

Government-wide Financial Statements

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

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

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

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

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

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

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

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

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

Governmental Funds Financial Statements

The GFFS are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For these purposes, the **Municipality** considers revenues to be available if they are collected within sixty (60) days after the end of the current fiscal period. Significant revenues subject to accrual include federal grants and sales and usage taxes. Revenues that the **Municipality** earns by incurring obligations are recognized in the same period as when the obligations are recognized. At June 30, 2010, 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 Section N50 of the GASB Codification *Nonexchange Transactions*, (the **Municipality** may act as either provider or recipient), the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and deferred revenue by the recipient.

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

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

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

- 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, 2010, which are recorded as governmental fund liabilities of June 30, 2010 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).

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

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

Proprietary Funds Financial Statements (PFFS)

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

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

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

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

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

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

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. Budgetary control is legally maintained at the fund level. The budget is prepared using the modified accrual basis of accounting with encumbrance included as budgetary basis expenditures. Unexpended appropriations at the end of the fiscal year generally lapse. However, they may be re-appropriated for expenditures in the following fiscal year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

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

For budgetary purposes, encumbrance accounting is used. The encumbrances (i.e., purchase orders, contracts) are considered expenditures when incurred. For 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 Office of the Commissioner of Municipal Affairs examines the budget to verify if it complied with the law's standards and sends it to the Mayor for any comments or recommendation before the limited date establishes by the Law.
4. Prior to June 13, the annual budget is legally enacted through passage of the annual appropriation ordinance to be effective on July 1.

Since the budgetary basis differs from 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

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

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

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

D. Assets, Liabilities, and Net Assets

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

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

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

2) Receivables and Payables

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

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

Receivables consist of all revenues earned but not collected at June 30, 2010. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

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

3) *Inventories*

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

4) *Deferred Charges*

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

5) *Capital Assets*

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

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

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

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

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

The accounting policy for Works of Art is that they are capitalized at their historical cost or fair value at date of donation whether they are held as individual items or in a collection. Capitalized collections or individual items that is exhaustible, such as exhibits whose useful lives are diminished by display or educational or research applications, are depreciated over their estimated useful lives. Depreciation is not required for collections or individual items that are inexhaustible. At June 30, 2010, all Work of Art are considered inexhaustible.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

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).

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 in conformance with Section C60 of the GASB Codification, the **Municipality** has accrued a liability for compensated absences, which has been earned but not taken by **Municipality's** employees, including its share of social security and Medicare payments made on behalf of the employees in the accrual for vacation and sick leave pay using salary rates effective at June 30, 2010. All vacation pay is accrued when incurred in the GWFS and PFFS. For the GWFS, the current portion is the amount estimated to be used in the following year. For the GFFS, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and government-wide presentations.

9) *Claims and Judgments*

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

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.

Also, the Head Start Program of the **Municipality** participates in a non-contributory defined contribution plan named "Plan de Contribuciones Definidas del Proyecto Head Start del Municipio de Aguadilla".

11) *Landfill*

As per requirements of State and Federal laws and regulations the **Municipality** should be obligated to place a final cover on its closed landfill and perform certain maintenance and monitoring functions at the landfill site for the next thirty years. The landfill has been closed, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

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

	Governmental Activities	Business-Type Activities
Capital Assets, Net of Accumulated Depreciation	\$166,035,685	\$ 9,889,249
Outstanding Balance on Related Debt	(68,576,000)	-
Unspent Capital Debt Proceeds	14,014,756	-
Total Invested in Capital Assets, Net of Related Debt	\$111,474,441	\$ 9,889,249

- *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.

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.

Designations of fund balances are established to reflect tentative plans for future utilization of current financial resources. It is the policy of the **Municipality** to designate the portion of fund balance set aside by the Municipal Legislature through the corresponding ordinance for future plans. The unreserved, undesignated basis of budgeting fund balance is the amount of fund balance remaining from operations of the current and prior years, net of amounts established as reserved and designated fund balance.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

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 \$744,615. The current insurance policies have not been cancelled or terminated. In addition, MRCC deducted approximately \$671,118 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.

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, 2010:

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

GASB Statement No. 59, *Financial Instruments Omnibus*. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2010. Earlier application is 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, **\$40,782,828**, differ from net assets of governmental activities, **\$127,887,856**, reported in the *Statement of Net Assets*. The difference primarily results from the long-term economic focus in the *Statement of Net Assets* versus the current financial resources focus in the government fund *Balance Sheets* (see next page).

(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	\$217,026,416
Accumulated Depreciation	<u>(50,990,731)</u>
	<u>\$166,035,685</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	\$ 289,460
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Balance Sheet/Statement of Net Assets				
	Total Governmental Funds	Long-Term Assets, Liabilities (A)	Reclassifications and Eliminations	Statement of Net Assets Totals
Assets:				
Cash and Investments	\$ 32,598,912	\$ -	\$ -	\$ 32,598,912
Cash with Fiscal Agent	17,015,890	-	-	17,015,890
Receivables, net:				
Property Taxes	465,416	-	-	465,416
Sales and Usage Taxes	245,870	-	-	245,870
Federal Grants	8,126,111	-	-	8,126,111
Municipal Revenue Collection Agency	185,455	-	-	185,455
Due from Other Funds	5,489,584	-	(5,489,584)	-
Other Receivables	325,966	-	-	325,966
Capital Assets, Net	-	166,035,685	-	166,035,685
Deferred Charges	-	289,460	-	289,460
Total Assets	\$ 64,453,204	\$ 166,325,145	\$ (5,489,584)	\$ 225,288,765
Liabilities:				
Accounts Payable	\$ 3,687,840	\$ (1,920,000)	\$ -	\$ 1,767,840
Accrued Interests	789,682	-	-	789,682
Due to Governmental Units	116,880	-	-	116,880
Other	496,488	-	-	496,488
Deferred Revenues	12,786,674	(6,131,023)	-	6,655,651
Due to Other Funds/Internal Balances(*)	5,792,812	-	(5,489,584)	303,228
Long-Term Liabilities	-	87,271,140	-	87,271,140
Total Liabilities	23,670,376	79,220,117	(5,489,584)	97,400,909
Fund Balances/Net Assets:				
Total Fund Balances/Net Assets	40,782,828	87,105,028	-	127,887,856
Total Liabilities and Fund Balances/Net Assets				
Balances/Net Assets	\$ 64,453,204	\$ 166,325,145	\$ (5,489,584)	\$ 225,288,765

* The internal balance (\$303,228) 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 (\$ 6,131,023)

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	\$ 209,021
LIMS – MRCC	179,457
Deferred Credit.....	41,771
Claims	200,000
Landfill Closure and Post-Closure Care Costs.....	2,292,614
Compensated Absences.....	4,488,986
General Obligations Bonds	48,700,000
Special Obligations Bonds	<u>31,159,291</u>
	87,271,140
Escrow Funds for General Obligations Bonds (Short-Term).....	<u>(1,920,000)</u>
Net Long-Term Liabilities	<u>\$ 85,351,140</u>

Also, an elimination of the Due from/to Other Funds of \$5,489,584 was excluded in the *Statement of Net Assets*, maintaining an internal balance liability with the Proprietary Funds of \$303,228.

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, **(\$5,955,114)**, differs from the change in net assets for governmental activities **\$4,231,549**. 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.

- (A) 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 Assistancess..... \$ 153,794

- (B) 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	(\$ 11,852,805)
Depreciation Expenses	<u>3,301,675</u>
Differences	<u>(\$ 8,551,130)</u>

Capital Contributions from Commonwealth of Puerto Rico..... \$ 1,671,582

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

Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities					
	Total Governmental Funds	Long-Term Revenues/ Expenses (B)	Capital- Related Items (C)	Long-Term Debt Transactions (D)	Statement of Activities Totals
Revenues:					
Property Taxes	\$ 13,763,011	\$ -	\$ -	\$ -	\$ 13,763,011
Volume of Business Taxes	8,335,598	-	-	-	8,335,598
Sales and Usage Taxes	3,670,110	-	-	-	3,670,110
Federal Grants	12,342,379	153,794	-	-	12,496,173
Intergovernmental	7,474,784	-	-	-	7,474,784
Licenses and Permits	1,737,351	-	-	-	1,737,351
Interests	565,888	-	-	-	565,888
Charges for Services	1,523,788	-	-	-	1,523,788
Miscellaneous	1,004,529	-	-	-	1,004,529
Total Revenues	50,417,438	153,794	-	-	50,571,232
Expenditures/Expenses:					
Current:					
Mayor and Municipal Legislature	1,248,151	-	105,202	-	1,353,353
General Government	15,382,208	-	2,137,871	(200,371)	17,319,708
Public Safety	1,721,657	-	104,948	-	1,826,605
Public Works	1,385,399	-	311,702	-	1,697,101
Culture and Recreation	887,764	-	373,168	-	1,260,932
Health and Sanitation	4,311,509	-	75,921	-	4,387,430
Public Instruction	5,715,424	-	-	2,295	5,717,719
Solid Waste Disposal	1,084,877	-	-	(1,084,877)	-
Human Services and Welfare	7,182,677	-	77,259	-	7,259,936
Urban Development	4,306,118	-	115,604	-	4,421,722
Capital Outlay	11,852,805	-	(11,852,805)	-	-
Loss on Disposition of Asset	-	-	-	-	-
Debt Service:					
Principal	6,716,664	-	-	(6,716,664)	-
Interest and Other Charges	2,812,231	-	-	-	2,812,231
Bond Issue Costs	28,615	-	-	(28,615)	-
Total Expenditures/Expenses	64,636,099	-	(8,551,130)	(8,028,232)	48,056,737
Other Financing Sources (Uses)/					
Changes in Net Assets					
Net Transfers (to) from Other Funds	45,472	-	-	-	45,472
Capital Contributions	-	-	1,671,582	-	1,671,582
Proceed of Bonds	8,218,075	-	-	(8,218,075)	-
Total Other Financing Sources (Uses)/	8,263,547	-	1,671,582	(8,218,075)	1,717,054
Changes in Net Assets	8,263,547	-	1,671,582	(8,218,075)	1,717,054
Net Change for the Year	\$ (5,955,114)	\$ 153,794	\$ 10,222,712	\$ (189,843)	\$ 4,231,549

(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 (\$ 6,716,664)

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). 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 (solid waste disposal and compensated absences). This is the amount by which the decrease in long term liabilities exceeded expenses reported in the Statement of Activities that do not require the use of current financial resources:

Solid Waste Disposal	\$ 1,084,877
Bond Issue Cost Amortization	4,369
Compensated Absences	(202,445)
	<u>(198,076)</u>

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

28,615
<u>\$ 8,028,232</u>

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

General Obligation Bonds	\$ 5,875,000
Special Obligation Bonds	2,343,075
	<u>\$ 8,218,075</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, expenditure exceeded appropriation in the culture and recreation department by \$113,284. 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, 2010 on a Budget basis is reconciled to the fund balance on a GAAP basis follows:

Budget basis vs GAAP	
Budgetary Fund Balance, June 30, 2010	\$ 5,692,566
Timing Differences:	
Encumbrances	551,835
Cancellation of Encumbrances	(39,670)
Payment of Prior Year Encumbrances	(991,545)
Non-budgetary items	1,024,256
Perspective Differences:	
Due from Other Funds not Available	5,489,584
Fund Balance, June 30, 2010 – GAAP	<u>\$ 11,727,026</u>

5. CASH AND INVESTMENTS

Certificates of Deposit

The Municipality's cash and investments at June 30, 2010 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 \$21.8 million are certificates of deposits and are recorded at cost, which approximates fair value.

5. CASH AND INVESTMENTS (continuation)

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.

Municipality follows the practice of pooling cash. At June 30, 2010, the pool cash account in commercial banks had a balance of \$32.6 million of which \$12.2 million in the General Fund, \$0.4 million in Head Start Fund, \$12.1 million in Real Marina Fund and \$7.9 million in Other Governmental Funds. For the Proprietary Funds, the Aguadilla's Waterfalls Aquatic Park has cash in commercial bank in the amount of \$425,901 and the Aguadilla Ice Skating Arena has a balance of \$286,863. 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 \$6.9 million that are restricted for the payment of the **Municipality's** debt service, as required by law. Cash with Fiscal Agent of \$1.2 million in the General Fund are restricted for future expenditures of closing cost of the landfill, and \$9.0 million in other governmental funds consist principally of unspent proceeds of bonds that are restricted for the acquisition, construction or improvement of major capital assets. The amounts deposit in GDB is maintained in interest bearing accounts and is not collateralized.

Municipality follows the provisions of Section C20 of the GASB Codification of *Governmental Accounting and Financial Reporting Standards*, related with cash deposit and interest-earning investment contract with financial institutions. Accordingly, the following is essential information about credit risk, interest rate risk, custodial credit risk, and foreign exchange exposure of deposits and investments of the **Municipality** at June 30, 2010:

Credit Risk

This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2010, the **Municipality** has invested only in cash equivalents of \$21.8 million consisting of certificate of deposit in commercial banks, which are insured by the FDIC, generally up to a maximum of \$250,000. As previously mentioned, public funds deposited by the **Municipality** in commercial banks must be fully collateralized for the amounts deposited in excess of the FDIC coverage. No investments in debt of equity securities were made during the Fiscal Year ended June 30, 2010. 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, 2010.

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, 2010, the **Municipality** has balances deposited in commercial banks amounting to \$32.6 million which are insured by the FDIC up to the established limit and the excess are fully collateralized as explained above. Deposits in GDB, amounting to \$17.0 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, 2010. 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, 2010, the custodial credit risk associated with the **Municipality's** cash and cash equivalents is considered low.

5. CASH AND INVESTMENTS (continuation)

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, 2010, (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, 2010, the interest risk associated with the **Municipality's** cash and cash equivalent is considered low.

Foreign Exchange Risk

This is the risk that changes in exchange rates will adversely affect the value of an investment or a deposit. According to the aforementioned investment guidelines, adopted by the **Municipality**, the **Municipality** is prevented from investing in foreign securities or any other types of investments for which foreign exchange risk exposure may be significant. Accordingly, management has concluded that the foreign exchange risk related to the **Municipality's** deposits is considered low at June 30, 2010.

6. RECEIVABLES

Following is the account receivables of other governmental funds as of June 30, 2010:

Federal Grants	AMOUNT
Office of the Governor-Elderly Office	\$ 167,510
U.S. Department of Homeland Security	192,079
U.S. Department of Agriculture	461,653
U.S. Department of Health & Human Services	129,010
U.S. Department of Housing and Urban Development	2,191,424
Total	<u>\$ 3,141,676</u>

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:

Governmental-wide:		
Volume of Business Taxes	\$ 6,160,654	
Other Governmental Funds	<u>496,488</u>	
Total Deferred/ Unearned Revenues	<u>\$ 6,657,142</u>	
	UNAVAILABLE	UNEARNED
Governmental Funds:		
Volume of Business Taxes	\$ -	\$ 6,160,654
Head Start Program	4,440,567	-
Other Governmental Funds	<u>2,185,453</u>	-
Total Deferred/ Unearned Revenues	<u>\$ 6,626,020</u>	<u>\$ 6,160,654</u>

8. INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

A. Interfund Receivable and Payable Balances

Due to/from Other Funds at June 30, 2010 are summarized as follows:

RECEIVABLE FUND	PAYABLE FUND	AMOUNT
Governmental Funds:		
General Funds	Head Start Fund	\$ 491,070
General Funds	Proprietary Funds	10,072
General Funds	Other Governmental Funds	4,988,442
Subtotal		<u>5,489,584</u>
Proprietary Funds	General Fund	200,000
Proprietary Funds	Other Governmental Funds	113,300
Subtotal		<u>313,300</u>
Total		<u>\$ 5,802,884</u>

B. Interfund Transfers

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

SOURCES	TRANSFER TO	AMOUNT	PURPOSE
Governmental Funds:			
General Fund	Debt Service Fund	\$ 1,521,989	Debt Payments
Other Governmental Funds	Debt Service Fund	4,196,247	Debt Payments
Real Marina Fund	Debt Service Fund	198,712	Debt Payments
Other Governmental Funds	Debt Service Fund	5,734	Bond Issue Cost
Other Governmental Funds	General Fund	120,914	Equity Transfer
		<u>6,043,596</u>	
Proprietary Funds:			
Proprietary Fund	Other Governmental Funds	45,472	Program Income
		<u>\$ 6,089,068</u>	

9. DUE TO GOVERNMENTAL UNITS

As of June 30, 2010, balance due to other governmental units of the General Fund for services rendered to the **Municipality**, consists of the following:

	AMOUNT
General Service Administration	\$ 115,993
Puerto Rico Department of Labor	887
Total Due to Governmental Units	<u>\$ 116,880</u>

10. CAPITAL ASSETS

Capital Assets activities for the fiscal year ended June 30, 2010 was as follows:

DESCRIPTION	BALANCE		RECLASSI- FICATION	INCREASE	DECREASE	BALANCE JUNE 30, 2010
	JULY 1, 2009	ADJUSTMENT				
Governmental Activities:						
Non-Depreciable Capital Assets:						
Land	\$ 54,533,765	\$ 4,886,769	\$ -	\$ -	\$ -	\$ 59,420,534
Construction in Progress	15,164,288	1,625,149	(2,469,902)	10,792,833	-	25,112,368
Total Non-Depreciable Capital Assets	<u>69,698,053</u>	<u>6,511,918</u>	<u>(2,469,902)</u>	<u>10,792,833</u>	<u>-</u>	<u>84,532,902</u>
Depreciable Capital Assets:						
Buildings	65,512,453	287,255	1,926,485	1,691,582	-	69,417,775
Infrastructure	45,501,068	-	543,417	314,298	-	46,358,783
Motor Vehicles	10,127,692	-	-	249,621	(19,479)	10,357,834
Machinery and Equipment	5,970,986	-	-	476,053	(87,917)	6,359,122
Total Depreciable Capital Assets	<u>127,112,199</u>	<u>287,255</u>	<u>2,469,902</u>	<u>2,731,554</u>	<u>(107,396)</u>	<u>132,493,514</u>
Less Accumulated Depreciation:						
Buildings	(21,691,304)	(1,154,472)	-	(1,211,493)	-	(24,057,269)
Infrastructure	(12,639,647)	-	-	(897,136)	-	(13,536,783)
Motor Vehicles	(8,568,529)	(98,053)	-	(647,819)	19,479	(9,294,922)
Machinery and Equipment	(3,468,094)	(176,353)	-	(545,227)	87,917	(4,101,757)
Total Accumulated Depreciation	<u>(46,367,574)</u>	<u>(1,428,878)</u>	<u>-</u>	<u>(3,301,675)</u>	<u>107,396</u>	<u>(50,990,731)</u>
Total Depreciable Capital Assets (Net)	<u>80,744,625</u>	<u>(1,141,623)</u>	<u>2,469,902</u>	<u>(570,121)</u>	<u>-</u>	<u>81,502,783</u>
CAPITAL ASSETS, NET	<u>\$ 150,442,678</u>	<u>\$ 5,370,295</u>	<u>\$ -</u>	<u>\$ 10,222,712</u>	<u>\$ -</u>	<u>\$ 166,035,685</u>

10. CAPITAL ASSETS (continuation)

DESCRIPTION	BALANCE JULY 1, 2009	RECLASSI- FICATION	INCREASE	DECREASE	BALANCE JUNE 30, 2010
Business-Type Activities:					
Non-Depreciable Capital Assets:					
Construction in Progress	\$ 387,504	\$ -	\$ -	\$ -	\$ 387,504
Total Non-Depreciable Capital Assets	<u>387,504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>387,504</u>
Depreciable Capital Assets:					
Buildings	12,656,277	-	-	-	12,656,277
Motor Vehicles	67,640	-	-	-	67,640
Equipment	638,065	-	84,397	(6,188)	716,274
Total Depreciable Capital Assets	<u>13,361,982</u>	<u>-</u>	<u>84,397</u>	<u>(6,188)</u>	<u>13,440,191</u>
Less Accumulated Depreciation:					
Buildings	(3,225,895)	-	(231,927)	-	(3,457,822)
Motor Vehicles	(60,075)	-	(2,837)	-	(62,912)
Equipment	(327,278)	-	(96,622)	6,188	(417,712)
Total Accumulated Depreciation	<u>(3,613,248)</u>	<u>-</u>	<u>(331,386)</u>	<u>6,188</u>	<u>(3,938,446)</u>
Total Depreciable Capital Assets (Net)	<u>9,748,734</u>	<u>-</u>	<u>(246,989)</u>	<u>-</u>	<u>9,501,745</u>
CAPITAL ASSETS, NET	<u>\$ 10,136,238</u>	<u>\$ -</u>	<u>\$ (246,989)</u>	<u>\$ -</u>	<u>\$ 9,889,249</u>

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

	AMOUNT
Governmental Activities:	
Major and Municipal Legislature	\$ 105,202
General Government	2,137,871
Public Safety	104,948
Public Works	311,702
Culture and Recreation	373,168
Health and Sanitation	75,921
Human Services and Welfare	77,259
Urban Development	115,604
Total Depreciation Expenses	<u>\$ 3,301,675</u>
Business-Type Activities:	
Aguadilla's Waterfalls Aquatic Park	\$ 155,490
Aguadilla's Ice Skating Arena	175,896
Total Depreciation Expenses	<u>\$ 331,386</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, 2010:

During March 2010, the **Municipality** issued general obligation bonds of 2010 in the amount of \$3,040,000 to refinance a special obligation bond issued during 2008 in the amount of \$3,009,000 plus interest and bond issue cost. The principal and variable interest at 6.00% for the first year and at 7.50% for the remaining installments are payable semi-annually ranging from \$45,000 to \$255,000 on the 1st days of January and July of each year through July 2034.

During April 2010, the **Municipality** issued general obligation bonds of 2010 in the amount of \$2,110,000 for landfill closure costs. The principal and variable interest at 6.00% through 7.50% is payable semi-annually ranging from \$80,000 to \$225,000 on the 1st days of January and July of each year through July 2024.

During May 2010, the **Municipality** issued general obligation bonds of 2010 in the amount of \$725,000 for improvement of Plácido Acevedo Place. The principal and variable interest at 6.00% through 7.30% is payable semi-annually ranging from \$10,000 to \$65,000 on the 1st days of January and July of each year through July 2034.

During the year, the **Municipality** received the confirmation of an additional obligation granted by US Department of Agriculture, Rural Development (RD) for the amount of \$1,430,000 as an addition of the original loan of \$3,180,000 for a total amount of \$4,610,000, to be used to the Project La Charca. The principal and interest at 4.3750% are payable semi-annually during 25 years, but the terms will be determined by RD upon completion of the constructions activities.

Type of Obligation and Purpose	Maturity Date	Interest Rate	Amount
General Obligation Bonds:			
General Obligation Bonds - Property Taxes Income:			
\$590,000, Series 1999 - General Construction	2013	4.86 to 6.11%	\$ 235,000
\$2,840,000, Series 1999 - General Construction	2013	4.86 to 6.11%	1,080,000
\$5,065,000, Series 1999 - General Construction	2013	4.86 to 6.56%	3,855,000
\$3,210,000, Series 1999 - General Construction	2023	2.70 to 5.60%	2,440,000
\$805,000, Series 1999 - General Construction	2023	2.70 to 5.60%	615,000
\$3,520,000, Series 2000 - General Construction	2014	2.70 to 4.73%	1,615,000
\$1,340,000, Series 2000 - General Construction	2024	2.70 to 5.60%	1,085,000
\$975,000, Series 2000 - General Construction	2010	2.70 to 4.30%	135,000
\$3,015,000, Series 2000 - General Construction	2020	2.70 to 5.29%	2,195,000
\$2,165,000, Series 2001 - General Construction	2025	2.70 to 5.60%	1,805,000
\$405,000, Series 2003 - General Construction	2010	5.00 to 6.00%	70,000
\$1,255,000, Series 2003 - General Construction	2008	4.37 to 6.00%	1,095,000
\$1,795,000, Series 2005 - General Construction	2029	4.37 to 5.00%	1,590,000
\$1,795,000, Series 2005 - General Construction	2029	3.27 to 5.00%	1,590,000
\$1,935,000, Series 2005 - General Construction	2029	4.27 to 6.50%	1,720,000
\$3,130,000, Series 2006 - General Construction	2030	6.00 to 6.50%	2,900,000
\$1,010,000, Series 2005 - General Construction	2019	4.27 to 5.00%	760,000
\$2,330,000, Series 2007 - General Construction	2032	3.93 to 7.50%	2,260,000
\$4,385,000, Series 2008 - General Construction	2032	3.93 to 7.50%	4,255,000
\$1,160,000, Series 2008 - General Construction	2033	7.00%	1,140,000
\$260,000, Series 2009 - General Construction	2033	5.40 to 7.50%	255,000
\$185,000, Series 2009 - General Construction	2033	5.40 to 7.50%	180,000
\$1,475,000, Series 2009 - General Construction	2033	4.75 to 7.50%	1,455,000
\$220,000, Series 2009 - General Construction	2033	4.75 to 7.50%	215,000
\$3,040,000, Series 2010 - General Construction	2034	6.00 to 7.50%	3,040,000
\$2,110,000, Series 2010 - General Construction	2024	6.00 to 7.50%	2,110,000
\$775,000, Series 2010 - General Construction	2034	6.00 to 7.30%	725,000
Subtotal			40,420,000
General Obligation Bonds - Rental Income:			
\$9,340,000, Series 2004 - General Construction	2028	5.00%	8,280,000
Total General Obligations Bonds			48,700,000
continue			

11. LONG-TERM LIABILITIES (continuation)

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.

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, 2010, 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

On March 9, 2009, the Government of Puerto Rico approves Law Number 7 that provides for revision of the valuation of property subject to taxation and imposes special property taxes for the Government. Accordingly, as of June 30, 2010, the **Municipality** debt limits (10% of valuation of property subject to taxation) increase to \$220,042,215, 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 \$44,102,579, net of certain assets in the Debt Service Fund. After considered the payments of July 1, 2010, the resulting legal debt margin was \$175,939,636. 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**.

Type of Obligation and Purpose	Maturity Date	Interest Rate	Amount
Special Obligations Bonds:			
Special Obligations Bonds - General Revenues:			
\$4,795,000, Series 2003 - General Construction	2012	5.00 to 6.00%	\$ 3,985,000
\$250,000, Series 2005 - General Construction	2012	4.75%	80,000
\$250,000, Series 2005 - Purchase of Equipment	2029	5.00%	220,000
\$1,245,000, Series 2005 - Purchase of Equipment	2012	4.50%	396,000
\$4,220,000, Series 2006 - General Construction	Undetermine ¹	4.25%	2,979,100
\$1,940,000, Series 2006 - General Construction	Undetermine ¹	4.50%	1,436,094
\$2,105,000, Series 2006 - General Construction	Undetermine ¹	Undetermine ¹	823,698
\$690,000, Series 2006 - General Construction	Undetermine ¹	Undetermine ¹	491,732
\$4,610,000, Series 2005 - General Construction	Undetermine ¹	Undetermine ¹	3,702,451
\$1,100,000, Series 2009 - General Construction	Undetermine ¹	4.50%	954,677
\$1,000,000, Series 2008 - General Construction	Undetermine ¹	4.25%	895,539
Subtotal			15,964,291
Special Obligations Bonds - CDBG:			
\$12,995,000, Series 2002 - General Construction	2022	5.00%	8,445,000
Special Obligations Bonds - Sales & Usage Taxes:			
\$555,000, Series 2008 - General Construction	2032	7.50%	535,000
\$6,410,000, Series 2008 - General Construction	2032	7.50%	6,215,000
Subtotal			6,750,000
Total Special Obligations Bonds			31,159,291
Total General and Special Obligations Bonds			\$ 79,859,291

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

11. LONG-TERM LIABILITIES (continuation)

C. Other Long-Term Liabilities

Following are the other long-term liabilities as of June 30, 2010 and corresponding change during the fiscal year:

DESCRIPTION	BALANCE JULY 1, 2009	NEW ISSUES	RETIREMENTS AND ADJUSTMENTS	BALANCE JUNE 30, 2010	AMOUNTS DUE WITHIN ONE YEAR	AMOUNTS DUE AFTER ONE YEAR
Governmental Funds:						
Law Number 146-MRCC	\$ 218,522	\$ -	\$ (9,501)	\$ 209,021	\$ 9,500	\$ 199,521
LIMS-MRCC	290,620	-	(111,163)	179,457	117,876	61,581
Deferred Credits	59,594	-	(17,823)	41,771	-	41,771
Landfill Obligation	3,377,491	-	(1,084,877)	2,292,614	1,015,123	1,277,491
Claims	200,000	-	-	200,000	-	200,000
Compensated Absences	4,751,431	64,872	(327,317)	4,488,986	3,403,197	1,085,789
TOTAL	\$ 8,897,658	\$ 64,872	\$ (1,550,681)	\$ 7,411,849	\$ 4,545,696	\$ 2,866,153
Proprietary Funds:						
Compensated Absences	\$ 93,565	\$ 11,201	\$ (11,465)	\$ 93,301	\$ 65,511	\$ 27,790

Borrowing from MRCC

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

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

Deferred Credits

This amount represents the unpaid balance of the bond issue cost of the following obligations: \$1,160,000, Series 2008; \$220,000, Series 2009; \$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 Section L10 of the GASB Codification of *Governmental Accounting and Financial Reporting Standards*. Section L10.109 of the GASB Codification, 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, 2010. 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. However, the closing procedures do not finalized as of June 30, 2010; total investment was \$1,084,877 with a balance of \$1,025,123 and completion date on July 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, 2010. 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** has demonstrates financial assurance to comply with such requirements and is pending of the final evaluation and determination from EPA.

Claims

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

Compensated Absences

The GWFS, *Statement of Net Assets*, includes approximately \$4.5 million in the governmental funds and \$93,000 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, 2010:

DESCRIPTION	BALANCE JULY 1, 2009	NEW ISSUES	RETIREMENTS AND ADJUSTMENTS	BALANCE JUNE 30, 2010	AMOUNTS DUE WITHIN ONE YEAR	AMOUNTS DUE AFTER ONE YEAR
Governmental Funds:						
General	\$ 45,135,000	\$ 5,875,000	\$ (2,310,000)	\$ 48,700,000	\$ 2,220,000	\$ 46,480,000
Special	33,042,216	2,343,075	(4,226,000)	31,159,291	1,142,000	30,017,291
Others	8,897,658	64,872	(1,550,681)	7,411,849	4,545,696	2,866,153
TOTAL	\$ 87,074,874	\$ 8,282,947	\$ (8,086,681)	\$ 87,271,140	\$ 7,907,696	\$ 79,363,444
Proprietary Funds:						
Others	\$ 93,565	\$ 11,201	\$ (11,465)	\$ 93,301	\$ 65,511	\$ 27,790

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, 2010 are as follows:

YEAR ENDING JUNE 30,	General Obligation Bonds		Special Obligation Bonds		Other Long-Term Obligations		TOTAL	
	PRINCIPAL PAYMENT	INTEREST PAYMENT	PRINCIPAL PAYMENT	INTEREST PAYMENT	PRINCIPAL PAYMENT	INTEREST PAYMENT	PRINCIPAL	INTEREST
Governmental Funds:								
2011	\$ 2,220,000	\$ 2,615,837	\$ 1,142,000	\$ 1,069,098	\$ 4,545,696	\$ 21,952	\$ 7,907,696	\$ 3,706,887
2012	2,150,000	2,791,325	1,169,000	1,145,397	71,082	14,242	3,390,082	3,950,964
2013	2,290,000	2,667,953	950,000	1,083,385	9,501	11,820	3,249,501	3,763,158
2014	2,470,000	2,474,471	975,000	1,057,812	9,501	11,228	3,454,501	3,543,511
2015	2,240,000	2,323,155	1,010,000	1,028,010	9,501	10,638	3,259,501	3,361,803
2016-2020	11,315,000	10,041,256	5,435,000	4,068,828	47,505	44,322	16,797,505	14,154,406
2021-2025	12,910,000	6,379,896	5,020,000	2,445,094	47,505	29,548	17,977,505	8,854,538
2026-2030	8,940,000	2,870,532	3,020,000	965,350	47,505	14,774	12,007,505	3,850,656
2031-2035	4,165,000	861,798	1,155,000	88,313	19,002	1,773	5,339,002	951,884
Unmatured	-	-	11,283,291	-	2,605,051	-	13,888,342	-
TOTAL	\$ 48,700,000	\$ 33,026,223	\$ 31,159,291	\$ 12,951,287	\$ 7,411,849	\$ 160,297	\$ 87,271,140	\$ 46,137,807
Proprietary Funds:								
2011	\$ -	\$ -	\$ -	\$ -	\$ 65,511	\$ -	\$ 65,511	\$ -
2012	-	-	-	-	27,790	-	27,790	-
TOTAL	\$ -	\$ -	\$ -	\$ -	\$ 93,301	\$ -	\$ 93,301	\$ -

12. DEBT RETIREMENT

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

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

13. PROPERTY TAXES

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

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

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

13. PROPERTY TAXES (continuation)

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

The tax rate for fiscal year 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.

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

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

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

14. VOLUME OF BUSINESS TAXES

The volume of business taxes is levied each year based on the prior year's gross revenues for all commercial and industrial organizations doing business in the **Municipality** and which are not totally or partially exempt from this tax under the Industrial Incentives Acts of the Government of Puerto Rico. This is a self-assessed tax based on the business volume in gross sales as shown in the tax return that is due five working days after April 15 of each year. Entities with sales volume of \$1 million or more must include audited financial statements together with the tax return. During the fiscal year ended June 30, 2010, the tax rates were as follows:

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

14. VOLUME OF BUSINESS TAXES (continuation)

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, 2010. 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

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

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

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

Sales tax receivable represents filed sales tax returns that were collected subsequent to June 30, 2010, 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.

16. CONSTRUCTION EXCISE TAXES (continuation)

- c. All construction projects carried out by civic Non-for-Profit Organization, affiliated to councils and associations of their representative institutions, registered with the Government's State Department, have full exemption to the construction excise taxes.

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

17. INTERGOVERNMENTAL REVENUES

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

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

18. PENSION PLAN

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

Description of the Plan

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

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

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

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

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

18. PENSION PLAN (continuation)

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.

Funding Policy

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

Contribution requirements are established by law and are as follows:

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

Annual Contribution

Total employee contributions to the above-mentioned plans during the year ended June 30, 2010, 2009 and 2008 amounted to approximately \$2,305,797. The **Municipality's** contributions during those years are recognized as total pension expenditures/expenses in the category of administration as follow:

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.

FISCAL YEAR	LAW NO. 447	SYSTEM 2000
2010	\$ 411,622	\$ 439,754
2009	471,981	451,349
2008	468,382	356,091

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.

18. PENSION PLAN (continuation)

B. "Plan de Pensiones de Contribuciones Definidas del Proyecto Head Start del Municipio de Aguadilla"

The "Plan de Contribuciones Definidas del Proyecto Head Start del Municipio de Aguadilla" (the Plan) is a non-contributory defined contribution plan in which all employees of the Head Start Project (the Sponsor) are eligible to participate on or after the date in which the employee completes one year of continued service. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and Sections 1165 (a) and (e) of the Puerto Rico Internal Revenue Code of 1994, as amended. Participants can make contributions up to 10 percent of their gross annual compensation, as defined in the Plan, not to exceed the limit established by law. The deposit administration contract is maintained with "Cooperativa de Seguros de Vida de Puerto Rico". The Sponsor contributes 3 percent of the gross compensation per participant. Total contributions to the Plan for fiscal year ended June 30, 2010 were \$116,252. As June 30, 2010 the Net Fund Assets of the Plan is \$2,240,858.

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

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 cannot determine the final outcome of these claims. Accordingly, the financial statements do not include adjustment, if any, that could result from the resolution of this legal proceeding. However, it has been the **Municipality's** experience that such actions are settled for amounts substantially less than the claimed amounts.

B. Federal Grants

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

20. COMMITMENTS

A. Operating Leases

The **Municipality** leases equipment under various operating lease agreements, which generally have terms of one year or less and are automatically renewed for the same term. Rental expenditures/expenses recorded in the general fund for the year ended June 30, 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, 2010 of approximately \$10.7 million for the construction, improvements, or renovation of several municipal facilities.

20. COMMITMENTS PLAN (continuation)

C. Other Commitments

At June 30, 2010, the non-major Special Revenue Funds had a deficit of \$313,395 as follows: Municipal Police Fund \$27,054, State Department of Labor Fund \$249,092, Public Relations Activities Fund \$31,863, and Wide Brownfield Assessment Fund \$5,386; and non-major Capital Projects Funds had a deficit of \$310,582 as follows: Streets and Sidewalks Improvement Projects Fund \$18,740, Ice Skate Arena Third Floor Reimbursement Fund \$19,348, Las Cascadas Hotel Fund \$146,426, and Anthropologic Museum Construction Fund \$126,068. The deficits result from the accrual of expenditures without accruing intergovernmental revenues for reimbursement of expenditures. As required by current standards, the Municipality recorded intergovernmental revenues for reimbursement-based (expenditure-driven) grants on GFFS when all applicable eligibility requirements have been met and the resources are available. Any amount not covered by the corresponding award will be covered with future budgetary appropriations of the general fund, if necessary.

21. NET ASSETS/FUND BALANCES RESTATEMENTS

A. Net Assets Restatements

During the year, the Municipality adjusted the governmental net assets for capital assets not previously recognized and for unrecognized revenues. The following schedule reconciles the June 30, 2009 Net Assets, as previously reported to Beginning Net Assets, as restated, July 1, 2009, for Governmental Activities.

	GOVERNMENTAL ACTIVITIES
Net Assets, as Previously Reported, At June 30, 2009	\$ 117,687,756
Adjustments to Capital Assets	5,370,295
Adjustment to CDBG Revenues	598,256
Beginning Net Assets, as Restated, At July 1, 2009	\$ 123,656,307

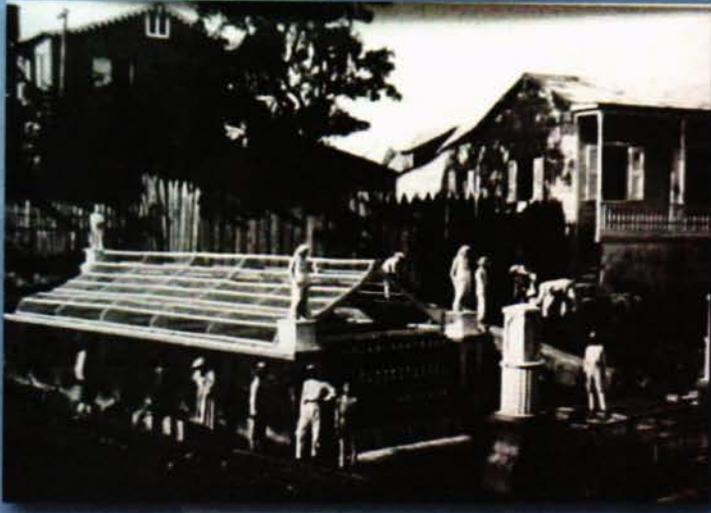
B. Fund Balances Restatements

The following reconciles the June 30, 2009 Fund Balance, as previously reported to Beginning Fund Balance, July 1, 2009 as restated for reclassification of non-major fund:

	CANALIZATION "OJO DE AGUA" RIVER FUND	OTHER GOVERNMENTAL FUNDS
Fund Balance, as Previously Reported, At June 30, 2009	\$ 909,000	\$ 17,239,175
Reclassification to Other Governmental Funds	(909,000)	909,000
Beginning Fund Balance, as Restated, At July 1, 2009	\$ -	\$ 18,148,175

END OF NOTES

COMBINING FINANCIAL STATEMENTS AND SCHEDULES



“El Parterre” Park is a water fountain surrounding a spring known as “Ojo de Agua” which supplied fresh water to the first inhabitants of the area. The original Parterre Park was constructed in 1882 by Mr. Ramón Méndez de Arcay, Mayor of Aguadilla



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SPECIAL REVENUES FUNDS

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

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

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

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

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

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

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

SPECIAL REVENUES FUNDS

(continued)

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

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 primarily objectives of this program is to development of viable communities by providing decent housing, a suitable living environment and expanded economic opportunities, principally for persons of low and moderate income.

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

CAPITAL PROJECTS FUNDS

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

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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	SPECIAL REVENUES FUND	CAPITAL PROJECTS FUND	TOTAL NON-MAJOR FUNDS
ASSETS			
Cash and Investments	\$ 6,593,406	\$ 1,303,131	\$ 7,896,537
Cash with Fiscal Agent	-	9,003,176	9,003,176
Receivables:			
Property Taxes	-	-	-
Sales and Usage Taxes	245,870	-	245,870
Federal Grants	2,680,023	461,653	3,141,676
Municipal Revenue Collection Center	-	-	-
Due from Other Funds	16,892	330,263	347,155
Others Receivables	325,966	-	325,966
TOTAL ASSETS	<u>\$ 9,862,157</u>	<u>\$ 11,098,223</u>	<u>\$ 20,960,380</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 652,271	\$ 634,153	\$ 1,286,424
Accrued Interest	-	-	-
Due to Governmental Units	-	-	-
Due to Other Funds	2,204,043	3,244,854	5,448,897
Others	-	-	-
Deferred Revenues:			
Volume of Business Taxes	-	-	-
Federal Grants	2,185,453	-	2,185,453
Total Liabilities	<u>5,041,767</u>	<u>3,879,007</u>	<u>8,920,774</u>
Fund Balances:			
Reserve For:			
Encumbrances	-	-	-
Debt Services	-	-	-
Capital Projects	-	7,529,798	7,529,798
Special Revenue	5,133,785	-	5,133,785
Designated for Future Expenditures	-	-	-
Unreserved (Deficit)	<u>(313,395)</u>	<u>(310,582)</u>	<u>(623,977)</u>
Total Fund Balances	<u>4,820,390</u>	<u>7,219,216</u>	<u>12,039,606</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,862,157</u>	<u>\$ 11,098,223</u>	<u>\$ 20,960,380</u>

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, 2010

	SPECIAL REVENUES FUND	CAPITAL PROJECTS FUND	TOTAL NON – MAJOR MAJOR FUNDS
REVENUES			
Property Taxes.....	\$ -	\$ -	\$ -
Volume of Business Taxes	-	-	-
Sales and Usage Taxes.....	2,963,491	-	2,963,491
Federal Grants	6,411,025	9,811	6,420,836
Intergovernmental.....	403,927	848,432	1,252,359
Licenses and Permits.....	-	-	-
Interests	-	-	-
Charges for Services	1,203,887	71,471	1,275,358
Miscellaneous	39,862	3,529	43,391
Total Revenues.....	<u>11,022,192</u>	<u>933,243</u>	<u>11,955,435</u>
EXPENDITURES			
Current:			
Mayor and Municipal Assembly	-	-	-
General Government	1,781,980	74,254	1,856,234
Public Safety	37,633	-	37,633
Public Works	-	-	-
Culture and Recreation.....	69,287	-	69,287
Health and Sanitation.....	960,962	26,828	987,790
Public Instruction.....	-	-	-
Solid Waste Disposal.....	-	-	-
Human Services and Welfare	3,727,716	-	3,727,716
Urban Development.....	2,263,656	1,372,229	3,635,885
Capital Outlay	448,934	9,131,177	9,580,111
Debt Service:			
Principal	-	-	-
Interest and Other Charges	-	-	-
Bond Issue Costs.....	-	-	-
Total Expenditures.....	<u>9,290,168</u>	<u>10,604,488</u>	<u>19,894,656</u>
Excess of Revenues Over (Under) Expenditures	<u>1,732,024</u>	<u>(9,671,245)</u>	<u>(7,939,221)</u>
OTHER FINANCING SOURCES (USES)			
Proceed of Bonds	-	6,108,075	6,108,075
Transfers – In.....	197,622	254,673	452,295
Transfers – Out.....	(1,335,176)	(3,394,542)	(4,729,718)
Total Other Financing Sources and Uses ...	<u>(1,137,554)</u>	<u>2,968,206</u>	<u>1,830,652</u>
Net Change in Fund Balances	594,470	(6,703,039)	(6,108,569)
Fund Balance – Beginning, as Restated.....	<u>4,225,920</u>	<u>13,922,255</u>	<u>18,148,175</u>
FUND BALANCES – ENDING	\$ 4,820,390	\$ 7,219,216	\$ 12,039,606

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, 2010

	STATE ASSIGNMENTS FUND	FEMA FUND	EDWARD BYRNE FORMULA FUND	BUILDING RENT FUND	MUNICIPAL POLICE FUND	STATE DEPARTMENT OF LABOR FUND
ASSETS						
Cash and Investments	\$ 552,072	\$ 9,451	\$ 114,187	\$ 700,843	\$ 203,389	\$ 239,436
Cash with Fiscal Agent	-	-	-	-	-	-
Receivables:						
Property Taxes	-	-	-	-	-	-
Sales and Usage Taxes	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-
Due from Other Funds	-	-	-	644	-	-
Others Receivables	-	-	-	18,175	-	49,120
TOTAL ASSETS	\$ 552,072	\$ 9,451	\$ 114,187	\$ 719,662	\$ 203,389	\$ 288,556
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 73,532	\$ -	\$ -	\$ 34,743	\$ 385	\$ 3,609
Accrued Interest	-	-	-	-	-	-
Due to Governmental Units	-	-	-	-	-	-
Due to Other Funds	41,011	-	-	214,378	230,058	534,039
Others	-	-	-	-	-	-
Deferred Revenues:						
Volume of Business Taxes	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-
Total Liabilities	114,543	-	-	249,121	230,443	537,648
Fund Balances:						
Reserve For:						
Encumbrances	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
Designated for Future Expenditures	437,529	9,451	114,187	470,541	-	-
Unreserved (Deficits)	-	-	-	-	(27,054)	(249,092)
Total Fund Balances (Deficits)	437,529	9,451	114,187	470,541	(27,054)	(249,092)
TOTAL LIABILITIES AND FUND BALANCES	\$ 552,072	\$ 9,451	\$ 114,187	\$ 719,662	\$ 203,389	\$ 288,556

See accompanying Notes to Basic Financial Statements.

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

COMBINING BALANCE SHEET –
NON – MAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUES – CONTINUE
JUNE 30, 2010

	SCRAP REMOVAL & RECYCLING FUND	RESEARCH PATENT FUND	PUBLIC RELATIONS ACTIVITIES FUND	SPORTS ACTIVITIES INCOME FUND	HOMELAND SECURITY PROGRAM FUND	URBAN DEVELOPMENT ACTION GRANT FUND
ASSETS						
Cash and Investments	\$ 352,081	\$ 1,190	\$ -	\$ 4,400	\$ -	\$ 20,872
Cash with Fiscal Agent	-	-	-	-	-	-
Receivables:						
Property Taxes	-	-	-	-	-	-
Sales and Usage Taxes	-	-	-	-	-	-
Federal Grants	-	-	-	-	192,079	-
Due from Other Funds	-	-	-	-	-	-
Others Receivables	202,783	-	-	-	-	-
TOTAL ASSETS	\$ 554,864	\$ 1,190	\$ -	\$ 4,400	\$ 192,079	\$ 20,872
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 14,366	\$ -	\$ 16,968	\$ 1,709	\$ 2,027	\$ 500
Accrued Interest	-	-	-	-	-	-
Due to Governmental Units	-	-	-	-	-	-
Due to Other Funds	37,900	-	14,895	-	190,051	-
Others	-	-	-	-	-	-
Deferred Revenues:						
Volume of Business Taxes	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-
Total Liabilities	52,266	-	31,863	1,709	192,078	500
Fund Balances:						
Reserve For:						
Encumbrances	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
Designated for Future Expenditures	502,598	1,190	-	2,691	1	20,372
Unreserved (Deficits)	-	-	(31,863)	-	-	-
Total Fund Balances (Deficits)	502,598	1,190	(31,863)	2,691	1	20,372
TOTAL LIABILITIES AND FUND BALANCES	\$ 554,864	\$ 1,190	\$ -	\$ 4,400	\$ 192,079	\$ 20,872

See accompanying Notes to Basic Financial Statements.

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

COMBINING BALANCE SHEET –
NON – MAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUES – CONTINUE
JUNE 30, 2010

	HOME PROGRAM FUND	HPRP FUND	WIDE BROWNFIELD ASSESSMENT FUND	CENTERS FOR THE ELDERLY FUND	AGUADILLA BOWLING ARENA FUND	CHILD CARE FUND
ASSETS						
Cash and Investments	\$ 1,010	\$ 1,083	\$ -	\$ 197,921	\$ 145,524	\$ 234,578
Cash with Fiscal Agent	-	-	-	-	-	-
Receivables:						
Property Taxes	-	-	-	-	-	-
Sales and Usage Taxes	-	-	-	-	-	-
Federal Grants	42,032	-	-	167,510	-	129,010
Due from Other Funds	-	-	-	-	-	-
Others Receivables	-	-	-	42,610	-	-
TOTAL ASSETS	\$ 43,042	\$ 1,083	\$ -	\$ 408,041	\$ 145,524	\$ 363,588
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 39,865	\$ 836	\$ -	\$ 129,257	\$ -	\$ 151,279
Accrued Interest	-	-	-	-	-	-
Due to Governmental Units	-	-	-	-	-	-
Due to Other Funds	3,177	-	5,386	93,521	4,100	-
Others	-	-	-	-	-	-
Deferred Revenues:						
Volume of Business Taxes	-	-	-	-	-	-
Federal Grants	-	-	-	185,263	-	212,309
Total Liabilities	43,042	836	5,386	408,041	4,100	363,588
Fund Balances:						
Reserve For:						
Encumbrances	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
Designated for Future Expenditures	-	247	-	-	141,424	-
Unreserved (Deficits)	-	-	(5,386)	-	-	-
Total Fund Balances (Deficits)	-	247	(5,386)	-	141,424	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 43,042	\$ 1,083	\$ -	\$ 408,041	\$ 145,524	\$ 363,588

See accompanying Notes to Basic Financial Statements.

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

COMBINING BALANCE SHEET –
NON – MAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUES – CONTINUE
JUNE 30, 2010

	SALES TAX REVENUE FUND	SECTION 8 FUND	SBGP FUND	EMERGENCY SHELTER GRANT FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS					
Cash and Investments	\$ 3,289,101	\$ 445,637	\$ 80,618	\$ 13	\$ 6,593,406
Cash with Fiscal Agent	-	-	-	-	-
Receivables:					
Property Taxes	-	-	-	-	-
Sales and Usage Taxes.....	245,870	-	-	-	245,870
Federal Grants.....	-	-	1,990,563	158,829	2,680,023
Due from Other Funds.....	16,248	-	-	-	16,892
Others Receivables	-	2,778	10,500	-	325,966
TOTAL ASSETS	\$ 3,551,219	\$ 448,415	\$ 2,081,681	\$ 158,842	\$ 9,862,157
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 42,699	\$ 7,440	\$ 128,199	\$ 4,857	\$ 652,271
Accrued Interest.....	-	-	-	-	-
Due to Governmental Units	-	-	-	-	-
Due to Other Funds	799,672	10,127	24,829	899	2,204,043
Others	-	-	-	-	-
Deferred Revenues:					
Volume of Business Taxes.....	-	-	-	-	-
Federal Grants.....	-	-	1,690,456	97,425	2,185,453
Total Liabilities	842,371	17,567	1,843,484	103,181	5,041,767
Fund Balances:					
Reserve For:					
Encumbrances.....	-	-	-	-	-
Debt Service	-	-	-	-	-
Capital Projects	-	-	-	-	-
Designated for Future Expenditures.....	2,708,848	430,848	238,197	55,661	5,133,785
Unreserved (Deficits).....	-	-	-	-	(313,395)
Total Fund Balances (Deficits).....	2,708,848	430,848	238,197	55,661	4,820,390
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,551,219	\$ 448,415	\$ 238,197	\$ 158,842	\$ 9,862,157

See accompanying Notes to Basic Financial Statements.

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – NON – MAJOR GOVERNMENTAL
FUNDS – SPECIAL REVENUES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

	STATE ASSIGNMENTS FUND	FEMA FUND	EDWARD BYRNE FORMULA FUND	BUILDING RENT FUND	MUNICIPAL POLICE FUND	STATE DEPARTMENT OF LABOR FUND
REVENUES:						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes	-	-	-	-	-	-
Sales and Usage Taxes	-	-	-	-	-	-
Federal Grants	-	-	114,187	-	161,251	-
Intergovernmental	-	-	-	-	-	218,023
Licenses and Permits	-	-	-	-	-	-
Interests	-	-	-	-	-	-
Charges for Services	-	-	-	384,658	-	-
Miscellaneous	-	-	-	-	-	3,990
Total Revenues	-	-	114,187	384,658	161,251	222,013
EXPENDITURES:						
Current:						
Mayor and Municipal Assembly	-	-	-	-	-	-
General Government	-	-	-	390,367	-	489,038
Public Safety	-	-	-	-	37,633	-
Public Works	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Health and Sanitation	-	-	-	-	-	-
Public Instruction	-	-	-	-	-	-
Solid Waste Disposal	-	-	-	-	-	-
Human Services and Welfare	70,420	-	-	-	-	-
Urban Development	6,152	-	-	-	-	-
Capital Outlay	-	-	-	22,601	123,234	457
Debt Service:						
Principal	-	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-	-
Bond Issue Costs	-	-	-	-	-	-
Total Expenditures	76,572	-	-	412,968	160,867	489,495
OTHER FINANCING SOURCES (USES)						
Proceed of Bonds	-	-	-	-	-	-
Transfers – In	-	-	-	120,451	-	-
Transfers – Out	-	(49,873)	-	(214,125)	-	-
Total Other Financing Sources and Uses	-	(49,873)	-	(93,674)	-	-
Net Change in Fund Balances	(76,572)	(49,873)	114,187	(121,984)	384	(267,482)
Fund Balance (Deficits) – Beginning, as Restated	514,101	59,324	-	592,525	(27,438)	18,390
FUND BALANCES (DEFICITS) – ENDING	\$ 437,529	\$ 9,451	\$ 114,187	\$ 470,541	\$ (27,054)	(\$ 249,092)

See accompanying Notes to Basic Financial Statements.

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – NON – MAJOR GOVERNMENTAL
FUNDS – SPECIAL REVENUES – CONTINUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

	<u>SCRAP REMOVAL & RECYCLING FUND</u>	<u>RESEARCH PATENT FUND</u>	<u>PUBLIC RELATIONS ACTIVITIES FUND</u>	<u>SPORTS ACTIVITIES INCOME FUND</u>	<u>HOMELAND SECURITY PROGRAM FUND</u>	<u>URBAN DEVELOPMENT ACTION GRANT FUND</u>
REVENUES:						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes	-	-	-	-	-	-
Sales and Usage Taxes	-	-	-	-	-	-
Federal Grants	-	-	-	-	50,702	5,904
Intergovernmental	-	-	2,000	-	-	-
Licenses and Permits	-	-	-	-	-	-
Interests	-	-	-	-	-	-
Charges for Services	577,274	-	-	10,090	-	-
Miscellaneous	-	368	-	-	21	742
Total Revenues	<u>577,274</u>	<u>368</u>	<u>2,000</u>	<u>10,090</u>	<u>50,723</u>	<u>6,646</u>
EXPENDITURES:						
Current:						
Mayor and Municipal Assembly	-	-	-	-	-	-
General Government	-	997	-	-	-	-
Public Safety	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Culture and Recreation	-	-	54,985	14,302	-	-
Health and Sanitation	288,124	-	-	-	-	-
Public Instruction	-	-	-	-	-	-
Solid Waste Disposal	-	-	-	-	-	-
Human Services and Welfare	-	-	-	-	-	13,898
Urban Development	-	-	-	-	-	-
Capital Outlay	54,940	-	-	-	50,722	4,320
Debt Service:						
Principal	-	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-	-
Bond Issue Costs	-	-	-	-	-	-
Total Expenditures	<u>343,064</u>	<u>997</u>	<u>54,985</u>	<u>14,302</u>	<u>50,722</u>	<u>18,218</u>
OTHER FINANCING SOURCES (USES):						
Proceed of Bonds	-	-	-	-	-	-
Transfers – In	-	-	25,947	5,752	-	-
Transfers – Out	-	-	(16,047)	-	-	-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>9,900</u>	<u>5,752</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	234,210	(629)	(43,085)	1,540	1	(11,572)
Fund Balance (Deficits) – Beginning, as Restated	268,388	1,819	11,222	1,151	-	31,944
FUND BALANCES (DEFICITS) – ENDING	<u>\$ 502,598</u>	<u>\$ 1,190</u>	<u>(\$ 31,863)</u>	<u>\$ 2,691</u>	<u>\$ 1</u>	<u>\$ 20,372</u>

See accompanying Notes to Basic Financial Statements.

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – NON – MAJOR GOVERNMENTAL
FUNDS – SPECIAL REVENUES – CONTINUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

	HOME PROGRAM FUND	HPRP FUND	WIDE BROWNFIELD ASSESSMENT FUND	CENTERS FOR THE ELDERLY FUND	AGUADILLA BOWLING ARENA FUND	CHILD CARE FUND
REVENUES:						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes	-	-	-	-	-	-
Sales and Usage Taxes.....	-	-	-	-	-	-
Federal Grants	1,017,775	159,003	-	335,677	-	597,912
Intergovernmental.....	-	-	-	183,904	-	-
Licenses and Permits	-	-	-	-	-	-
Interests	-	-	-	-	-	-
Charges for Services	-	-	-	-	231,865	-
Miscellaneous	-	-	-	34,741	-	-
Total Revenues.....	<u>1,017,775</u>	<u>159,003</u>	<u>-</u>	<u>554,322</u>	<u>231,865</u>	<u>597,912</u>
EXPENDITURES:						
Current:						
Mayor and Municipal Assembly.....	-	-	-	-	-	-
General Government	-	-	-	-	80,858	-
Public Safety	-	-	-	-	-	-
Public Works.....	-	-	-	-	-	-
Culture and Recreation.....	-	-	-	-	-	-
Health and Sanitation	-	-	5,386	-	-	-
Public Instruction	-	-	-	-	-	-
Solid Waste Disposal.....	-	-	-	-	-	-
Human Services and Welfare.....	1,017,775	158,756	-	554,322	-	597,912
Urban Development.....	-	-	-	-	-	-
Capital Outlay.....	-	-	-	-	47,415	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-	-
Bond Issue Costs.....	-	-	-	-	-	-
Total Expenditures.....	<u>1,017,775</u>	<u>158,756</u>	<u>5,386</u>	<u>554,322</u>	<u>128,273</u>	<u>597,912</u>
OTHER FINANCING SOURCES (USES):						
Proceed of Bonds	-	-	-	-	-	-
Transfers – In.....	-	-	-	-	-	-
Transfers – Out.....	-	-	-	-	-	-
Total Other Financing Sources and Uses.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances.....	-	247	(5,386)	-	103,592	-
Fund Balance (Deficits) – Beginning, as Restated.....	-	-	-	-	37,832	-
FUND BALANCES (DEFICITS) – ENDING	<u>\$ -</u>	<u>\$ 247</u>	<u>\$ (5,386)</u>	<u>\$ -</u>	<u>\$ 141,424</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – NON – MAJOR GOVERNMENTAL
FUNDS – SPECIAL REVENUES – CONTINUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

	SALES TAX REVENUE FUND	SECTION 8 FUND	SBGP FUND	EMERGENCY SHELTER GRANT FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES:					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes	-	-	-	-	-
Sales and Usage Taxes.....	2,963,491	-	-	-	2,963,491
Federal Grants.....	-	1,221,171	2,627,137	120,306	6,411,025
Intergovernmental.....	-	-	-	-	403,927
Licenses and Permits	-	-	-	-	-
Interests	-	-	-	-	-
Charges for Services	-	-	-	-	1,203,887
Miscellaneous	-	-	-	-	39,862
Total Revenues.....	<u>2,963,491</u>	<u>1,221,171</u>	<u>2,627,137</u>	<u>120,306</u>	<u>11,022,192</u>
EXPENDITURES:					
Current:					
Mayor and Municipal Assembly.....	-	-	-	-	-
General Government	820,720	-	-	-	1,781,980
Public Safety	-	-	-	-	37,633
Public Works	-	-	-	-	-
Culture and Recreation.....	-	-	-	-	69,287
Health and Sanitation	667,452	-	-	-	960,962
Public Instruction	-	-	-	-	-
Solid Waste Disposal.....	-	-	-	-	-
Human Services and Welfare.....	-	1,186,082	-	128,551	3,727,716
Urban Development.....	548,971	-	1,708,533	-	2,263,656
Capital Outlay.....	145,245	-	-	-	448,934
Debt Service:					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
Bond Issue Costs.....	-	-	-	-	-
Total Expenditures.....	<u>2,182,388</u>	<u>1,186,082</u>	<u>1,708,533</u>	<u>128,551</u>	<u>9,290,168</u>
OTHER FINANCING SOURCES (USES):					
Proceed of Bonds	-	-	-	-	-
Transfers – In.....	-	-	45,472	-	197,622
Transfers – Out.....	(120,451)	-	(934,680)	-	(1,335,176)
Total Other Financing Sources and Uses.....	<u>(120,451)</u>	<u>-</u>	<u>(889,208)</u>	<u>-</u>	<u>(1,137,554)</u>
Net Change in Fund Balances	660,652	35,089	29,396	(8,245)	594,470
Fund Balance (Deficits) – Beginning, as Restated.....	<u>2,048,196</u>	<u>395,759</u>	<u>208,801</u>	<u>63,906</u>	<u>4,225,920</u>
FUND BALANCES (DEFICITS) – ENDING	<u>\$ 2,708,848</u>	<u>\$ 430,848</u>	<u>\$ 238,197</u>	<u>\$ 55,661</u>	<u>\$ 4,820,390</u>

See accompanying Notes to Basic Financial Statements.

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

COMBINING BALANCE SHEET –
NON – MAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS
JUNE 30, 2010

	CONSTRUCTION & IMPROVEMENT OF RECREATIONAL FACILITIES FUND	SCHOOL IMPROVEMENT FUND	RAMEY SKATE PARK PROJECT FUND	MUNICIPAL LIBRARIES FUND	FOUNTAIN OF YOUTH PROJECT FUND
ASSETS					
Cash and Investments	\$ 920,545	\$ -	\$ 112,382	\$ 25,532	\$ -
Cash with Fiscal Agent	813,137	-	2,106	88,080	532,475
Receivables:					
Property Taxes	-	-	-	-	-
Sales and Usage Taxes	-	-	-	-	-
Federal Grants	-	-	-	-	-
Due from Other Funds	136,952	-	20,911	-	-
Others Receivables	-	-	-	-	-
TOTAL ASSETS	\$ 1,870,634	\$ 115,631	\$ 135,399	\$ 113,612	\$ 532,475
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 83,332	\$ -	\$ 896	\$ 21	\$ 28,960
Accrued Interest	-	-	-	-	-
Due to Governmental Units	-	-	-	-	-
Due to Other Funds	414,582	-	59,091	-	114,478
Others	-	-	-	-	-
Deferred Revenues:					
Volume of Business Taxes	-	-	-	-	-
Federal Grants	-	-	-	-	-
Total Liabilities	497,914	-	59,987	21	143,438
Fund Balances:					
Reserve For:					
Encumbrances	-	-	-	-	-
Debt Service	-	-	-	-	-
Capital Projects	1,372,720	-	75,412	113,591	389,037
Designated for Future Expenditures	-	-	-	-	-
Unreserved (Deficit)	-	-	-	-	-
Total Fund Balances (Deficit)	1,372,720	-	75,412	113,591	389,037
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,870,634	\$ -	\$ 135,399	\$ 113,612	\$ 532,475

See accompanying Notes to Basic Financial Statements.

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

COMBINING BALANCE SHEET –
NON – MAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS – CONTINUE
JUNE 30, 2010

	VEHICLES AND PROPERTY ACQUISITION FUND	STREETS AND SIDEWALKS IMPROVEMENT PROJECTS FUND	MUNICIPAL COURTHOUSE CONSTRUCTION FUND	CLOCK TOWER CONSTRUCTION FUND	ACTIVITY CENTER CONSTRUCTION FUND
ASSETS					
Cash and Investments	\$ -	\$ -	\$ -	\$ -	\$ -
Cash with Fiscal Agent	19,752	1,278,054	905,164	76,670	225,174
Receivables:					
Property Taxes	-	-	-	-	-
Sales and Usage Taxes	-	-	-	-	-
Federal Grants	-	433,722	-	-	-
Due from Other Funds	-	172,400	-	-	-
Others Receivables	-	-	-	-	-
TOTAL ASSETS	\$ 19,752	\$ 1,884,176	\$ 905,164	\$ 76,670	\$ 225,174
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 2,336	\$ 332,703	\$ 49,956	\$ -	\$ -
Accrued Interest	-	-	-	-	-
Due to Governmental Units	-	-	-	-	-
Due to Other Funds	7,454	1,570,213	16,248	-	-
Others	-	-	-	-	-
Deferred Revenues:					
Volume of Business Taxes	-	-	-	-	-
Federal Grants	-	-	-	-	-
Total Liabilities	9,790	1,902,916	66,204	-	-
Fund Balances:					
Reserve For:					
Encumbrances	-	-	-	-	-
Debt Service	-	-	-	-	-
Capital Projects	9,962	-	838,960	76,670	225,174
Designated for Future Expenditures	-	-	-	-	-
Unreserved (Deficit)	-	(18,740)	-	-	-
Total Fund Balances (Deficit)	9,962	(18,740)	838,960	76,670	225,174
TOTAL LIABILITIES AND FUND BALANCES	\$ 19,752	\$ 1,884,176	\$ 905,164	\$ 76,670	\$ 225,174

See accompanying Notes to Basic Financial Statements.

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

COMBINING BALANCE SHEET –
NON – MAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS – CONTINUE
JUNE 30, 2010

	COMMERCIAL PROPERTY ACQUISITION FUND	LAS CASCADAS HOTEL FUND	ROADS CONSTRUCTION & IMPROVEMENT FUND	RAMEY SKATE PARK GAZEBO RENT INCOME FUND	ICE SKATE ARENA THIRD FLOOR REIMBURSEMENT FUND
ASSETS					
Cash and Investments	\$ -	\$ -	\$ 175,695	\$ 68,977	\$ -
Cash with Fiscal Agent	10,937	-	747,528	-	18,245
Receivables:					
Property Taxes	-	-	-	-	-
Sales and Usage Taxes	-	-	-	-	-
Federal Grants	-	-	-	-	-
Due from Other Funds	-	-	-	-	-
Others Receivables	-	-	-	-	-
TOTAL ASSETS	\$ 10,937	\$ -	\$ 923,223	\$ 68,977	\$ 18,245
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ -	\$ -	\$ 4,094	\$ 30,939	\$ 22,746
Accrued Interest	-	-	-	-	-
Due to Governmental Units	-	-	-	-	-
Due to Other Funds	-	146,426	150,244	-	14,847
Others	-	-	-	-	-
Deferred Revenues:					
Volume of Business Taxes	-	-	-	-	-
Federal Grants	-	-	-	-	-
Total Liabilities	-	146,426	154,338	30,939	37,593
Fund Balances:					
Reserve For:					
Encumbrances	-	-	-	-	-
Debt Service	-	-	-	-	-
Capital Projects	10,937	-	768,885	38,038	-
Designated for Future Expenditures	-	-	-	-	-
Unreserved (Deficit)	-	(146,426)	-	-	(19,348)
Total Fund Balances (Deficit)	10,937	(146,426)	768,885	38,038	(19,348)
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,937	\$ -	\$ 923,223	\$ 68,977	\$ 18,245

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, 2010

	CITY HALL ANNEX CONSTRUCTION FUND	CONVENTION CENTER CONSTRUCTION FUND	ART CENTER CONSTRUCTION FUND	ANTHROPOLOGIC MUSEUM CONSTRUCTION FUND	CANALIZATION "OJO DE AGUA" RIVER FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS						
Cash and Investments.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,303,131
Cash with Fiscal Agent.....	3,629,217	645,439	6,634	658	3,906	9,003,176
Receivables:						
Property Taxes.....	-	-	-	-	-	-
Sales and Usage Taxes.....	-	-	-	-	-	-
Federal Grants.....	-	-	-	27,931	-	461,653
Due from Other Funds.....	-	-	-	-	-	330,263
Others Receivables.....	-	-	-	-	-	-
TOTAL ASSETS.....	\$ 3,629,217	\$ 645,439	\$ 6,634	\$ 28,589	\$ 3,906	\$ 11,098,223
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable.....	\$ 13,500	\$ -	\$ -	\$ 64,670	\$ -	\$ 634,153
Accrued Interest.....	-	-	-	-	-	-
Due to Governmental Units.....	-	-	-	-	-	-
Due to Other Funds.....	19,500	641,784	-	89,987	-	3,244,854
Others.....	-	-	-	-	-	-
Deferred Revenues:						
Volume of Business Taxes.....	-	-	-	-	-	-
Federal Grants.....	-	-	-	-	-	-
Total Liabilities.....	33,000	641,784	-	154,657	-	3,879,007
Fund Balances:						
Reserve For:						
Encumbrances.....	-	-	-	-	-	-
Debt Service.....	-	-	-	-	-	-
Capital Projects.....	3,596,217	3,655	6,634	-	3,906	7,529,798
Designated for Future Expenditures ...	-	-	-	-	-	-
Unreserved (Deficit).....	-	-	-	(126,068)	-	(310,582)
Total Fund Balances (Deficit).....	3,596,217	3,655	6,634	(126,068)	3,906	7,219,216
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 3,629,217	\$ 645,439	\$ 6,634	\$ 28,589	\$ 3,906	\$ 11,098,223

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – NON – MAJOR GOVERNMENTAL
FUNDS – CAPITAL PROJECTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

	CONSTRUCTION & IMPROVEMENT OF RECREATIONAL FACILITIES FUND	SCHOOL IMPROVEMENT FUND	RAMEY SKATE PROJECT FUND	MUNICIPAL LIBRARIES FUND	FOUNTAIN OF YOUTH PROJECT FUND
REVENUES					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes	-	-	-	-	-
Sales and Usage Taxes	-	-	-	-	-
Federal Grants	-	-	-	9,811	-
Intergovernmental	20,000	-	-	25,223	-
Licenses and Permits	-	-	-	-	-
Interests	-	-	-	-	-
Charges for Services	43,660	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenues	63,660	-	-	35,034	-
EXPENDITURES					
Current:					
Mayor and Municipal Assembly	-	-	-	-	-
General Government	56,367	1,854	-	435	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Health and Sanitation	26,828	-	-	-	-
Public Instruction	-	-	-	-	-
Solid Waste Disposal	-	-	-	-	-
Human Services and Welfare	-	-	-	-	-
Urban Development	207,723	-	-	-	-
Capital Outlay	-	-	-	161,146	205,001
Debt Service:					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
Bond Issue Costs	-	-	-	-	-
Total Expenditures	290,918	1,854	-	161,581	205,001
OTHER FINANCING SOURCES (USES)					
Proceed of Bonds	725,000	-	-	-	-
Transfers – In	60,547	-	-	-	-
Transfers – Out	(36,689)	(113,777)	-	-	-
Total Other Financing Sources and Uses	748,858	(113,777)	-	-	-
Net Change in Fund Balances	521,600	(115,631)	-	(126,547)	(205,001)
Fund Balance (Deficits) – Beginning, as Restated	851,120	115,631	75,412	240,138	594,038
FUND BALANCES (DEFICITS) – ENDING	\$ 1,372,720	\$ -	\$ 75,412	\$ 113,591	\$ 389,037

See accompanying Notes to Basic Financial Statements.

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – NON – MAJOR GOVERNMENTAL
FUNDS – CAPITAL PROJECTS – CONTINUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

	VEHICLES AND PROPERTY ACQUISITION FUND	STREETS AND SIDEWALKS IMPROVEMENT PROJECTS FUND	MUNICIPAL COURTHOUSE CONSTRUCTION FUND	CLOCK TOWER CONSTRUCTION FUND	ACTIVITY CENTER CONSTRUCTION FUND
REVENUES					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes	-	-	-	-	-
Sales and Usage Taxes	-	-	-	-	-
Federal Grants	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Licenses and Permits	-	-	-	-	-
Interests	-	-	-	-	-
Charges for Services	-	-	-	-	-
Miscellaneous	-	315	-	-	-
Total Revenues	-	315	-	-	-
EXPENDITURES					
Current:					
Mayor and Municipal Assembly	-	-	-	-	-
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Health and Sanitation	-	-	-	-	-
Public Instruction	-	-	-	-	-
Solid Waste Disposal	-	-	-	-	-
Human Services and Welfare	-	-	-	-	-
Urban Development	-	161,133	-	-	-
Capital Outlay	3,209	3,576,745	1,005,983	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
Bond Issue Costs	-	-	-	-	-
Total Expenditures	3,209	3,737,878	1,005,983	-	-
OTHER FINANCING SOURCES (USES)					
Proceed of Bonds	-	1,562,956	-	-	-
Transfers – In	-	26,258	-	-	-
Transfers – Out	(50)	(194,194)	-	-	-
Total Other Financing Sources and Uses	(50)	1,395,020	-	-	-
Net Change in Fund Balances	(3,259)	(2,342,543)	(1,005,983)	-	-
Fund Balance (Deficits) – Beginning, as Restated	13,221	2,323,803	1,844,943	76,670	225,174
FUND BALANCES (DEFICITS) – ENDING	\$ 9,962	(\$ 18,740)	\$ 838,960	\$ 76,670	\$ 225,174

See accompanying Notes to Basic Financial Statements.

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – NON – MAJOR GOVERNMENTAL
FUNDS – CAPITAL PROJECTS – CONTINUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

	COMMERCIAL PROPERTY ACQUISITION FUND	LAS CASCADAS HOTEL FUND	ROADS CONSTRUCTION & IMPROVEMENT FUND	RAMEY SKATE PARK GAZEBO RENT INCOME FUND	ICE SKATE ARENA THIRD FLOOR REIMBURSEMENT FUND
REVENUES					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes	-	-	-	-	-
Sales and Usage Taxes	-	-	-	-	-
Federal Grants	-	-	-	-	-
Intergovernmental	-	-	803,209	-	-
Licenses and Permits	-	-	-	-	-
Interests	-	-	-	-	-
Charges for Services	-	-	-	27,811	-
Miscellaneous	-	-	-	-	-
Total Revenues	-	-	803,209	27,811	-
EXPENDITURES					
Current:					
Mayor and Municipal Assembly	-	-	-	-	-
General Government	-	-	-	14,732	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Health and Sanitation	-	-	-	-	-
Public Instruction	-	-	-	-	-
Solid Waste Disposal	-	-	-	-	-
Human Services and Welfare	-	-	-	-	-
Urban Development	-	-	102,248	-	-
Capital Outlay	-	167,868	1,680,458	3,111	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
Bond Issue Costs	-	-	-	-	-
Total Expenditures	-	167,868	1,782,886	17,843	-
OTHER FINANCING SOURCES (USES)					
Proceed of Bonds	-	-	-	-	-
Transfers – In	-	167,868	-	-	-
Transfers – Out	-	-	-	-	-
Total Other Financing Sources and Uses	-	167,868	-	-	-
Net Change in Fund Balances	-	-	(979,677)	9,968	-
Fund Balance (Deficits) – Beginning, as Restated	10,937	(146,426)	1,748,562	28,070	(19,348)
FUND BALANCES (DEFICITS) – ENDING	\$ 10,937	(\$ 146,426)	\$ 768,885	\$ 38,038	(\$ 19,348)

See accompanying Notes to Basic Financial Statements.

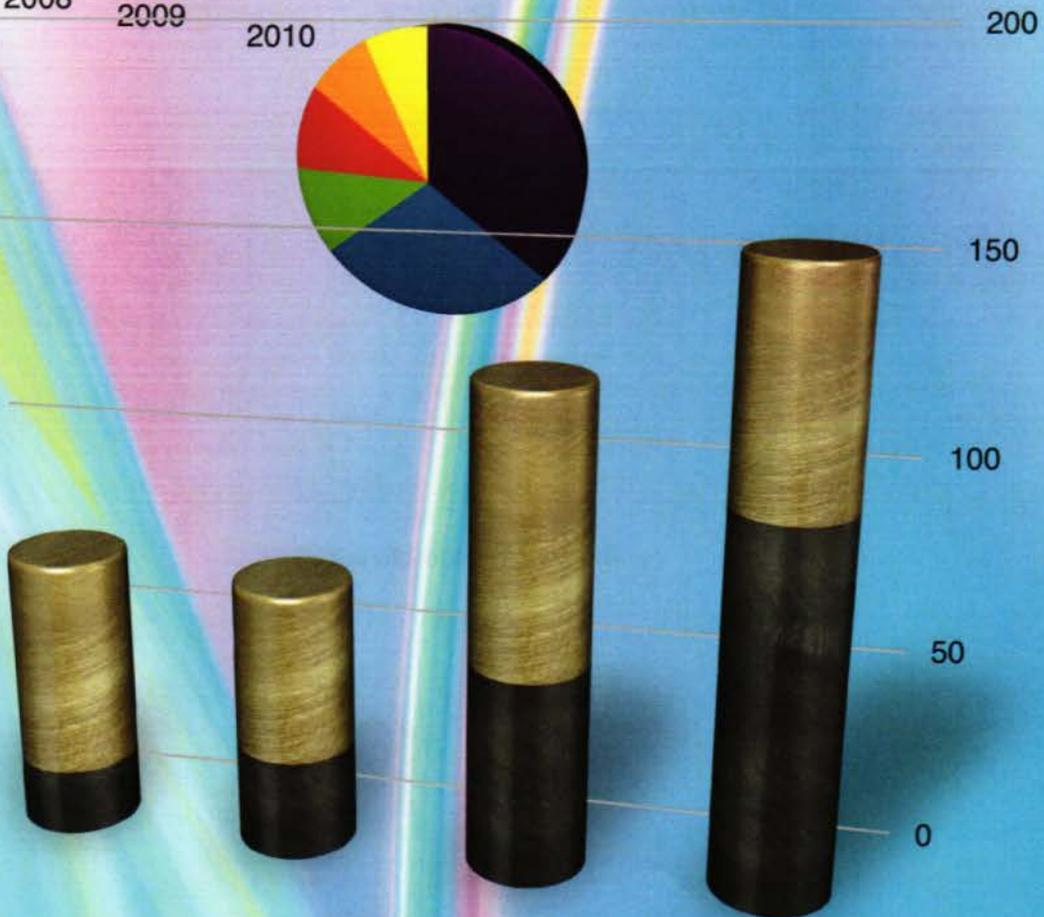
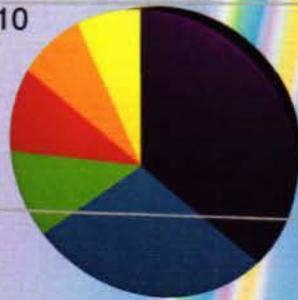
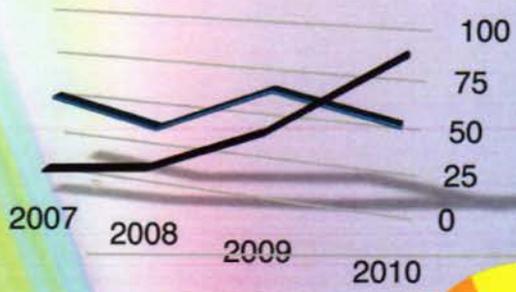
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – NON – MAJOR GOVERNMENTAL
FUNDS – CAPITAL PROJECTS – CONTINUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

	CITY HALL ANNEX CONSTRUCTION FUND	CONVENTION CENTER CONSTRUCTION FUND	ART CENTER CONSTRUCTION FUND	ANTHROPOLOGIC MUSEUM CONSTRUCTION FUND	CANALIZATION "OJO DE AGUA" RIVER FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Volume of Business Taxes	-	-	-	-	-	-
Sales and Usage Taxes	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	9,811
Intergovernmental	-	-	-	-	-	848,432
Licenses and Permits	-	-	-	-	-	-
Interests	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	71,471
Miscellaneous	-	-	-	-	3,214	3,529
Total Revenues	-	-	-	-	3,214	933,243
EXPENDITURES						
Current:						
Mayor and Municipal Assembly	-	-	-	-	-	-
General Government	-	-	-	-	866	74,254
Public Safety	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Health and Sanitation	-	-	-	-	-	26,828
Public Instruction	-	-	-	-	-	-
Solid Waste Disposal	-	-	-	-	-	-
Human Services and Welfare	-	-	-	-	-	-
Urban Development	945	-	-	-	900,000	1,372,229
Capital Outlay	1,508,480	-	-	819,176	-	9,131,177
Debt Service:						
Principal	-	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-	-
Bond Issue Costs	-	-	-	-	-	-
Total Expenditures	1,509,425	-	-	819,176	900,866	10,604,488
OTHER FINANCING SOURCES (USES)						
Proceed of Bonds	-	-	-	780,119	3,040,000	6,108,075
Transfers – In	-	-	-	-	-	254,673
Transfers – Out	(470)	(1,410)	(510)	-	(3,047,442)	(3,394,542)
Total Other Financing Sources and Uses	(470)	(1,410)	(510)	780,119	(7,442)	2,968,206
Net Change in Fund Balances	(1,509,895)	(1,410)	(510)	(39,057)	(905,094)	(6,703,039)
Fund Balance (Deficits) – Beginning, as Restated	5,106,112	5,065	7,144	(87,011)	909,000	13,922,255
FUND BALANCES (DEFICITS) – ENDING	\$ 3,596,217	\$ 3,655	\$ 6,634	(\$ 126,068)	\$ 3,906	\$ 7,219,216

See accompanying Notes to Basic Financial Statements.

STATISTICAL SECTION



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STATISTICAL SECTION

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

FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the **Municipality's** financial performance and fiscal health has changed over time. The schedules presented from an entity wide perspective only include Fiscal year 2003 and forward, coinciding with the implementation of GASB Statement No. 34. 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 Eight Fiscal Years (Primary Government)	84
Net Assets Trend by Component for the Last Eight Fiscal Years (Governmental Activities).....	85
Net Assets Trend by Component for the Last Five Fiscal Years (Business-Type Activities).....	86
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Net Assets' Change Trend for the Last Eight Fiscal Years (Governmental Activities).....	89- 90
Net Assets' Change Trend for the Last Five 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:

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Property Taxes – Largest Tax Payers Current Year and Nine Years Ago	98
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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
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Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures for the Last Ten Fiscal Years.....	109
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Computation of Legal Debt Margin for the Fiscal Year Ended June 30, 2010.....	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:

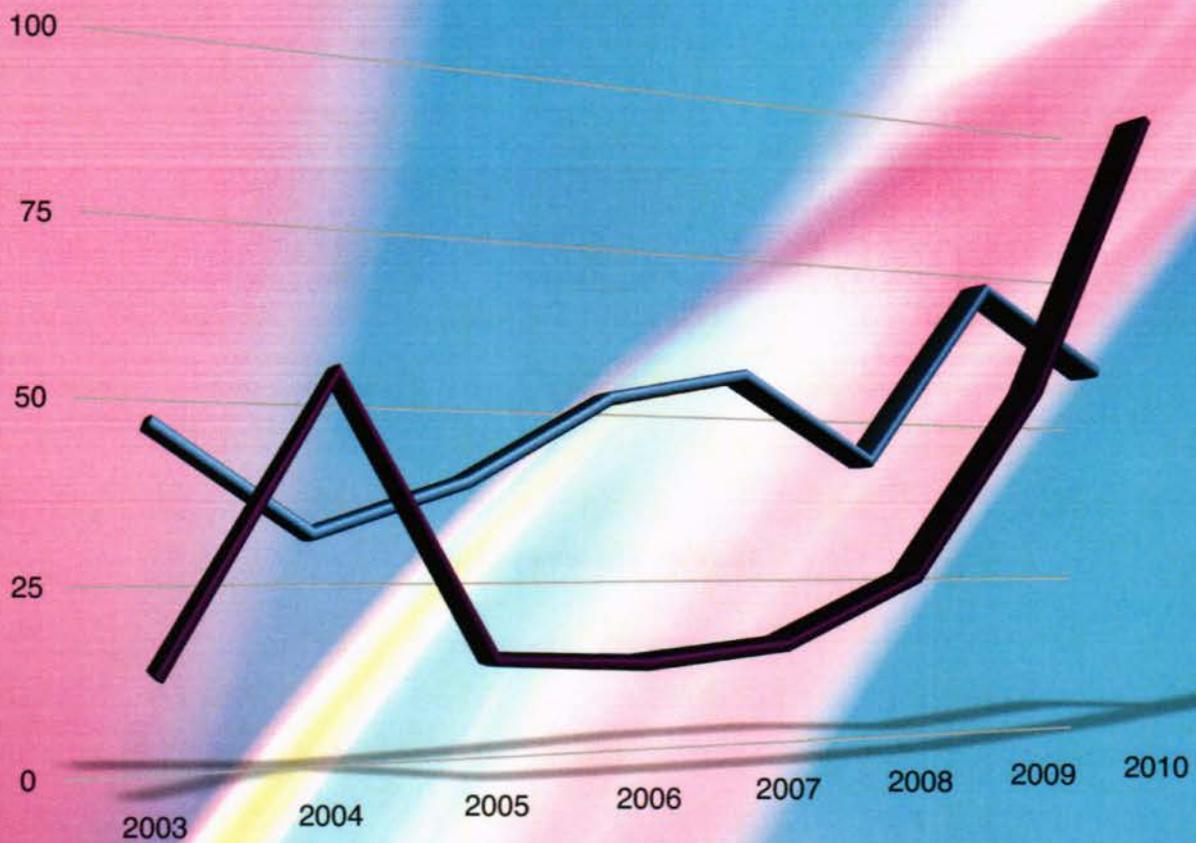
Demographic and Economic Statistics for the Last Ten Fiscal Years	113
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OPERATING INFORMATION

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.....	115

FINANCIAL TRENDS



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GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

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

	<u>2010</u>	<u>2009 ^(b)</u>	<u>2008 ^(a)</u>	<u>2007 ^(a)</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
NET ASSETS:								
Investment in Capital Assets, Net of Related Debt	\$ 121,363,690	\$ 108,994,704	\$ 99,290,451	\$ 105,675,025	\$ 80,151,494	\$ 45,180,649	\$ 48,840,015	\$ 39,924,949
Restricted	16,567,611	23,283,794	25,557,280	17,932,162	18,251,736	42,823,268	30,418,744	14,826,947
Unrestricted	<u>735,175</u>	<u>1,974,089</u>	<u>7,400,958</u>	<u>6,010,803</u>	<u>5,261,097</u>	<u>1,965,950</u>	<u>5,658,968</u>	<u>2,645,023</u>
TOTAL NET ASSETS	<u>\$ 138,666,476</u>	<u>\$ 134,252,587</u>	<u>\$ 132,248,689</u>	<u>\$ 129,617,990</u>	<u>\$ 103,664,327</u>	<u>\$ 89,969,867</u>	<u>\$ 84,917,727</u>	<u>\$ 57,396,919</u>

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

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

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

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

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

	<u>2010</u>	<u>2009 ^(b)</u>	<u>2008 ^(a)</u>	<u>2007 ^(a)</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
NET ASSETS:								
Investment in Capital Assets, Net of Related Debt	\$ 111,474,441	\$ 98,858,466	\$ 89,487,550	\$ 95,839,734	\$ 70,068,980	\$ 45,180,649	\$ 48,840,015	\$ 39,924,949
Restricted	16,567,611	23,283,794	25,557,280	17,932,162	18,251,736	42,823,268	30,418,744	14,826,947
Unrestricted	<u>(154,196)</u>	<u>1,514,047</u>	<u>5,845,906</u>	<u>5,090,366</u>	<u>3,766,767</u>	<u>1,965,950</u>	<u>5,658,968</u>	<u>2,645,023</u>
TOTAL NET ASSETS	<u>\$ 127,887,856</u>	<u>\$ 123,656,307</u>	<u>\$ 120,890,736</u>	<u>\$ 118,862,262</u>	<u>\$ 92,087,483</u>	<u>\$ 89,969,867</u>	<u>\$ 84,917,727</u>	<u>\$ 57,396,919</u>

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

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

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

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

NET ASSETS TREND BY COMPONENT FOR THE LAST FIVE FISCAL YEARS
BUSINESS – TYPE ACTIVITIES

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

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

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

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

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

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

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

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

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

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

(b) A Sales and 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 EIGHT FISCAL YEARS
GOVERNMENTAL ACTIVITIES

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

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

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

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

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

(b) A Sales and 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 FIVE FISCAL YEARS
BUSINESS – TYPE ACTIVITIES

	2010		2009		2008		2007		2006	
	AGUADILLA'S WATERFALLS AQUATIC PARK	AGUADILLA ICE SKATING ARENA								
Expenses	\$ 1,375,249	\$ 661,247	\$ 1,955,310	\$ 787,478	\$ 1,396,436	\$ 733,245	\$ 1,373,748	\$ 1,072,889	\$ 1,182,640	\$ 1,163,757
PROGRAM REVENUES										
Charges for Services	1,593,627	670,681	1,769,445	642,211	2,298,276	655,224	2,107,900	967,450	1,961,850	1,306,567
GENERAL REVENUES										
Interests	-	-	-	-	-	-	49,591	-	-	-
Capital Contributions	-	-	-	570,481	-	91,933	-	-	-	-
Transfers	(45,472)	-	(1,001,022)	-	(313,527)	-	(1,499,420)	-	(216,785)	-
TOTAL REVENUES	<u>1,548,155</u>	<u>670,681</u>	<u>768,423</u>	<u>1,212,692</u>	<u>1,984,749</u>	<u>747,157</u>	<u>658,071</u>	<u>967,450</u>	<u>1,745,065</u>	<u>1,306,567</u>
	<u>\$ 172,906</u>	<u>\$ 9,434</u>	<u>\$ (1,186,887)</u>	<u>\$ 425,214</u>	<u>\$ 588,313</u>	<u>\$ 13,912</u>	<u>\$ (715,677)</u>	<u>\$ (105,439)</u>	<u>\$ 562,425</u>	<u>\$ 142,810</u>

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

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

FUND BALANCES FOR THE LAST TEN FISCAL YEARS
GOVERNMENTAL ACTIVITIES

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u> ^(a)	<u>2002</u>	<u>2001</u>
General Fund										
Reserved	\$ 1,567,831	\$ 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
Unreserved (Deficit)	<u>10,159,195</u>	<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>
Total General Fund	<u>\$ 11,727,026</u>	<u>\$ 10,499,990</u>	<u>\$ 10,483,084</u>	<u>\$ 9,593,472</u>	<u>\$ 8,287,223</u>	<u>\$ 3,956,389</u>	<u>\$ 3,748,276</u>	<u>\$ 2,791,119</u>	<u>\$ 1,277,872</u>	<u>\$ 240,621</u>
All Other Governmental Funds										
Reserved	\$ 29,679,779	\$ 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
Unreserved (Deficit):										
Special Revenue Fund	(313,395)	(27,438)	(56,517)	-	-	-	144,701	103,370	1,335,641	7,133,169
Capital Project Fund	<u>(310,582)</u>	<u>(252,785)</u>	<u>(146,426)</u>	-	-	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 29,055,802</u>	<u>\$ 36,237,952</u>	<u>\$ 39,160,376</u>	<u>\$ 32,722,895</u>	<u>\$ 38,307,420</u>	<u>\$ 37,382,909</u>	<u>\$ 29,495,277</u>	<u>\$ 24,292,421</u>	<u>\$ 8,013,108</u>	<u>\$ 16,557,827</u>

(a) 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

	2010	2009	2008	2007	2006	2005	2004	2003 ^(a)	2002	2001
REVENUES										
Property Taxes	\$ 13,763,011	\$ 12,355,973	\$ 13,612,115	\$ 12,223,523	\$ 12,257,260	\$ 14,916,518	\$ 11,826,181	\$ 10,921,637	\$ 10,498,622	\$ 10,572,217
Volume of Business Taxes	8,335,598	9,486,385	9,490,510	9,132,473	10,016,589	7,557,843	7,393,246	9,275,555	8,470,503	7,543,806
Sales and Usage Taxes	3,670,110	3,360,924	2,611,633	-	-	-	-	-	-	-
Federal Assurances	12,342,379	12,209,978	10,950,356	11,148,041	10,392,610	10,556,191	11,056,456	10,936,225	10,548,776	10,494,242
Intergovernmental	7,474,784	13,761,021	6,825,969	9,641,505	8,470,360	3,575,404	7,159,352	6,651,764	5,451,724	5,392,588
Licenses and Permits	1,737,351	1,523,864	1,824,688	1,853,366	2,632,322	1,382,664	2,002,950	851,182	331,624	610,524
Interest	565,888	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
Charges for Services	1,523,788	1,047,589	776,752	591,734	413,579	954,235	920,642	811,811	737,106	375,714
Miscellaneous	1,004,529	1,248,887	877,000	915,428	1,293,256	475,994	1,576,283	953,635	505,850	715,656
Total Revenues	<u>50,417,438</u>	<u>56,283,314</u>	<u>49,376,382</u>	<u>47,775,577</u>	<u>46,908,056</u>	<u>40,408,284</u>	<u>43,071,001</u>	<u>40,981,749</u>	<u>38,180,269</u>	<u>37,180,975</u>
EXPENDITURES										
Current										
Mayor and Municipal Legislature	1,248,151	2,162,643	1,435,091	1,463,533	1,379,470	1,498,901	2,547,970	2,516,709	2,247,347	2,230,082
General Government	15,382,208	15,399,642	16,734,299	16,449,942	15,253,685	16,553,913	10,721,141	11,184,863	14,450,802	13,693,637
Public Safety	1,721,657	1,759,031	1,700,773	1,574,827	1,694,440	1,633,078	1,528,952	1,510,667	1,382,003	1,103,899
Public Works	1,385,399	1,561,329	1,598,784	1,619,285	1,556,446	1,617,941	1,401,676	1,535,509	1,674,516	3,951,939
Health and Sanitation	4,311,509	1,001,882	3,725,500	2,920,164	2,458,784	3,167,894	3,357,537	2,554,144	2,515,073	1,030,777
Culture and Recreation	887,764	3,822,624	1,043,183	897,258	1,303,340	1,127,415	2,529,441	1,706,833	1,086,552	743,354
Public Instruction	5,715,424	5,596,055	6,078,591	5,534,232	6,021,802	5,509,806	5,831,190	5,617,329	5,348,974	4,477,278
Solid Waste Disposal	1,084,877	-	-	-	-	-	-	-	-	-
Human Service and Welfare	7,182,677	5,028,977	4,731,427	5,504,421	4,727,195	4,942,160	4,376,976	4,663,455	4,634,992	3,731,464
Urban Development	4,306,118	12,832,305	4,077,698	4,183,065	4,747,862	2,588,779	8,171,020	6,897,238	7,231,839	14,117,934
Capital Outlay	11,852,805	11,517,613	11,918,942	9,749,437	5,351,016	1,147,440	728,383	551,855	3,498,471	3,380,646
Collections applied to Property Taxes Advance	-	-	-	-	-	-	-	-	5,054,085	6,344,987

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

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

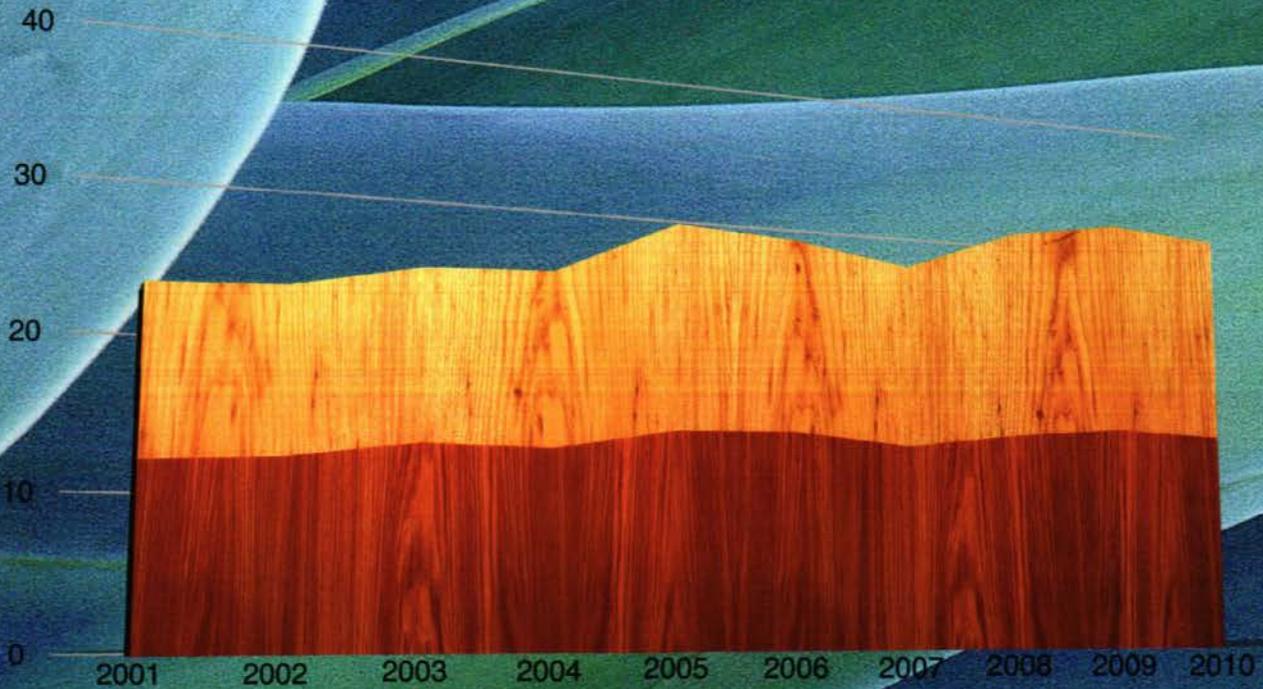
	2010	2009	2008	2007	2006	2005	2004	2003 ^(a)	2002	2001
Debt Service:										
Principal Retirement	6,716,664	3,467,334	2,902,364	2,642,233	2,441,000	2,520,000	1,595,000	3,330,000	1,880,000	2,250,000
Interest Payment and Other Charges	2,812,231	3,804,291	2,572,880	2,544,588	2,359,767	2,065,212	1,341,702	1,665,337	1,613,473	1,613,583
Bond Issue Costs	28,615	16,201	51,269	-	35,135	-	-	-	-	-
Total Expenditures	64,636,099	67,969,927	58,570,801	55,082,985	49,329,942	44,372,539	44,130,988	43,733,939	52,618,127	58,669,580
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES										
	(14,218,661)	(11,686,613)	(9,194,419)	(7,307,408)	(2,421,886)	(3,964,255)	(1,059,987)	(2,752,190)	(14,437,858)	(21,488,605)
OTHER FINANCING SOURCES (USES)										
Property Taxes Advance	-	-	-	-	-	-	-	-	6,590,175	6,344,987
Bond Issued	8,218,075	7,780,073	16,207,985	1,529,712	6,541,446	12,060,000	7,220,000	18,355,000	-	7,165,000
Transfer-In	6,089,068	5,376,858	2,441,916	3,534,896	2,994,757	559,168	1,952,768	3,482,346	6,351,354	10,598,581
Transfer-Out	(6,043,596)	(4,375,836)	(2,128,389)	(2,035,476)	(2,777,972)	(559,168)	(1,952,768)	(3,482,346)	(6,011,139)	(10,598,581)
Total Other Financing Sources and Uses	8,263,547	8,781,095	16,521,512	3,029,132	6,758,231	12,060,000	7,220,000	18,355,000	6,930,390	13,509,987
SPECIAL ITEM										
Proceeds from Sale	-	-	-	-	919,000	-	-	2,189,750	-	-
NET CHANGE IN FUND BALANCES	\$ (5,955,114)	\$ (2,905,518)	\$ 7,327,093	\$ (4,278,276)	\$ 5,255,345	\$ 8,095,745	\$ 6,160,013	\$ 17,792,560	\$ (7,507,468)	\$ (7,978,618)
Debt service as a percentage of non capital expenditures ^(b)										
	22.11%	14.82%	13.44%	12.92%	12.35%	11.87%	7.26%	13.08%	8.61%	8.57%

(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.

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REVENUE CAPACITY



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REAL PROPERTY TAX VALUATION

FISCAL YEAR	TAXABLE VALUE	EXEMPT VALUE	GROSS VALUE	EXONERATED VALUE	NET ASSESSED VALUE
2010 ^(a)	\$1,621,210,746	\$1,046,422,048	\$ 574,788,698	\$ 437,209,107	\$ 137,579,591
2009 ^(b)	182,728,361	11,505,871	171,222,490	83,408,949	87,813,541
2008	182,728,361	11,505,871	171,222,490	83,408,949	87,813,541
2007	175,521,030	12,259,645	163,261,385	82,680,798	80,580,587
2006	172,942,348	14,539,269	158,403,079	79,778,120	78,624,959
2005	171,568,818	12,956,380	158,612,438	79,406,918	79,205,520
2004	167,099,112	12,627,588	154,471,524	77,957,375	76,514,149
2003	163,896,125	12,456,957	151,439,168	76,765,432	74,673,736
2002	158,562,114	11,996,523	146,565,591	76,125,632	70,439,959
2001	156,853,873	11,325,471	145,528,402	75,478,529	70,049,873

PERSONAL PROPERTY TAX VALUATION

FISCAL YEAR	TAXABLE VALUE	EXEMPT VALUE	GROSS VALUE	EXONERATED VALUE	NET ASSESSED VALUE
2010 ^(a)	\$ 579,211,399	\$ 331,659,861	\$ 247,551,538	\$ 177,834,149	\$ 69,717,389
2009 ^(b)	237,181,937	155,645,466	81,536,471	3,456,438	78,080,033
2008	237,181,937	155,645,466	81,536,471	3,456,438	78,080,033
2007	251,403,170	174,123,584	77,279,586	3,534,443	73,745,143
2006	338,127,158	255,890,622	82,236,536	3,857,992	78,378,544
2005	287,529,031	212,548,173	74,980,858	3,548,164	71,432,694
2004	277,018,351	197,776,537	79,241,814	3,143,278	76,098,536
2003	265,123,870	189,410,128	75,713,742	3,015,758	72,697,984
2002	254,230,255	179,251,007	74,979,248	2,854,466	72,124,782
2001	241,099,754	170,558,667	70,541,087	2,635,154	67,905,933

TOTAL PROPERTY TAX VALUATION

FISCAL YEAR	TAXABLE VALUE	EXEMPT VALUE	GROSS VALUE	EXONERATED VALUE	NET ASSESSED VALUE	TAX EFFECTIVE RATE ^(b)
2010 ^(a)	\$2,200,422,145	\$1,378,081,909	\$ 822,340,236	\$ 615,043,256	\$ 207,296,980	7.66%
2009 ^(b)	419,910,298	167,151,337	252,758,961	86,865,387	165,893,574	7.66%
2008	419,910,298	167,151,337	252,758,961	86,865,387	165,893,574	7.66%
2007	426,924,200	186,383,229	240,540,971	86,215,241	154,325,730	7.66%
2006	511,069,506	270,429,891	240,639,615	83,636,112	157,003,503	7.66%
2005	459,097,849	225,504,553	233,593,296	82,955,082	150,638,214	7.66%
2004	444,117,463	210,404,125	233,713,338	81,100,653	152,612,685	7.66%
2003	429,019,995	201,867,085	227,152,910	79,781,190	147,371,720	7.66%
2002	412,792,369	191,247,530	221,544,839	78,980,098	142,564,741	7.66%
2001	397,953,627	181,884,138	216,069,489	78,113,683	137,955,806	7.66%

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

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

^(c) 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>COMMONWEALTH OF PUERTO RICO</i>	<i>DISCOUNT</i>	<i>TOTAL</i>
2010	6.00%	1.50%	1.03%	0.20%	8.53%
2009	6.00%	1.50%	1.03%	0.20%	8.53%
2008	6.00%	1.50%	1.03%	0.20%	8.53%
2007	6.00%	1.50%	1.03%	0.20%	8.53%
2006	6.00%	1.50%	1.03%	0.20%	8.53%
2005	6.00%	1.50%	1.03%	0.20%	8.53%
2004	6.00%	1.50%	1.03%	0.20%	8.53%
2003	6.00%	1.50%	1.03%	0.20%	8.53%
2002	6.00%	1.50%	1.03%	0.20%	8.53%
2001	6.00%	1.50%	1.03%	0.20%	8.53%

PERSONAL PROPERTY

<i>FISCAL YEAR</i>	<i>GENERAL PURPOSES</i>	<i>DEBT SERVICES</i>	<i>COMMONWEALTH OF PUERTO RICO</i>	<i>DISCOUNT</i>	<i>TOTAL</i>
2010	4.00%	1.50%	1.03%	0.20%	6.53%
2009	4.00%	1.50%	1.03%	0.20%	6.53%
2008	4.00%	1.50%	1.03%	0.20%	6.53%
2007	4.00%	1.50%	1.03%	0.20%	6.53%
2006	4.00%	1.50%	1.03%	0.20%	6.53%
2005	4.00%	1.50%	1.03%	0.20%	6.53%
2004	4.00%	1.50%	1.03%	0.20%	6.53%
2003	4.00%	1.50%	1.03%	0.20%	6.53%
2002	4.00%	1.50%	1.03%	0.20%	6.53%
2001	4.00%	1.50%	1.03%	0.20%	6.53%

GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

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

Taxpayer	2010		2001	
	Total Business	Percentage of Total Business	Total Business	Percentage of Total Business
Fomento Industrial	\$ 90,292,160	0.436	N/AV	N/AV
Lifescan Products, LLC	23,057,640	0.111	N/AV	N/AV
Luan Investment	21,194,320	0.102	N/AV	N/AV
Sensormatic Electronic, Corp	18,491,700	0.089	N/AV	N/AV
CFSE	11,037,840	0.053	N/AV	N/AV
Aguadilla Shopping Center	10,128,770	0.049	N/AV	N/AV
MU\EKI Associates	10,016,800	0.048	N/AV	N/AV
Cooperativa Central Borinquen	4,760,000	0.023	N/AV	N/AV
Western Medical Plaza, Inc	4,145,590	0.020	N/AV	N/AV
Godwin Aldarondo Gerald	2,926,310	0.014	N/AV	N/AV
Ten largest taxpayers	196,051,130	0.946		
All other taxpayers	11,245,850	0.054		
Total assessed valuation-all taxpayers	\$ 207,296,980	1.000		

Note: Information for the Fiscal Year 2001 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
2010	\$ 15,106,409	\$ 14,415,455	95.43%	-	\$ 14,415,455	95.43%
2009	15,435,522	14,702,014	95.25%	254,698	14,956,712	96.90%
2008	14,703,927	14,228,893	96.77%	154,090	14,382,983	97.82%
2007	13,734,824	12,318,562	89.69%	769,887	13,088,449	95.29%
2006	14,408,482	12,902,919	89.55%	565,486	13,468,405	93.48%
2005	14,243,801	13,601,173	95.49%	545,659	14,146,832	99.32%
2004	12,788,535	11,391,023	89.07%	435,158	11,826,181	92.47%
2003	12,902,853	10,921,637	84.65%	428,529	11,350,166	87.97%
2002	11,817,634	10,498,622	88.84%	405,562	10,904,184	92.27%
2001	11,437,226	10,572,217	92.44%	391,357	10,963,574	95.86%

SOURCE: Department of Finance, Municipality of Aguadilla.

2010

<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	1,563	96.18%	118,870	4.23%
\$1,000 - \$100,000	59	3.63%	530,148	18.88%
Over \$100,000	3	0.18%	2,159,015	76.89%
	1,625	100%	\$ 2,808,033	100%

2009

<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%
	1,537	100%	\$ 2,808,033	100%

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%
	1,413	100%	\$ 2,503,953	100%

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%
	1,496	100%	\$ 2,283,805	100%

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%
	1,630	100%	\$ 2,525,681	100%

2005

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

2004

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

2003

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

2002

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

2001

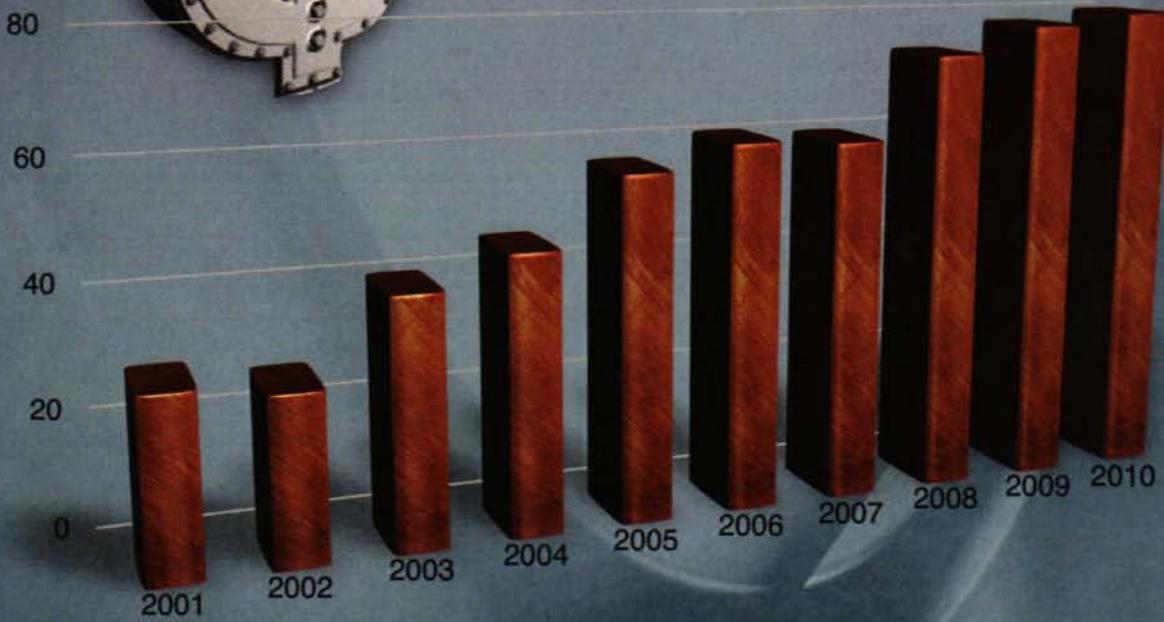
<i>INCOME (IN THOUSANDS)</i>	<i>NUMBER OF FILERS</i>	<i>PERCENTAGE OF TOTAL</i>	<i>TOTAL INCOME (IN THOUSANDS)</i>	<i>PERCENTAGE OF TOTAL</i>
\$5 - \$1,000	1,402	95.90%	177,401	14.47%
\$1,000 - \$100,000	59	4.04%	26,997	2.20%
Over \$100,000	1	0.07%	1,021,544	83.33%
	1,462	100%	\$ 1,225,942	100%

<i>FISCAL YEAR</i>	<i>FINANCIAL INSTITUTIONS ^(a)</i>		<i>OTHER ORGANIZATIONS</i>	
	<i>RATE</i>	<i>DISCOUNT ^(b)</i>	<i>RATE</i>	<i>DISCOUNT ^(b)</i>
2010	1.50%	5.00%	0.40%	5.00%
2009	1.50%	5.00%	0.40%	5.00%
2008	1.50%	5.00%	0.40%	5.00%
2007	1.50%	5.00%	0.40%	5.00%
2006	1.50%	5.00%	0.40%	5.00%
2005	1.50%	5.00%	0.40%	5.00%
2004	1.50%	5.00%	0.40%	5.00%
2003	1.50%	5.00%	0.40%	5.00%
2002	1.50%	5.00%	0.40%	5.00%
2001	1.50%	5.00%	0.40%	5.00%

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

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

DEBT CAPACITY



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<i>FISCAL YEAR</i>	<i>SPECIAL OBLIGATION BONDS</i>	<i>GENERAL OBLIGATION BONDS</i>	<i>TOTAL OBLIGATION BONDS</i>
<i>2010</i>	\$ 31,159,291	\$ 48,700,000	\$ 79,859,291
<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

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

OUTSTANDING DEBT RATIO - PER PERSONAL INCOME

FISCAL YEAR	TOTAL OUTSTANDING DEBT	PERSONAL INCOME ¹	OUTSTANDING DEBT RATIO
2010	\$ 79,859,291	\$ 1,198,883,265	6.661%
2009	78,177,216	1,087,710,000	7.187%
2008	73,715,143	952,254,992	7.741%
2007	60,108,158	834,405,389	7.204%
2006	60,995,446	732,521,130	8.327%
2005	57,170,000	702,746,721	8.135%
2004	45,855,000	436,612,937	10.502%
2003	40,880,000	372,254,104	10.982%
2002	27,475,000	339,656,003	8.089%
2001	29,355,000	305,538,327	9.608%

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

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

OUTSTANDING DEBT RATIO - PER CAPITA

FISCAL YEAR	TOTAL OUTSTANDING DEBT	PER CAPITA ¹	OUTSTANDING DEBT RATIO
2010	\$ 79,859,291	67,745	\$ 1,178.82
2009	78,177,216	67,491	1,158.34
2008	73,715,143	67,181	1,097.26
2007	60,108,158	67,167	894.91
2006	60,995,446	66,926	911.39
2005	57,170,000	69,920	817.65
2004	45,855,000	66,363	690.97
2003	40,880,000	63,605	642.72
2002	27,475,000	65,644	418.55
2001	29,355,000	65,266	449.77

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

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

OUTSTANDING DEBT RATIO - PER PROPERTY TAX ASSESSED VALUE

FISCAL YEAR	TOTAL OUTSTANDING DEBT	NET ASSESSED VALUE ¹	OUTSTANDING DEBT RATIO
2010	\$ 79,859,291	\$ 207,296,980	38.52%
2009	78,177,216	165,893,574	47.12%
2008	73,715,143	165,893,574	44.44%
2007	60,108,158	154,325,730	38.95%
2006	60,995,446	157,003,503	38.85%
2005	57,170,000	150,638,214	37.95%
2004	45,855,000	152,612,685	30.05%
2003	40,880,000	147,371,720	27.74%
2002	27,475,000	142,564,741	19.27%
2001	29,355,000	137,955,806	21.28%

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

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

<i>FISCAL YEAR</i>	<i>PRINCIPAL</i>	<i>INTEREST AND FISCAL CHARGES</i>	<i>TOTAL DEBT SERVICE</i>	<i>TOTAL GENERAL GOVERNMENTAL EXPENDITURES</i>	<i>PERCENTAGE OF DEBT SERVICE TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES</i>
<i>2010</i>	2,475,000	1,782,747	4,257,747	27,278,859	15.61%
<i>2009</i>	2,260,000	2,644,379	4,904,379	27,460,267	17.86%
<i>2008</i>	1,825,000	1,642,131	3,467,131	29,126,672	11.90%
<i>2007</i>	1,595,000	1,558,753	3,153,753	29,125,072	10.83%
<i>2006</i>	1,500,000	1,476,931	2,976,931	25,870,304	11.51%
<i>2005</i>	1,775,000	1,543,582	3,318,582	24,692,725	13.44%
<i>2004</i>	1,320,000	1,135,450	2,455,450	23,704,670	10.36%
<i>2003</i>	1,160,000	984,531	2,144,531	22,735,270	9.43%
<i>2002</i>	1,275,000	1,078,748	2,353,748	28,688,186	8.20%
<i>2001</i>	1,045,000	1,001,446	2,046,446	30,929,576	6.62%

Source: Department of Finance of the Municipality.

<i>FISCAL YEAR</i>	<i>POPULATION ²</i>	<i>NET ASSESSED VALUE ¹</i>	<i>GENERAL OBLIGATION BONDS</i>	<i>PERCENTAGE OF PERSONAL INCOME ²</i>	<i>PERCENTAGE OF NET ASSESSED VALUE OF TAXABLE PROPERTY</i>	<i>BONDED DEBT PER CAPITA</i>
2010	67,745	\$ 207,296,980	\$ 48,700,000	4.06%	23.49%	\$ 718.87
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

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		\$	2,200,422,145
Percentage of Legal Margin			<u>0.10</u>
Legal Margin		\$	220,042,215
Debt Outstanding and/or Authorized:			
Principal		\$	40,420,000
Authorized			7,506,000
Less: Fund Balance of Debt Service			
Fund Balance at June 30, 2010	\$	4,613,103	
Accrued Interests 2009 - 2010		<u>789,682</u>	<u>(3,823,421)</u>
Net Debt			<u>44,102,579</u>
Legal Debt Margin		\$	<u>175,939,636</u>

<i>FISCAL YEAR</i>	<i>LEGAL DEBT LIMIT</i>	<i>TOTAL NET DEBT APPLICABLE TO LIMIT</i>	<i>LEGAL DEBT MARGIN ¹</i>	<i>TOTAL NET DEBT APPLICABLE TO THE LIMIT AS A PERCENTAGE OF DEBT LIMIT</i>
2010 ²	\$ 220,042,215	\$ 44,102,579	\$ 175,939,636	20.04%
2009	41,991,030	41,546,765	444,265	98.94%
2008	41,991,030	40,445,123	1,545,907	96.32%
2007	42,692,420	27,932,778	14,759,642	65.43%
2006	51,106,951	35,899,446	15,207,505	70.24%
2005	45,909,785	24,600,721	21,309,064	53.58%
2004	44,411,746	28,467,621	15,944,125	64.10%
2003	42,902,000	24,019,859	18,882,141	55.99%
2002	41,279,237	16,690,790	24,588,447	40.43%
2001	39,795,363	369,893	39,425,470	0.93%

Source: Department of Finance of the Municipality.

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

DEMOGRAPHIC INFORMATION



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LAST TEN FISCAL YEARS

<i>FISCAL YEAR</i>	<i>POPULATION</i>	<i>PERSONAL INCOME</i>	<i>PER CAPITA</i> ¹	<i>INFLATION RATE</i>	<i>LABOR FORCE</i> ²	<i>EMPLOYMENT</i> ²	<i>UNEMPLOYMENT RATE</i>
2010	67,745	\$ 1,241,380,646	\$ 18,324	12.05%	20,985	16,977	19.10%
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%

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.

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OPERATING INFORMATION



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GOVERNMENT OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO

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

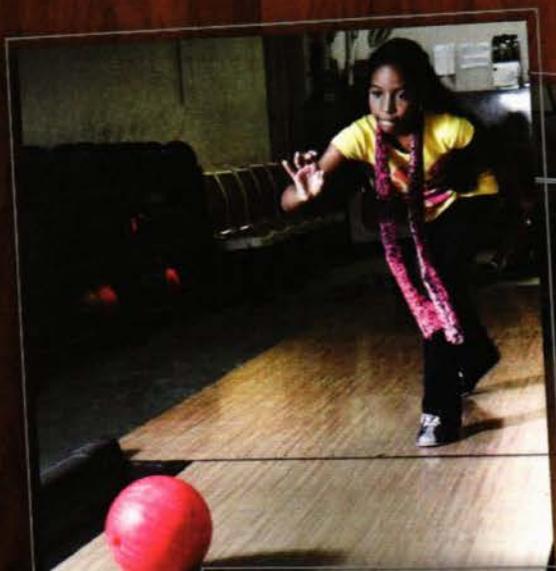
FUNCTIONS	FISCAL YEARS									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Mayor and Municipal Legislature	64	60	69	50	65	71	72	40	39	35
General Government	183	167	177	143	184	203	185	200	137	114
Public Safety	66	63	66	62	64	61	61	62	50	52
Public Works	56	82	44	34	39	36	39	43	45	94
Culture and Recreation	43	37	36	58	31	30	64	48	27	27
Health and Sanitation	124	136	162	138	139	122	77	65	89	58
Human Services and Welfare	115	100	101	88	90	60	76	64	55	44
Urban Development	53	49	64	55	51	62	53	82	134	38
TOTAL	704	694	719	628	663	645	627	604	576	462

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

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



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UNIDAD DE CORREO

MUNICIPALITY OF AGUADILLA, PUERTO RICO

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2010



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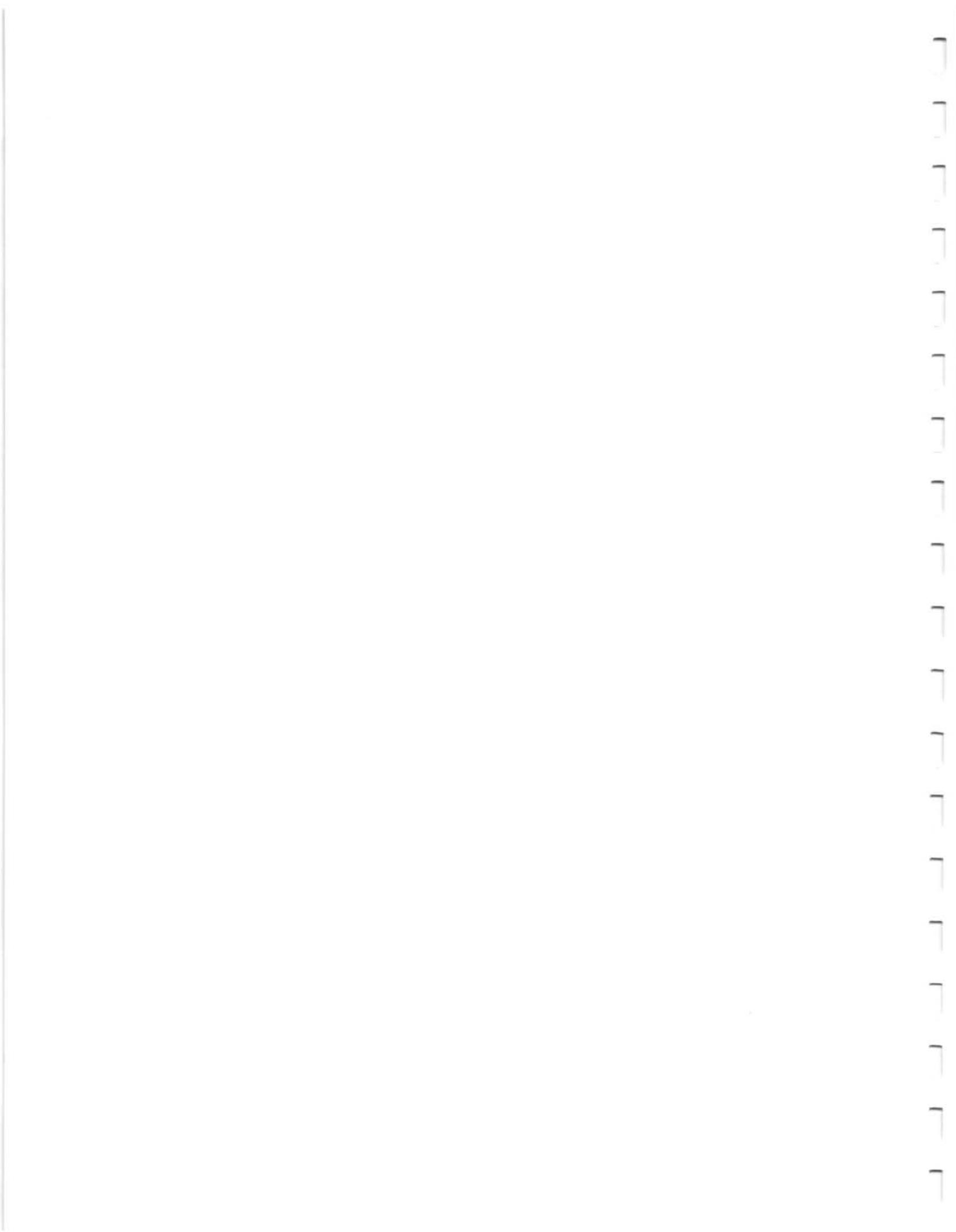
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COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2010

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

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

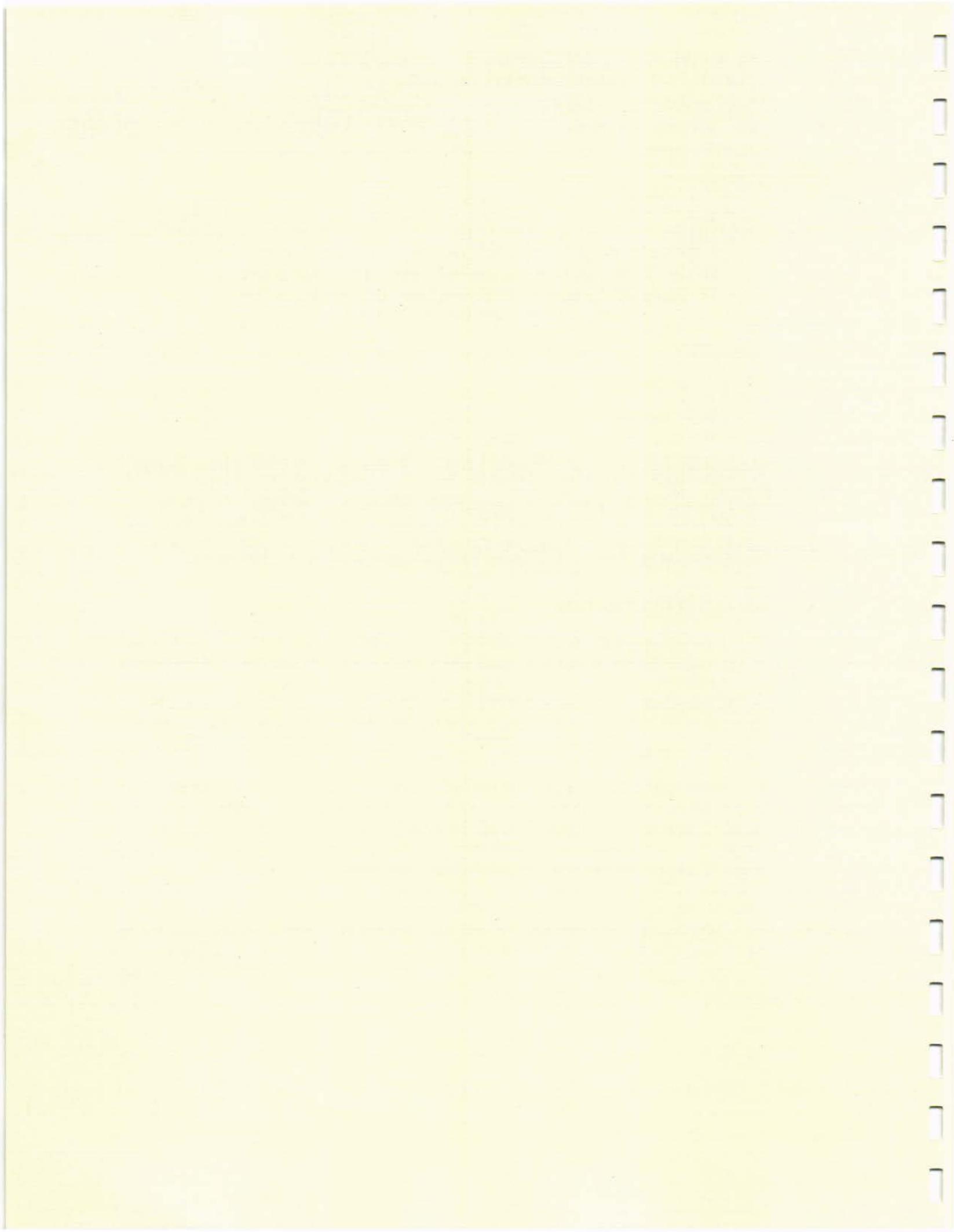
We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Municipality of Aguadilla, Puerto Rico**, as of and for the year ended June 30, 2010, which collectively comprise the Municipality of Aguadilla, Puerto Rico's basic financial statements and have issued our report thereon dated December 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

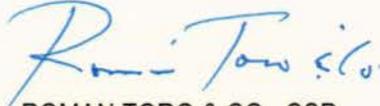
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material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



Compliance and Other Matters

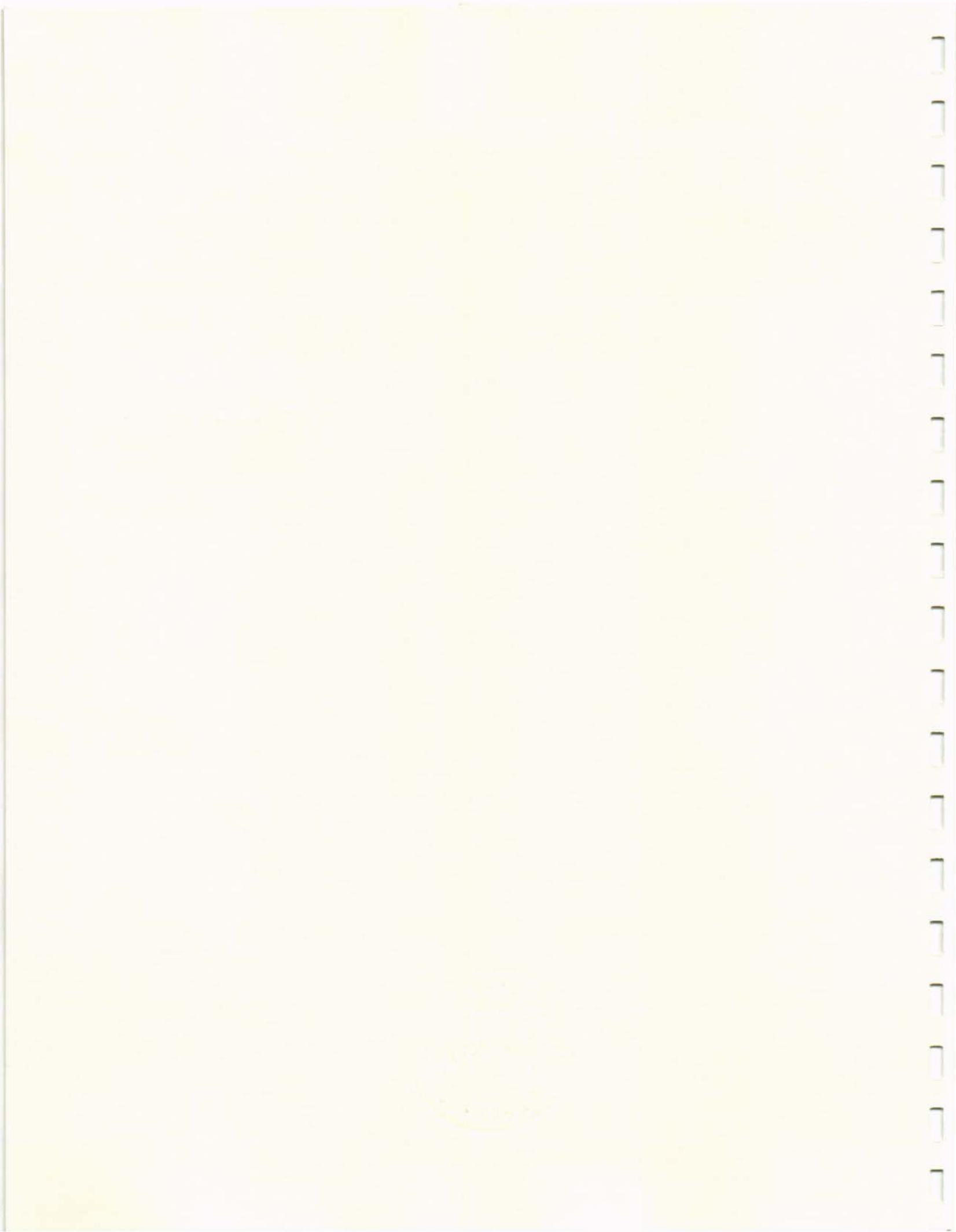
As part of obtaining reasonable assurance about whether Municipality of Aguadilla, Puerto Rico's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

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


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

Yauco, Puerto Rico
December 28, 2010

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the original of this report



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

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

Compliance

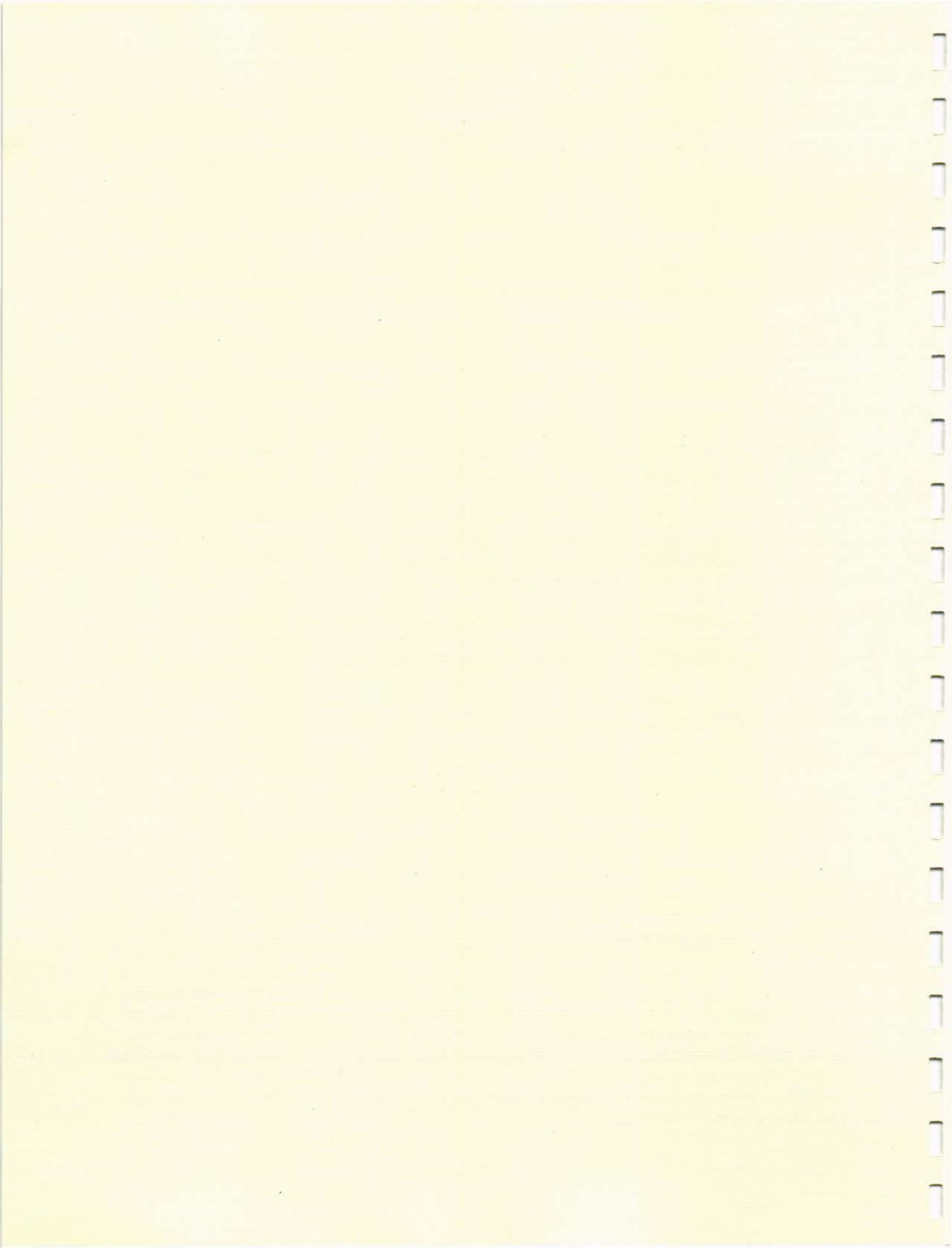
We have audited the compliance of **Municipality of Aguadilla, Puerto Rico** with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Municipality of Aguadilla, Puerto Rico's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Municipality of Aguadilla, Puerto Rico's management. Our responsibility is to express an opinion on Municipality of Aguadilla, Puerto Rico's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Municipality of Aguadilla, Puerto Rico's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Municipality of Aguadilla, Puerto Rico's compliance with those requirements.

In our opinion, the Municipality of Aguadilla complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Municipality of Aguadilla, Puerto Rico is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Municipality of Aguadilla, Puerto Rico's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Municipality of Aguadilla, Puerto Rico's internal control over compliance.



Internal Control Over Compliance, continued

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

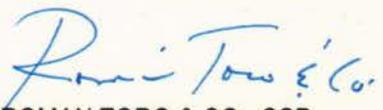
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did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

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

Schedule of Expenditures of Federal Awards

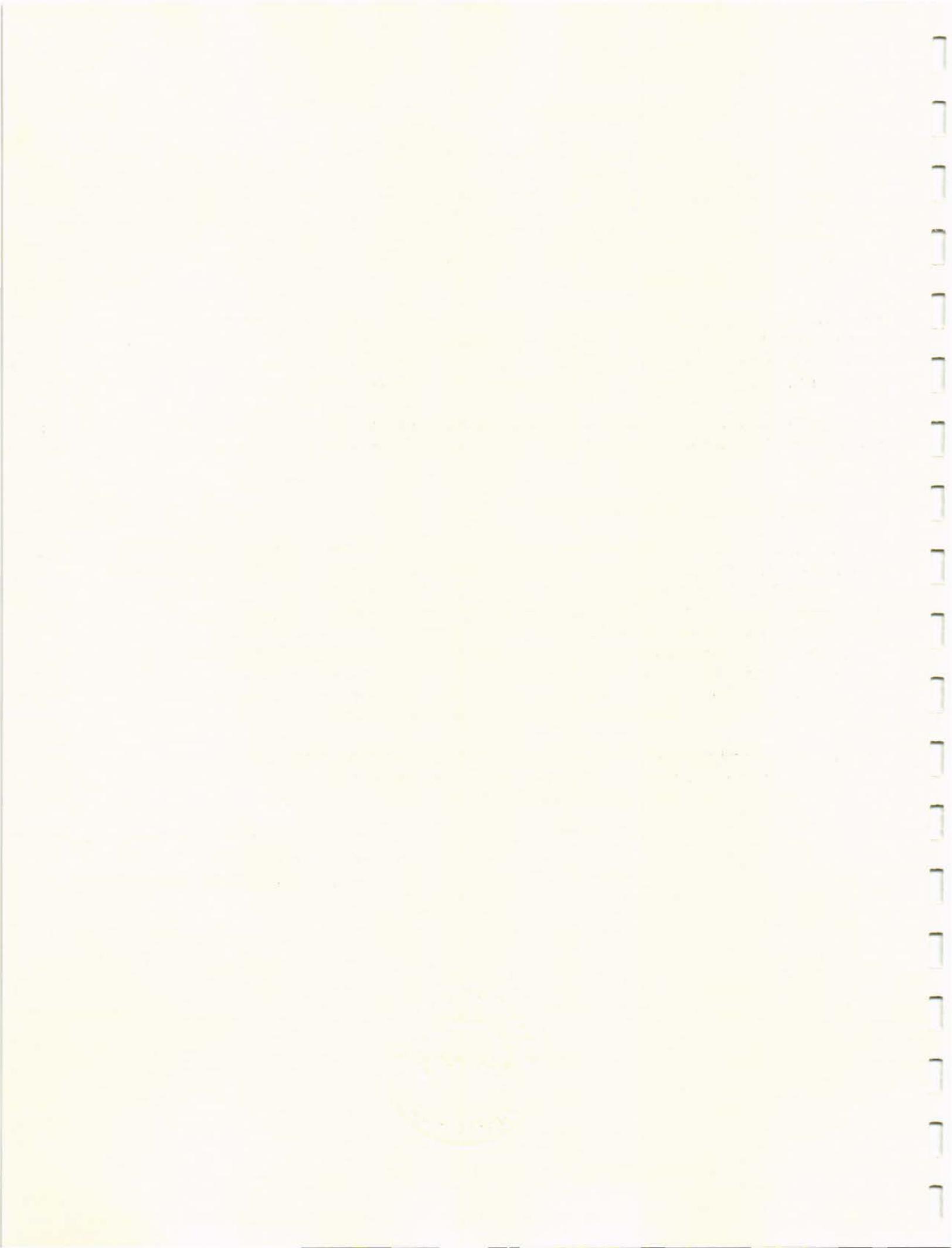
We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Municipality of Aguadilla, Puerto Rico, as of and for the year ended June 30, 2010, and have issued our report thereon dated December 28, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Municipality of Aguadilla, Puerto Rico's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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


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

Yauco, Puerto Rico
December 28, 2010

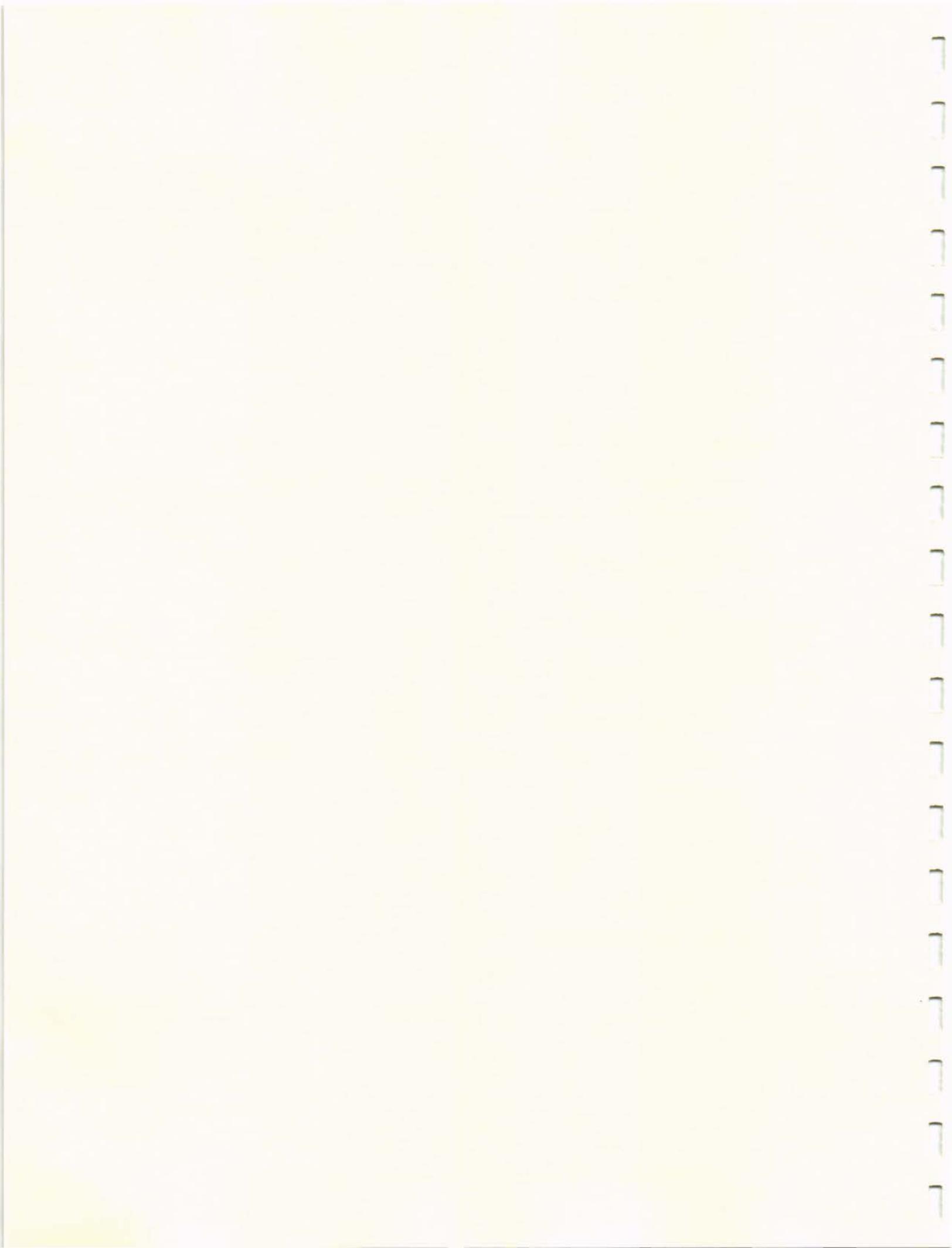
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COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

FEDERAL GRANTOR / PASS THROUGH GRANTOR / PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
U.S. Department of Agriculture:			
Direct Programs:			
Community Facilities Loans and Grants.....	10.766		\$2,520,767
Pass-Trough Programs:			
Pass-Through: Administration for Childhood Care and Integral Development (ACUDEN):			
Child and Adult Care Food Program.....	10.558	02CH9944	<u>597,912</u>
Total U.S. Department of Agriculture.....			<u>3,118,679</u>
U.S. Department of Housing and Urban Development:			
Direct Programs:			
Community Development Block Grant/Entitlement Grants (CDBG) - Cluster.....	14.218		2,320,100
ARRA Community Development Block Grant ARRA/Entitlement Grants (CDBG-R) – Cluster (Recovery Act funded)	14.253		<u>323,113</u>
Total Community Development Block Grants Cluster			<u>2,643,213</u>
Urban Development Action Grant	14.221		18,218
Emergency Shelter Grant Program	14.231		128,551
Home Investment Partnership Program (HOME).....	14.239		1,017,775
ARRA Homelessness Prevention And Rapid Re-Housing Program (HPRP) (Recovery Act funded)	14.257		157,830
Section 8 Rental Housing Choice Vouchers	14.871		<u>1,209,889</u>
Total U.S. Department of Housing and Urban Development			<u>5,175,476</u>
U.S. Department of Justice:			
Federal Bureau of Investigation Task Force	16.Unknown		<u>11,092</u>

Continue



**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR / PASS THROUGH GRANTOR / PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
U.S. Department of Transportation:			
Pass-Trough: Puerto Rico Traffic Safety Commission:			
State and Community Highway Safety	20.600	N/AV	<u>149,775</u>
U.S. Environmental Protection Agency:			
Wide Brownfields Assessment Petroleum	66.818		<u>5,386</u>
U.S. Department of Health and Human Services:			
Pass-Through Programs:			
Pass-Trough: Puerto Rico Office of the Governor – Office for Elderly Persons Affairs:			
Special Program for Aging, Title III, Part B	93.044	TIII B	258,535
Special Program for Aging, Title III, Part C	93.045	TIII C-1 AND C-2	212,967
ARRA Aging Home Delivered Nutrition Services for States(Recovery Act funded).....	93.705	N/AV	<u>10,046</u>
Total Aging Cluster			<u>481,548</u>
Pass-Through: Administration for Childhood Care and Integral Development (ACUDEN):			
Head Start Program	93.600	O2CH9944	5,591,768
ARRA Head Start Program -Cluster (Recovery Act funded) .	93.708	241-2010-000129	<u>123,656</u>
Total Head Start Program Cluster			<u>5,715,424</u>
Total U.S. Department of Health and Human Services			<u>6,196,972</u>
U.S. Department of Homeland Security:			
Pass-Through Programs:			
Pass-Through: Puerto Rico Office of the Governor- Office for Public Safety Affairs:			
Homeland Security Program.....	97.067	Not Available	<u>50,722</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$14,708,102</u>



COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 GENERAL

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 FEDERAL CFDA NUMBER

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

NOTE 4 PASS-THROUGH GRANTOR'S NUMBER

State or local government distribution of federal awards to the Municipality are treated as if they were received directly from the federal government. OMB Circular A-133 requires the schedule to include the name of the pass-through entity and identifying number assigned by the pass-through entity for federal awards received as a subrecipient. Numbers identified as N/A are not applicable and numbers identified as N/AV are not available.

NOTE 5 SUBRECIPIENTS

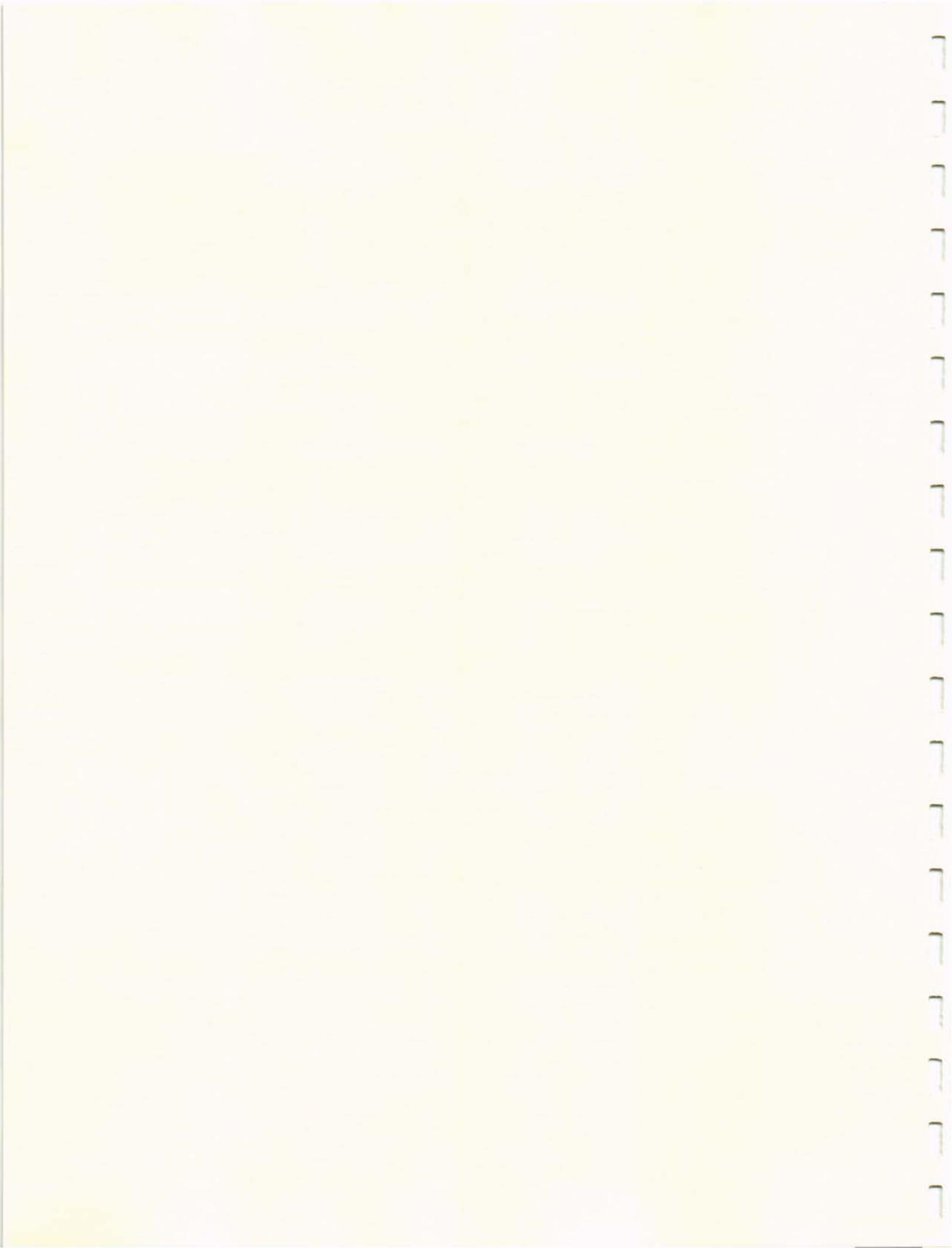
Of the federal expenditures presented in the Schedule, the Municipality provided federal awards to subrecipients as follows:

PROGRAM TITLE	FEDERAL CFDA NUMBER	AMOUNT PROVIDED TO SUBRECIPIENTS
Community Development Block Grant-Entitlement Grants (CDBG)	14.218	\$157,137
Emergency Shelter Grant Program (ESG)	14.231	120,334
HOME Investment Partnership Program (HOME) (to CHDOs)	14.239	401,830
ARRA Homelessness Prevention And Rapid Re-Housing Program (HPRP)...	14.257	<u>138,399</u>
TOTAL		<u>\$817,700</u>

NOTE 6 MAJOR PROGRAMS

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

END OF NOTES



**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADILLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Unqualified Opinion Qualified Opinion
 Adverse Opinion Disclaimer Opinion

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

Yes No

Identification of Major Programs:

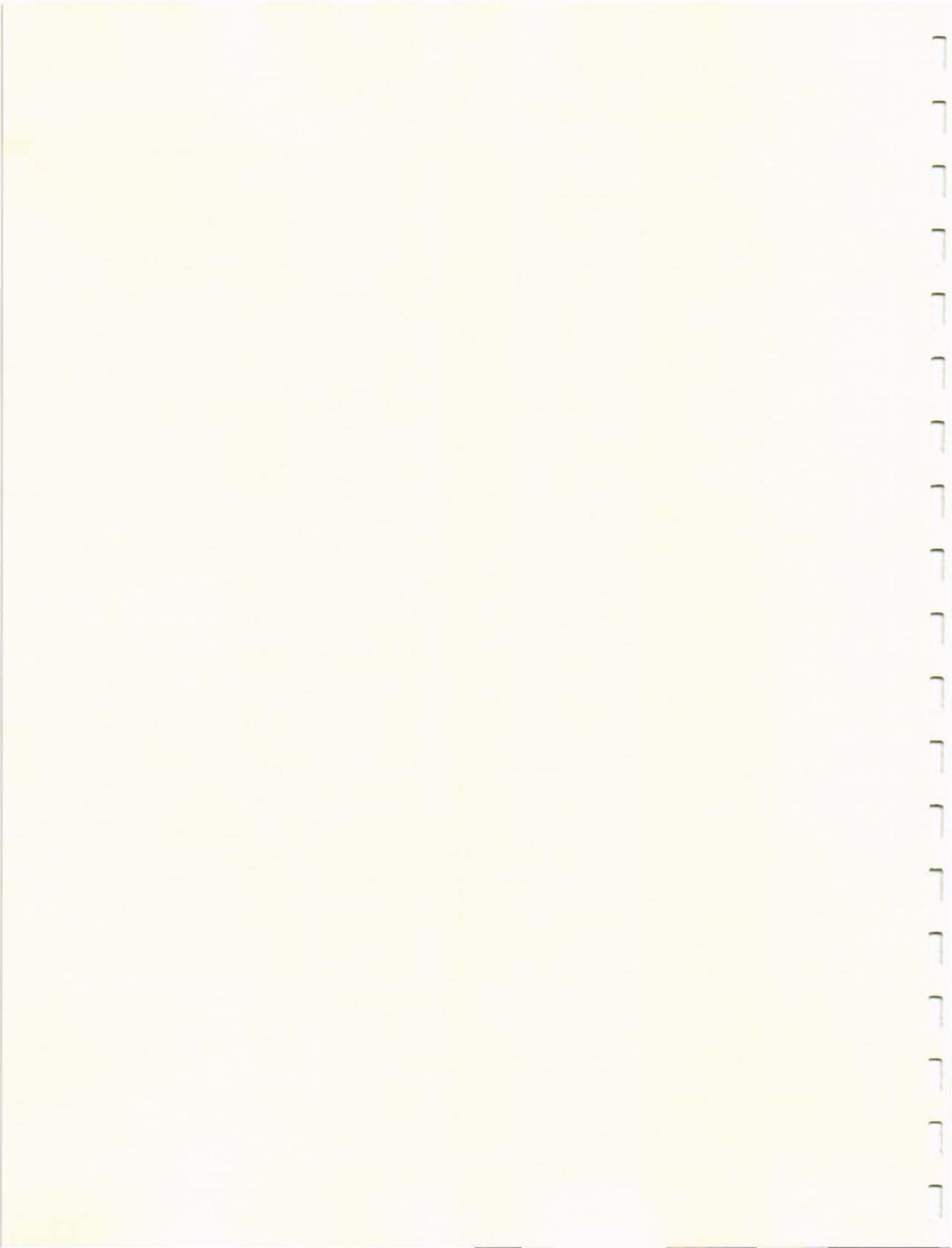
CFDA Number	Name of Federal Program or Cluster
10.766	Community Facilities Loans and Grants
10.558	Child and Adult Care Food Program
14.218; 14.253	Community Development Block Grants/ Entitlement Cluster (CDBG and CDBG-R)
14.239	Home Investment Partnership Program (HOME)
14.257	Homelessness Prevention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

Dollar threshold used to distinguish between Type A and Type B Programs:

\$441,243

Auditee qualified as low-risk auditee?

Yes No



**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADILLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2010**

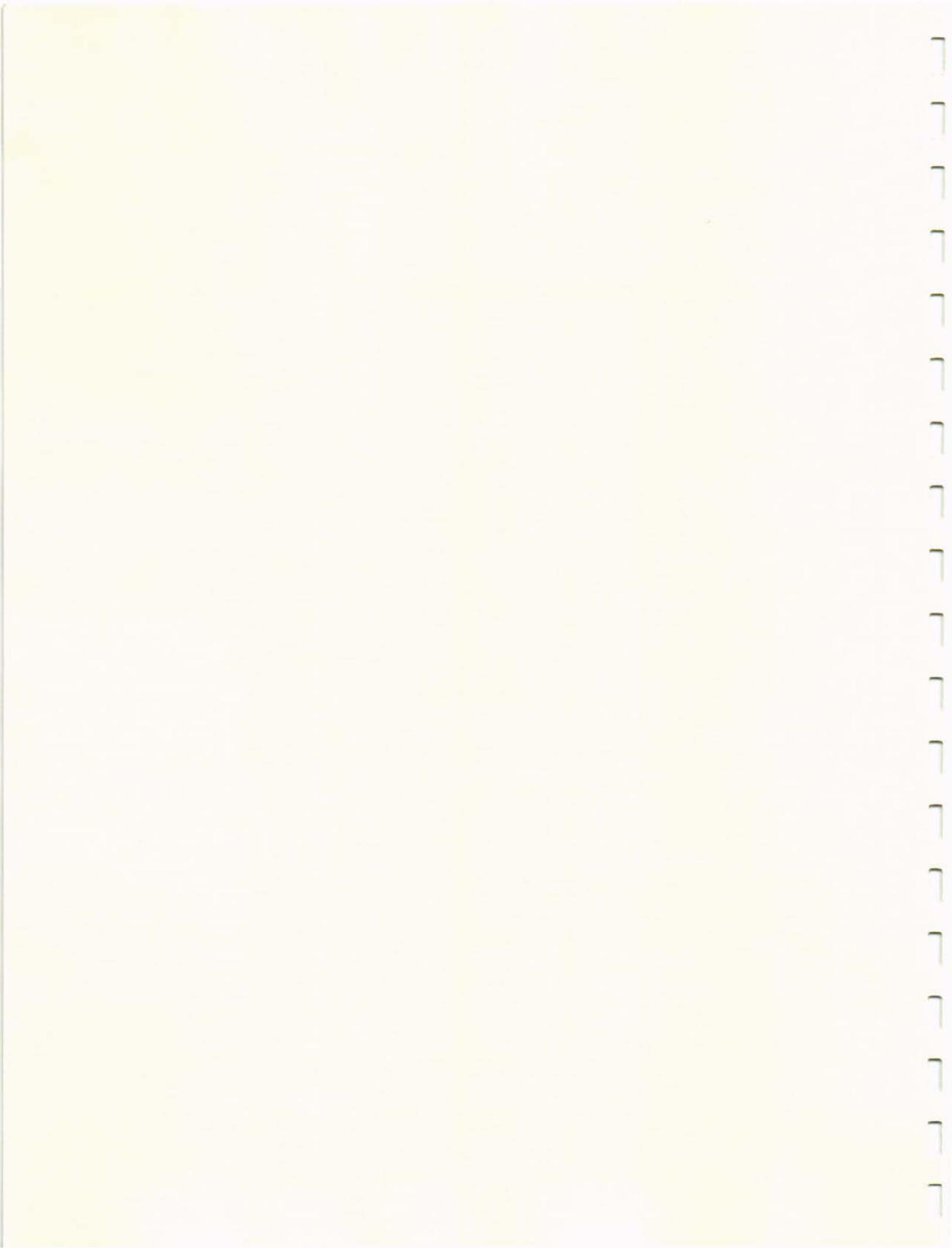
SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

END OF SECTION



COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF AGUADILLA, PUERTO RICO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

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

2009	2009-III-1	The Municipality acquired two solid waste disposal trucks with \$183,000 of CDBG funds, an activity which, although intended for public service for communities, which was not allowed under program requirements.	14.218	\$183,000	The Municipality fully reimbursed the funds in December 2009 to the CDBG program, and the issue was cleared by written communication from HUD on December 22, 2009.
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(2) Prior Audit Findings, not corrected or partially corrected:

None.

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

None.

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

None.

END OF SCHEDULE

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