

Invierte en ti



CENTRO DE RECAUDACIÓN
DE INGRESOS MUNICIPALES



INFORME DE LOGROS

AÑO FISCAL 2008-09



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FOTOS EN PORTADA

Faro del Saber

Barriada El Polvorín, Cayey

Plaza de Recreo

Orocovis

Coliseo Ecuestre Municipal

Fajardo

Centro de Usos Múltiples

Barrio Quebrada, Camuy

TRASFONDO

El Centro de Recaudación de Ingresos Municipales, (CRIM), es una entidad municipal creada mediante la Ley Núm. 80 del 30 de agosto de 1991, según enmendada, como parte del conjunto de leyes que componen la Reforma Municipal. Las responsabilidades primarias del CRIM son segregar, tasar, notificar, recaudar y distribuir los fondos públicos provenientes principalmente de la contribución mueble e inmueble.

El CRIM administra la Ley Núm. 83 del 30 de agosto de 1991, según enmendada, conocida como “Ley de Contribuciones Municipales sobre la Propiedad”. Bajo esta ley, se transfirieron al Centro de Recaudación de Ingresos Municipales todos los poderes, facultades y funciones relacionados con las contribuciones sobre la propiedad mueble e inmueble en Puerto Rico, que hasta el 1991 había tenido y ejercido el Secretario de Hacienda.

El CRIM nace como parte de la Reforma Municipal. Esta reforma amplía los poderes y facultades de los Municipios y les concede por primera vez autonomía fiscal. La Reforma Municipal rompe con la visión centralista que hasta entonces había caracterizado la administración pública del país.

La Junta de Gobierno y la nueva administración del CRIM están comprometidos con la aplicación de las leyes contributivas de forma equitativa, la implementación de sistemas mecanizados para agilizar el servicio a los contribuyentes y los servicios operacionales de la entidad y el aumentar los recaudos contributivos para el beneficio de los municipios.

MISIÓN

Contribuir al desarrollo de los fundamentos y principios de la Autonomía Fiscal de los Municipios, establecidos por Ley.

VISIÓN

Hacer del Centro de Recaudación de Ingresos Municipales una entidad eficiente y efectiva que sirva a los Municipios y a los contribuyentes de forma justa y equitativa, a la vez que provea a los empleados un ambiente laboral del cual todos estén orgullosos, satisfechos y que permita su desarrollo profesional.



MENSAJE

El pasado mes de abril de 2009 fui nombrada por la Junta de Gobierno del Centro de Recaudación de Ingresos Municipales (CRIM) como su Directora Ejecutiva, con la responsabilidad de convertir a esta Agencia en una más ágil y eficiente para proveer un mejor servicio al contribuyente.

Al comenzar estas gestiones encontramos los siguientes hallazgos: más de 58,000 hojas de servicio sin procesar, 43,000 segregaciones sin tasar, oficinas regionales con un promedio de 4 tasaciones por semana por tasador, una División de Cobros y Embargos con 3 personas, falta de supervisión y uniformidad en los procesos entre las regiones y un pésimo servicio al contribuyente.

Para atender todas estas situaciones, entre otras, implementamos un plan estratégico agresivo que en tan sólo seis meses ha rendido grandes frutos, como son: 45,000 tasaciones realizadas, aumentando el promedio por tasador a 25 tasaciones por semana, sin la necesidad de aumentar la plantilla de tasadores. Se duplicó la cantidad de segregaciones por mes de 700 a 1,400. Se estableció la Línea Telefónica de Servicio Especial al Contribuyente, la cual permite realizar transacciones sin la necesidad de visitar nuestras oficinas. De igual forma se creó un acceso en nuestro portal de Internet para realizar las mismas gestiones. Hemos trabajado sobre 20,000 hojas de servicio y se ha reforzado la División de Cobros y Embargos, aumentándola de 3 a 22 recursos.

Nuestro compromiso y esfuerzo van dirigidos a posicionar a esta Agencia como una de eficiencia y de buen servicio a nuestros contribuyentes, que redundará en beneficio de los 78 Municipios a los cuales servimos.

CRIM... Invierte en ti.

Lcda. Gloria E. Santos Rosado, CPA
Directora Ejecutiva



MENSAJE

En el año 1991 nace el Centro de Recaudación de Ingresos Municipales a través de la aprobación de la Ley. Núm. 80 del 30 de agosto. Esta entidad surge como consecuencia de la insatisfacción, principalmente de los Alcaldes, por lo ineficiente que era el Departamento de Hacienda en el cobro y distribución de las contribuciones sobre la propiedad. El propósito del CRIM era que los Alcaldes, a través de una Junta de Directores compuesta mayormente por ellos, estuviera encargado de todos los aspectos relacionados con las contribuciones sobre la propiedad.

Desde esa fecha hasta ahora han pasado alrededor de 18 años. Ese período de tiempo era más que suficiente para que el CRIM estuviera al día en todos los aspectos relacionados a las contribuciones sobre la propiedad en Puerto Rico, sin embargo, todavía falta mucho por hacer.

Desde que esta Junta de Directores asumió la dirección del CRIM en marzo del 2009, ha establecido un plan estratégico, el cual tiene como propósito el poner al día todo lo relacionado con las contribuciones sobre la propiedad. Este plan incluye, entre otras cosas, el atender y poner al día más de 58,000 hojas de servicios de contribuyentes que estaban sin procesar, alrededor de 19,000 segregaciones en proceso, más de 200,000 tasaciones por realizar, y alrededor de \$2,400 millones en contribuciones sobre la propiedad por cobrar.

Todos los miembros de la Junta de Directores tenemos el compromiso de poner al día lo que falta por hacer, y así reciprocarnos la confianza que nuestros compañeros Alcaldes han depositado en nosotros y lograr alcanzar la excelencia que el pueblo de Puerto Rico espera.

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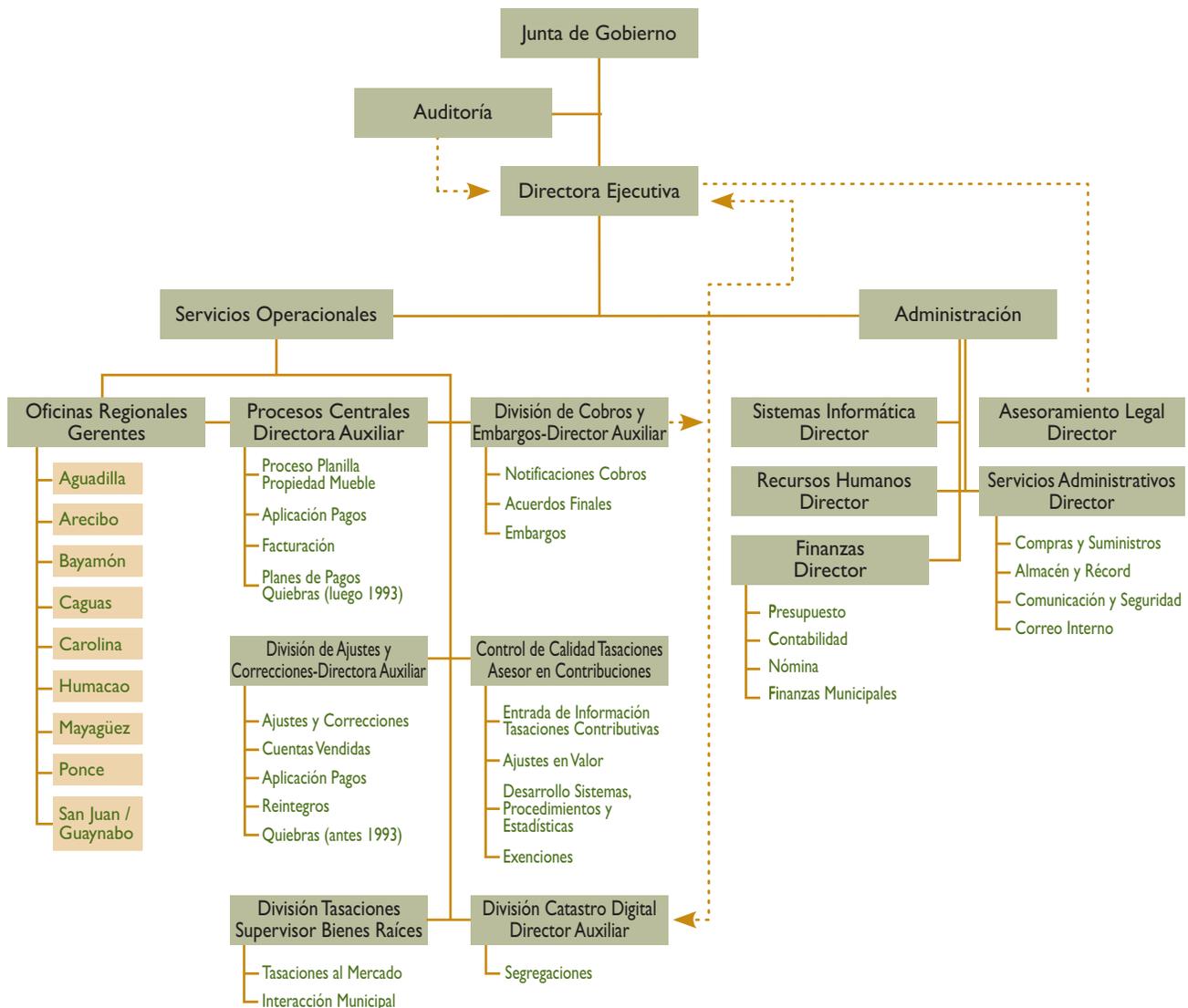
Hon. Javier Jiménez Pérez
Presidente y Alcalde de San Sebastián

ESTRUCTURA ORGANIZACIONAL

El Centro de Recaudación de Ingresos Municipales se compone de una Junta de Gobierno y un cuerpo directivo encabezado por una Directora Ejecutiva. La Junta de Gobierno está integrada por nueve (9) miembros: siete (7) Alcaldes en representación de todos los municipios de Puerto Rico, el Presidente del Banco Gubernamental de Fomento y el Comisionado de Asuntos Municipales.

El CRIM es dirigido por una Directora Ejecutiva, la cual es nombrada por la Junta de Gobierno. La Directora Ejecutiva del CRIM ejerce aquellas funciones y facultades dispuestas en la ley, al igual que aquellas que le sean delegadas por la Junta.

ORGANIGRAMA





JUNTA DE GOBIERNO

De izquierda a derecha:

Hon. Roberto Hernández Vélez
Secretario y Alcalde de Corozal

Sr. Omar Negrón Judice
Comisionado de Asuntos Municipales

Hon. Jesús E. Colón Berlingeri
Vicepresidente y Alcalde de Orocovis

Hon. Javier Jiménez Pérez
Presidente y Alcalde de San Sebastián

Hon. Perza Rodríguez Quiñones
Tesorera y Alcaldesa de Cabo Rojo

Hon. Isidro A. Negrón Irizarry
Alcalde de San Germán

Hon. Carlos A. López Rivera
Alcalde de Dorado

Sr. Carlos M. García
Presidente del Banco Gubernamental de Fomento

Hon. Eduard Rivera Correa
Alcalde de Río Grande

GRUPO EJECUTIVO Y DIRECTORES



De izquierda a derecha:

Lcdo. Pedro Laborde Muñiz, CPA

Ayudante Ejecutivo

Ramonita Meléndez Sánchez

Secretaria Junta de Gobierno

Yanira Ramírez Sánchez

Asistente Administrativa

Estilia Román Dávila

Secretaria Confidencial

Lcdo. Eliezer Ramos Parés

Director Recursos Humanos

Luis Maldonado Peña, CPA

Director de Finanzas

Nelson Morales Rivera

Subdirector Ejecutivo de Servicios Operacionales

Gustavo A. Freyre Conde

Ayudante Ejecutivo

Lcda. Gloria E. Santos Rosado, CPA

Directora Ejecutiva

Edwin Quiles Méndez

Director de Servicios Administrativos

Celigmar Loyola Ubal

Secretaria Confidencial de la Directora Ejecutiva

Ulises Feliciano Troche

Director de Oficina de Gerencia y Sistemas Informática

Lcda. Laura Rechani Ydrach

Directora Asesoramiento Legal

Griselis Acevedo Román, CPA

Directora Auditoría Interna

Wanda García Ginorio

Ayudante Administrativa

DIRECTORES REGIONALES

De izquierda a derecha:

Jorge L. González Rosa

Gerente Región Aguadilla

Luis Díaz Díaz

Gerente Región Humacao

Orlando Mas Muñiz

Gerente Región Mayagüez

Nelson Morales Rivera

Subdirector Ejecutivo - Servicios Operacionales

Maximino Castillo Castillo

Gerente Región Bayamón

Magally Messa Casul

Gerente Región Caguas

Roberto Barreto Vélez

Gerente Región Carolina

Héctor Pabón Betancourt

Gerente Región San Juan / Guaynabo

Ángel M. Colón Nazario

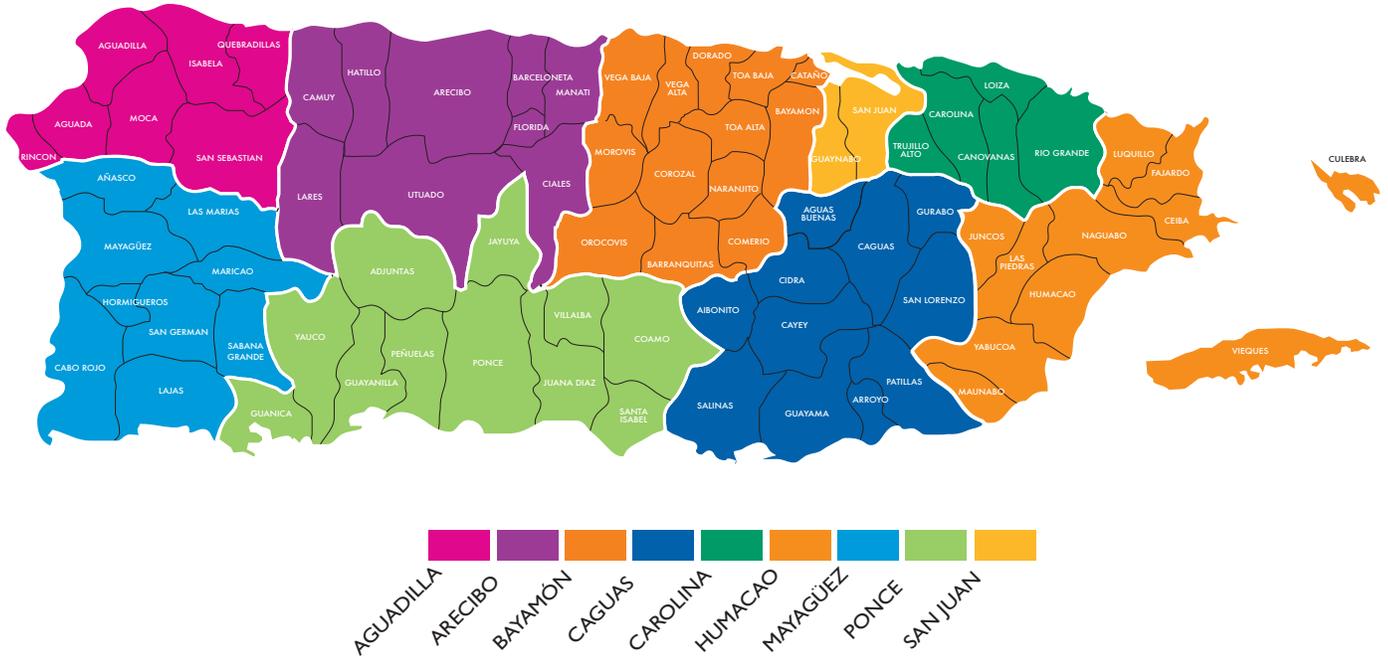
Gerente Región Ponce

José A. Marrero Robles

Gerente Región Arecibo



ESTRUCTURA OPERACIONAL



REGIONES

En términos de estructura operacional, el CRIM cuenta con una Oficina Central y nueve Oficinas Regionales, ubicadas a través de toda la Isla. Estos centros son Aguadilla, Arecibo, Bayamón, Caguas, Carolina, Humacao, Mayagüez, Ponce y San Juan/Guaynabo.

Estas oficinas atienden a los contribuyentes, además de llevar a cabo funciones técnicas tales como tasaciones de propiedades inmueble, valoración propiedades mueble, investigaciones, entre otras. Para ofrecer los servicios las Oficinas Regionales están estructuradas en División de Bienes Muebles, Tasación de Bienes Inmuebles y Servicios al Contribuyente.



NUEVA OFICINA Regional de Caguas

La Nueva Oficina Regional de Caguas está localizada en el Edificio Angora Properties Park, Avenida Muñoz Marín, Esq. Troche. La misma fue inaugurada el 16 de diciembre de 2008.

Esta facilidad cuenta con las diferentes áreas que operan en el CRIM, tales como: Servicios y Cobros, Inmueble, Mueble y Administración. Además, cuenta con una amplia Sala de Recepción y estacionamientos para los empleados y contribuyentes que nos visitan.

PROPIEDAD INMUEBLE

NÚMERO DE PROPIEDADES

CONCEPTOS	2005	2006	2007	2008	2009
Propiedades	923,914	968,946	1,024,107	1,034,285	1,059,267
Exentas	17,510	19,979	23,044	23,395	24,262
Exoneradas	573,875	598,271	625,690	626,297	639,280

VALORES Y CONTRIBUCIÓN (EN MILLONES)

CONCEPTOS	2005	2006	2007	2008	2009
Valoración de Propiedades	\$13,605.2	\$14,055.0	\$15,066.4	\$15,210.4	\$15,651.9
Valor Exento (Parcial o Total)	\$2,504.6	\$2,329.1	\$2,697.6	\$2,730.1	\$2,813.5
Valoración Tributable Bruta	\$11,100.6	\$11,725.9	\$12,368.8	\$12,480.3	\$12,838.4
Valor Exonerado (Parcial o Total)	\$5,246.9	\$5,508.5	\$5,789.0	\$5,794.3	\$5,941.5
Valoración Neta	\$5,853.7	\$6,217.4	\$6,579.8	\$6,686.0	\$6,896.9
Contribuciones Impuestas	\$505.9	\$555.6	\$579.1	\$588.8	\$605.4

El número de propiedades con valoración aumentó por 24,982 al comparar el año fiscal 2007-08 con el año fiscal 2008-09.

La valoración de las propiedades para el año fiscal 2008-09 es de \$15,651.9 millones. El aumento reflejado en el valor total es de \$441.5 millones.

El valor neto de las propiedades registra un aumento de \$210.9 millones.

Las contribuciones impuestas aumentaron de \$588.8 en el año fiscal 2007-08 a \$605.4 en el año fiscal 2008-09; un incremento de \$16.6 millones.

CATASTRO DIGITAL

Número de Casos Segregados y Parcelas Creadas



El Catastro Digital es el inventario cartográfico de todas las propiedades de Puerto Rico mantenido por el CRIM para fines impositivos. Este sistema, por su capacidad actual, mantiene control de calidad de inventario. Además de aumentar la eficiencia y equidad en el establecimiento, cobro y distribución de los impuestos municipales, aumenta los recaudos de los Municipios mediante la combinación del incremento en la productividad, la reducción de los gastos operacionales del CRIM y la reducción en el tiempo de respuesta a las solicitudes de la ciudadanía y de otras Agencias.

Para los años fiscales 2006 y 2007, se registró una concentración de casos con un número promedio mayor a diez (10) parcelas por cada dispensa de lotificación aprobada por la Administración de Reglamentos y Permisos (ARPE). Se le dió prioridad a estas segregaciones de áreas urbanizadas, las cuales por su naturaleza contienen un significativo número de solares desarrollados con edificaciones.

Como resultado, el promedio de parcelas creadas por cada segregación fue de dieciocho (18) para el año 2006 y once (11) para el 2007.

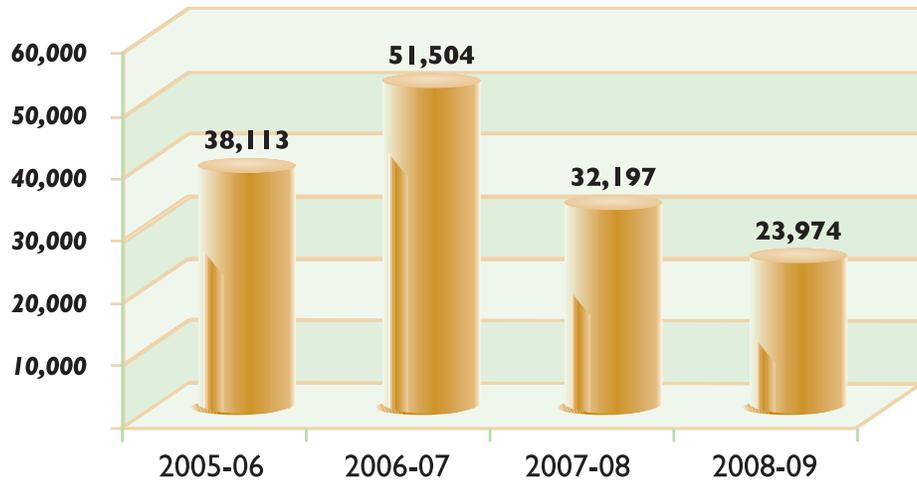
El promedio de parcelas creadas por cada segregación se redujo de siete (7) en el 2008 a cinco (5) en el 2009.

Se continúa compartiendo información con los Gobiernos Municipales y con varias agencias del Gobierno Central. La distribución de los datos del Catastro Digital está disponible a las personas y entidades autorizadas para su acceso en la página de Internet del CRIM.

Con las iniciativas de la nueva administración, la producción mensual en el Catastro Digital se ha duplicado. Durante los primeros seis (6) meses del año fiscal 2009-10 se han realizado 6,515 segregaciones, redundando en 28,501 lotes nuevos.

PROPIEDAD INMUEBLE

Total de Segregaciones Tasadas



En los últimos cuatro (4) años se realizaron 145,788 tasaciones, siendo el 2006-07 el año con mayor número de tasaciones: 51,504. Dentro de este número, hay una cantidad significativa de propiedades residenciales ubicadas en zonas urbanizadas, las cuales son proyectos con un mayor número de lotes. Esto facilita el aumento en número de propiedades tasadas.

Durante el año fiscal 2008-09, se tasaron 23,974 lotes segregados.

A partir del año fiscal 2009-10, se inicia un cambio en el plan de trabajo e implantación de índices claros y definidos de productividad.

Como parte del nuevo plan, se ordenó que los tasadores del CRIM dedicaran mayor tiempo a la labor de revisión y tasación de las propiedades inmuebles.

Como resultado de este plan, el promedio semanal por tasador aumentó de cuatro (4) tasaciones a veinte (20).

También, se realizaron otros procesos necesarios de reorganización y cambios en la estructura operacional con el fin de reducir los factores que limitan la productividad en las diversas actividades de apoyo relacionadas con esta importante labor.

Con las iniciativas de la nueva administración, la producción de tasaciones ha aumentado significativamente. Específicamente, en sólo seis (6) meses del año fiscal 2009-10 se han realizado 44,912 tasaciones.

PROPIEDAD MUEBLE

(\$ EN MILLONES)

CONCEPTOS	2005	2006	2007	2008	2009
Planillas Radicadas	63,852	67,706	69,660	73,727	81,745
Valor Auto Tasado	\$11,672.6	\$11,677.3	\$11,955.8	\$12,859.0	\$13,223.3
Propiedades Exentas	3,256	3,277	3,276	3,309	3,376
Valor Exento (Parcial o Total)	\$5,366.9	\$5,395.3	\$5,627.6	\$6,302.6	\$6,850.0
Propiedades Exoneradas	18,721	18,888	20,046	22,150	21,942
Valor Exonerado (Parcial o Total)	\$136.8	\$137.3	\$136.5	\$139.8	\$151.3
Valor Neto	\$6,168.9	\$6,144.7	\$6,191.7	\$6,416.6	\$6,222.0
Contribuciones Auto Determinadas	\$393.9	\$414.4	\$422.7	\$444.3	\$420.4

El número de planillas radicadas para el año fiscal 2008-09 aumentó por 8,018 ó 11%, al compararlo con el año fiscal 2007-08.

El aumento de \$547.4 millones en los valores exentos y el aumento en el valor exonerado de \$11.5 millones, redujo el valor neto en \$194.6 millones, lo cual tiene el efecto de reducir las contribuciones en \$23.9 millones para el año fiscal 2008-09.

PROPIEDAD MUEBLE E INMUEBLE

RECAUDOS POR GESTIONES DE COBRO Y EMBARGOS

La facultad del CRIM para proceder con el cobro de deudas mediante procesos de embargo surge de la Ley Núm. 83 del 30 de agosto de 1991, según enmendada, y conocida como la Ley de Contribución Municipal sobre la Propiedad de 1991. Allí, su artículo 4.01 y siguientes, disponen la facultad del CRIM para proceder al cobro de las contribuciones morosas mediante el recurso del embargo. Además de la venta de las propiedades, la agencia tiene la facultad para requerir a la persona que estuviere en posesión de cualquier depósito bancario perteneciente a un contribuyente la retención de tales bienes en la cantidad que el CRIM le notifique a fin de cubrir la deuda contributiva pendiente de pago. Este último es el método mayormente utilizado ya que provee la obtención de fondos de manera más rápida.

Como parte del Plan Estratégico del año fiscal 2009-10 formulado por la nueva administración, la división de Cobros y Embargos ha sido reforzada mediante una reorganización asignándole más recursos humanos para aumentar de tres (3) empleados a veintidós (22).

La siguiente tabla muestra datos comparativos de cada año, conforme al método de cobro utilizado:

Recobro por Año Fiscal	2005/06 ¹	2006/07	2007/08	2008/09
Notificaciones	\$866,700	\$2,015,914	\$5,623,076	\$2,746,440
Embargos	682,300	2,698,349	1,454,619	466,795
Fianzas Ejecutadas	-	130,313	139,500	-
Acuerdos Finales	-	1,438,814	849,258	92,910
Totales	\$1,549,000	\$6,283,390	\$8,066,453	\$3,306,145

¹El Año Fiscal 2006 incluye datos para los meses de abril a julio 2006, cuando inician las operaciones de la División de Cobros y Embargos del CRIM.

OTRAS ACTIVIDADES REALIZADAS

GESTIONES OPERACIONALES

Depuración de cuentas de deudas atrasadas: 7,008 casos

Análisis de embargos: 488 embargos

Remoción de embargos: 85 casos

Reintegros: 513 casos trabajados

OTROS COBROS Y DATOS RELACIONADOS CON CASOS DE QUIEBRA

Pagos recibidos en casos de quiebra: \$ 1,849,798

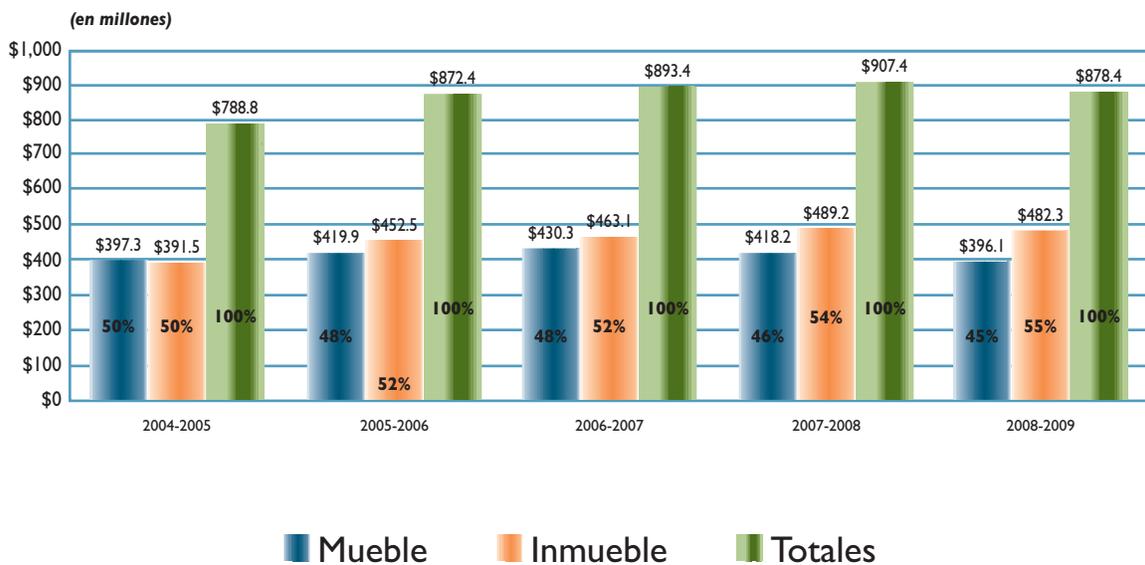
Casos de quiebras radicados: **1,064**

Balance asegurado	\$ 3,646,812	
Balance no asegurado	13,306,511	
Balance con prioridad	1,023,503	17,976,826

TOTAL **\$19,266,624**

FINANZAS

RECAUDOS ANUALES EN CONTRIBUCIONES CONCERNIENTES A LA PROPIEDAD MUEBLE E INMUEBLE

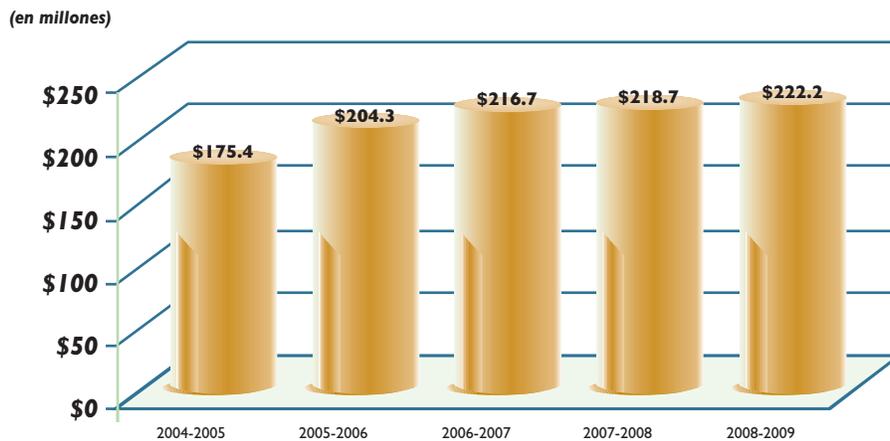


CONTRIBUCIÓN DE PROPIEDAD MUEBLE E INMUEBLE

Año Fiscal	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Mueble	\$397.3	\$419.9	\$430.3	\$418.2	\$396.1
Inmueble	\$391.5	\$452.5	\$463.1	\$489.2	\$482.3
Totales	\$788.8	\$872.4	\$893.4	\$907.4	\$878.4

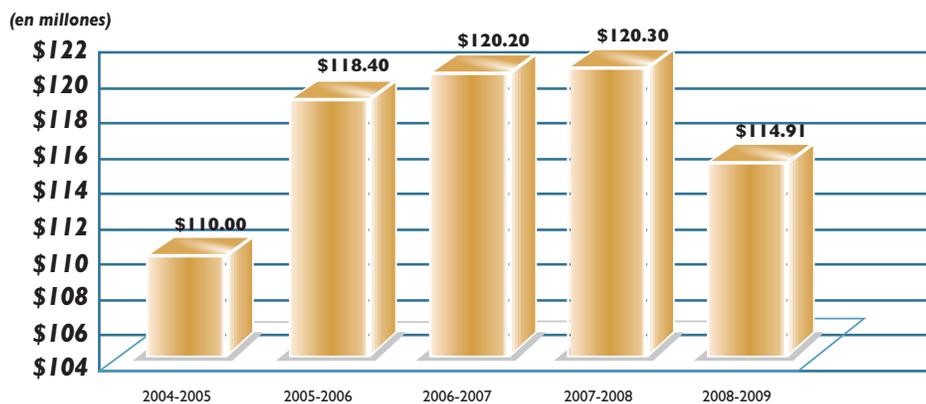
FINANZAS

CONTRIBUCIÓN ADICIONAL ESPECIAL (CAE)



Los recaudos de la Contribución Adicional Especial (CAE) nutren el fondo de redención de la deuda municipal.

FONDO DE REDENCIÓN ESTATAL (FDRE)



Los recaudos del Fondo de Redención Estatal (FDRE) se utilizan para el pago de la deuda estatal.

FINANZAS

INGRESOS MUNICIPALES

	En Millones 2005	En Millones 2006	En Millones 2007	En Millones 2008	En Millones 2009
Aportaciones Gubernamentales					
20 Centésimas	\$20.90	\$22.30	\$22.60	\$23.20	\$24.94
Básica Exonerada	86.00	86.00	86.00	86.00	86.10
CAE Exonerado	30.00	30.00	30.00	30.00	30.00
Lotería Adicional	26.00	26.00	26.00	26.00	47.83
Subsidio Gobierno Central	184.70	214.20	227.50	217.50	200.55
Subtotal	\$347.60	\$378.50	\$392.10	\$382.70	\$389.42
Recaudos					
Propiedad Mueble e Inmueble	\$788.80	\$872.40	\$893.40	\$907.40	\$878.40
Total de Ingresos	\$1,136.40	\$1,250.90	\$1,285.50	\$1,290.10	\$1,268.27

DISTRIBUCIÓN DE INGRESOS

	En Millones 2005	En Millones 2006	En Millones 2007	En Millones 2008	En Millones 2009
Distribución para Pago de la Deuda Municipal y Estatal					
CAE Municipal y Exonerado	\$205.40	\$234.30	\$246.70	\$248.70	\$252.21
Fondo Redención Estatal	110.00	118.40	120.20	120.30	114.91
Fondo General	0.40	0.20	0.20	1.00	0.73
Subtotal	\$315.80	\$352.90	\$367.10	\$370.00	\$367.85
Liquidación a los Municipios	\$820.60	\$898.00	\$918.40	\$920.10	\$900.42
Total de Distribuciones	\$1,136.40	\$1,250.90	\$1,285.50	\$1,290.10	\$1,268.27

OFICINA DE AUDITORÍA INTERNA



En el periodo que cubre el año fiscal 2008-09 en la Oficina de Auditoría Interna se cumplió con las siguientes responsabilidades para la consecución efectiva de las metas:

- Validación de Hansen to Oracle G/L
- Auditorías de Cumplimiento
- Implementación de las recomendaciones incluidas en la evaluación realizada a la Agencia por la Oficina del Contralor de Puerto Rico.
- Los empleados de la Oficina participaron en programas de educación continua, tanto interna, como externa.
- Radicación de informes de la Oficina del Contralor de Puerto Rico y la Oficina de Ética Gubernamental de Puerto Rico.
- Investigaciones y otros trabajos realizados.

VALIDACIÓN DE HANSEN TO ORACLE G/L

La Oficina de Auditoría Interna realizó pruebas para verificar la interfase de las transacciones entre el Sistema Hansen y el General Ledger.

AUDITORÍAS DE CUMPLIMIENTO

Se comenzó con la revisión de los procesos adscritos al Área de Propiedad:

- Se está realizando un inventario físico de las propiedades del CRIM en los Centros Regionales y en la Oficina Central.
- Se actualizó el Subsidiario de los Activos Fijos del CRIM.

Auditoría de los procesos pertenecientes al Área de Cobros:

- Revisión de los procesos de cobros.
- Identificación controles existentes en el proceso de cobros.
- Muestreo de cobros de todas las Regiones.
- Recomendaciones para el proceso de cobros.

RECOMENDACIONES DE LA EVALUACIÓN REALIZADA A LA AGENCIA POR LA OFICINA DEL CONTRALOR DE PUERTO RICO

El CRIM recibió un Certificado de Reconocimiento por haber cumplido con los criterios establecidos por la Oficina del Contralor sobre las Medidas para Mejorar la Administración Pública y de un Programa de Prevención – Anticorrupción.

Se realizaron varias medidas para cumplir con las recomendaciones presentadas en la Evaluación Realizada de las Agencias y los Departamentos de la Rama Ejecutiva Sobre el Establecimiento de las Medidas Para Mejorar la Administración Pública y de un Programa de Prevención – Anticorrupción. Esta evaluación cubrió el año fiscal 2007-08, y el CRIM obtuvo una puntuación de 91 puntos, posicionándose número 10 entre las 40 Agencias participantes.

EDUCACIÓN CONTINUA

Los auditores internos de la Agencia, recibieron los siguientes adiestramientos como parte de su educación continua:

- Oficina del Contralor de Puerto Rico – Auditores Internos del Gobierno.
- Riesgos y Controles de la Tecnología de la Información.
- Gobernabilidad y el Manejo de Riesgo.
- The Institute of Internal Auditors – Nuevos Retos del Auditor Interno, Cambios Significativos en la Práctica.
- Oficina de Recursos Humanos del Estado Libre Asociado de Puerto Rico – La Organización y la Redacción de Procedimientos.
- Oficina de Recursos Humanos del Estado Libre Asociado de Puerto Rico – Cómo Lidiar con Personas de Conducta Difícil.
- Centro de Recaudación de Ingresos Municipales – Office 2007 (Word & Excel)

INFORMES DE LA OFICINA DEL CONTRALOR Y LA OFICINA DE ÉTICA GUBERNAMENTAL DE PUERTO RICO

Al presente, todos los Informes de Auditoría de la Oficina del Contralor de Puerto Rico, así como los de la Oficina de Ética Gubernamental de Puerto Rico, han sido contestados y se han implementado las recomendaciones emitidas.

INVESTIGACIONES REALIZADAS Y EN PROCESO

- Revisión de Comprobantes de Gastos de Viaje.
- Revisión de tasaciones y valorización de condominios y propiedades.
- Revisión del uso y manejo del correo interno “Outlook”.
- Validación de la interfase del sistema Hansen.
- Revisión de controles internos y reglamentos de la Agencia.
- Pruebas de controles y sustantivas para la auditoría externa.

RECURSOS HUMANOS

Dentro del dinamismo de nuestra Oficina de Recursos Humanos se proyectan nuevos retos como metas específicas para alcanzar la eficiencia del grupo organizacional.

Durante los años 2007-2008 se puso en marcha el proyecto de Modificación al Plan de Clasificación y Retribución, culminando con la implantación del mismo el 1 de julio de 2008. El 25 de mayo de 2007 se aprobó una enmienda a la Ley de Normas Razonables del Trabajo (FLSA por sus siglas en inglés). Esta dispuso un aumento escalonado al salario mínimo federal para aplicarse en un periodo de 26 meses, como se indica a continuación:

Salario por Hora	Fecha de Efectividad
\$5.85	1 de julio de 2007
\$6.55	1 de julio de 2008
\$7.25	1 de julio de 2009

Luego de cumplir con el salario mínimo federal de julio de 2007, se hizo necesaria una revisión de los puestos para poder implantar la segunda y tercera fase del mismo, además de hacerle justicia a nuestros empleados.

Las nuevas escalas no sólo cumplen con el mínimo federal, sino que también pretenden mejorar el salario a todo el personal. Se crearon 2 escalas salariales en cumplimiento con la segunda (julio 2008) y tercera (julio 2009) fase del aumento escalonado del mínimo federal.

Con la implantación de la nueva escala salarial a ser efectivo el 1ro de julio de 2008, ningún empleado recibió un ajuste menor de \$100.00 ajustando al tipo intermedio inmediato superior y se reclasificó al próximo nivel a todo aquel empleado que desde julio de 2003 no hubiese recibido una reclasificación a nivel superior en su puesto. Al 1ro de julio de 2009 aumentaron nuevamente las escalas y ningún empleado recibió un ajuste menor de \$50.00, el cual se ajustó al tipo intermedio inmediato superior.

NUEVAS LEYES Y REGLAMENTOS AF 2008-09

Durante el año fiscal 2008-09 se aprobó la Ley Núm. 7 del 9 de marzo de 2009 conocida como “Ley Especial Declarando Estado de Emergencia Fiscal y Estableciendo Plan Integral de Estabilización Fiscal para Salvar el Crédito de Puerto Rico”. La citada Ley 7, supra, dispuso que para los años fiscales 2009-10 al 2011-12 el CRIM aumente por un factor de diez (10) el valor de tasación de toda propiedad inmueble que figura en nuestros registros. A su vez, esta ley aumentó 10 veces los valores exonerados, la exención de veteranos y la exención de veteranos incapacitados, y dividió el tipo contributivo una décima parte.

Reglamentos:

El 18 de noviembre de 2008, se aprobó el Reglamento 7612- “Reglamento para Establecer Guías y Procedimientos en la Valoración de la Propiedad Inmueble por su Destino para Fines Contributivos”.

Órdenes Administrativas:

Durante el año fiscal 2008-09 se aprobaron las siguientes órdenes administrativas:

- 2008-1** Para Establecer la Política del Centro de Recaudación de Ingresos Municipales Sobre la Práctica de Notaría de los Abogados y Abogadas Notarios Empleados por el Centro.
- 2008-2** Prórroga Adicional para Radicar los Estados Financieros que Tienen que Radicarse Junto a la Planilla de Contribución Sobre Propiedad Mueble y Cuyo Año Contributivo Haya Terminado Entre el 15 de Diciembre de 2007 y el 30 de Diciembre de 2008.
- 2008-3** Normas para Otorgar una Bonificación y/o Pago en Metálico al Personal del CRIM por Trabajo Extraordinario Realizado Fuera de Horas Laborables Durante el Período para Finalizar el Proceso de Planillas y Prórrogas con Pago 2008 en Contribución Mueble.
- 2008-4** Eximir a los Detallistas de Gasolina y Diesel del Requisito de Radicación de los Estados Financieros Auditados Junto a la Planilla de Contribución Sobre Propiedad Mueble, Cuando el Volumen de Negocios por Concepto de la Venta por Otros Conceptos Sobrepase un Millón (\$1,000,000) de Dólares, Tendrá que Radicar los Estados Financieros Auditados.



MUNICIPAL REVENUE COLLECTION CENTER

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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INDEPENDENT AUDITORS' REPORT

GOVERNING BOARD MUNICIPAL REVENUE COLLECTION CENTER

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 the Municipal Revenue Collection Center (the Center) as of and for the year ended June 30, 2009, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion 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 of America. 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. An audit also includes assessing the accounting principles used and 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 opinion.

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 Center as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 22, 2009, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

**GOVERNING BOARD
MUNICIPAL REVENUE COLLECTION CENTER**

Page 2

The Management's discussion and analysis, and budgetary comparison information for the General Fund on pages 3 through 8 and page 15 are 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 primarily 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 them.

Felix Sanchez & Associates, PC

December 22, 2009

Stamp number 2483498 was
affixed to the original of this
report.

**MUNICIPAL REVENUE COLLECTION CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

For the users of the financial statements, the following is management's overview of the financial activities of the Municipal Revenue Collection Center (the Center) for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with the Center's basic financial statements.

The Center is a municipal entity with legal personality, separate and independent from the Central Government of Puerto Rico. A Governing Board comprised of seven (7) majors, the Commissioner of Municipal Affairs, and the President of the Government Development Bank for Puerto Rico governs it.

The Center provides fiscal services to all the municipalities including but not limited to notification, assessment and collection of both personal and real property taxes. To offer the service it renders, its principal source of revenue is derived from up to 5% of the property taxes collections.

The Center suffered a decrease in tax collections during the year mostly driven by the economic recession. Tax collections in fiscal year 2008-2009, decreased by \$28 million approximately, the amount collected in fiscal year 2007-2008.

In its efforts to increase collections, in fiscal year 2008-2009 the Center continued emphasizing and improving all procedures affecting collections. To this end, during fiscal year 2008-2009, the Center continued to incorporate all the outstanding land parcels in the system known as the Digital Cadastre of Puerto Rico. The inclusion of new parcels to the System had the effect of expanding the tax base, thus creating the opportunity to increase collections. Moreover, operational measures taken by the Center produced an increase in the number of assessment of new properties.

The Digital Cadastre is a mechanism by which productivity and effectiveness of the Center is improved.

The Center's operating budget for 2008-2009 was \$34,175,311 compared to \$35,304,728 for fiscal year 2007-2008.

FINANCIAL HIGHLIGHTS

Government -wide highlights

Net assets - The total assets of the Center exceeded its total liabilities for fiscal year ended June 30, 2009 by \$23,938,724 and are presented as "total net assets." Of this amount the unrestricted portion consists of \$20,878,476 and the balance of \$3,060,248 represents investments in capital assets, net of related debt.

Changes in net assets - The Center's total net assets increased by \$257,916 in fiscal year 2009.

**MUNICIPAL REVENUE COLLECTION CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2009**

FINANCIAL HIGHLIGHTS (CONTINUED)

Fund highlights

Governmental fund - fund balance - As of the close of fiscal year 2009, the Center's governmental fund reported an ending fund balance of \$22,316,298, a decrease of \$597,604 in comparison with the prior year. Of this total amount, \$21,058,937 represents unreserved fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Center's basic financial statements. The Center's basic financial statements include three components: (1) government - wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements.

Basic financial statements

The basic financial statements include two kinds of financial statements that present different views of the Center: the government-wide financial statements and the fund financial statements. These financial statements also include the notes to the basic financial statements that explain some of the information in the financial statements and provide more details.

Government - wide financial statements

The government-wide financial statement provides a broad view of the Center's operations in a manner similar to a private sector business. The financial statement provides both short and long-term information about the Center's financial position, which assists the Center in assessing the Center's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This basically means they follow methods that are similar to those used by most business. They take into account all revenue and expenses connected with the fiscal year even if cash involved has not been received or paid. The government - wide financial statements include two statements:

- **Statement of net assets** - presents all the Center's assets and liabilities with the difference between the two reported as net assets. Through times, increases or decreases in the Center net assets may serve as a useful indicator of whether the financial position of the Center is improving or deteriorating.
- **Statement of activities** - presents information showing how the Center's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the time of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenue for each function of the Center.

**MUNICIPAL REVENUE COLLECTION CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2009**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government - wide financial statements (continued)

Both of the above financial statements present the governmental activities of the Center. The government - wide financial statements can be found immediately following this discussion and analysis.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Center, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance - related legal requirements. The fund financial statements focus on individual parts of the Center governmental funds, reporting the Center's operations in more detail in the government - wide financial statements. All of the funds of the Center can be divided into two categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently. The two categories of funds are the following:

- **Governmental fund financial statements** - Governmental fund are used to account for essentially the same activities reported in the government - wide financial statements. However, unlike the government - wide financial statements, the governmental fund financial statements focus on near - term inflows and outflows of expendable resources. They also focus on the balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the governments near - term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short - term view of the Center's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the Center. Because the focus of the governmental funds is narrower than that of the government - wide financial statements, it is useful to compare the information presented for governmental fund 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 revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental fund and the governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Center has one major governmental fund. That is, a major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and changes in fund balances. The Center's major governmental fund is the general fund. The basic governmental funds financial statements can be found immediately following the government - wide financial statements.

**MUNICIPAL REVENUE COLLECTION CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2009**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund financial statements (continued)

- **Fiduciary Funds** - These funds are used to account for resources held for the benefit of the municipalities. Fiduciary funds are not reflected in the government - wide financial statements because the resources of these funds are not available to support the Center's own activities. The accounting used for fiduciary funds is much like that used for property funds. They use the accrual basis of accounting. The Center's fiduciary funds records the assets held for distribution by the Center as an agent for the municipalities. The statement of fiduciary net assets - agency fund can be found immediately following the governmental fund financial statements.

Notes to financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government - wide and the fund financial statements. The notes to the financial statements can be found immediately following funds financial statements.

GOVERNMENT - WIDE FINANCIAL ANALYSIS

Net assets

As noted earlier, net assets may serve through times as a useful indicator of a government's financial position. Total assets and total liabilities of the Center at June 30, 2009 amounted to \$50,785,249 and \$26,846,525 respectively, for net assets of \$23,938,724, compared to \$23,680,808 net assets at the beginning of the current fiscal year.

Current assets	\$31,429,875
Capital assets	<u>19,355,374</u>
Total assets	<u>50,785,249</u>
Current liabilities	7,691,744
Noncurrent liabilities	<u>19,154,781</u>
Total liabilities	<u>26,846,525</u>
Investment in capital assets, net of related debt	3,060,248
Unrestricted	<u>20,878,476</u>
Total net assets	<u>\$23,938,724</u>

**MUNICIPAL REVENUE COLLECTION CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2009**

GOVERNMENT - WIDE FINANCIAL ANALYSIS (CONTINUED)

Changes in net assets

In fiscal year 2009, total net assets for the Center increased by \$257,916 as indicated in the following summary Statement of Activities:

Statement of Activities

Expenses	\$31,669,237
Charges for services	<u>1,364,981</u>
Net expenses	30,304,256
General revenues	<u>30,562,172</u>
Change in net assets	257,916
Net assets at beginning of fiscal year	<u>23,680,808</u>
Net assets at end of fiscal year	<u>\$23,938,724</u>

Approximately 91% of the Center's total revenue came from administrative fees and other financing sources. On the other hand the largest expense was salaries and fringe benefits that represent 68% of the total expenses of the Center.

FINANCIAL ANALYSIS OF THE CENTER'S GOVERNMENTAL FUN

The focus of the Center's governmental funds is to provide information on near - term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Center's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. There is \$1,257,361 of fund balance reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior fiscal year.

The general fund is the principal operating fund of the Center. At the end of the current fiscal year, unreserved fund balance of the general fund was \$21,058,937, while the total fund balance reached \$22,316,298. Center's fund balance decreased by \$597,604.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget and the final budget remained substantially the same except for reclassification of expenditures made throughout the fiscal year. For the fiscal year 2009 the general fund actual expenditures were \$29,662,514 that represents \$4,512,797 less than the final budget.

**MUNICIPAL REVENUE COLLECTION CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2009**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The Center's investment in capital assets for its governmental activities and business type activities as of June 30, 2009, amounts to \$40,973,725 which net of accumulated depreciation of \$21,618,351, results in a book value of \$19,355,374. This investment in capital assets includes land, buildings, buildings improvements, office equipment, computer hardware and software and vehicles.

Debt administration

Information on the Center's long-term debt obligations can be found in Note G to the basic financial statements of this report.

CONTACTING CRIM FINANCIAL MANAGEMENT

The Center's financial statements are designed to present users with a general overview of its finances. If you have questions about the report or need additional information, please contact the Finance Director.

**MUNICIPAL REVENUE COLLECTION CENTER
GOVERNMENT- WIDE FINANCIAL STATEMENT
STATEMENT OF NET ASSETS
JUNE 30, 2009**

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$30,076,809	\$ 930,766	\$31,007,575
Accounts receivable	422,300	-	422,300
Internal balances	<u>(2,500,000)</u>	<u>2,500,000</u>	<u>-</u>
Total current assets	27,999,109	3,430,766	31,429,875
NONCURRENT ASSETS			
Capital assets, net of accumulated depreciation	<u>2,169,366</u>	<u>17,186,008</u>	<u>19,355,374</u>
Total Assets	<u>\$30,168,475</u>	<u>\$20,616,774</u>	<u>\$50,785,249</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$ 661,170	\$ 49,362	\$ 710,532
Current portion of:			
Loan payable	-	771,475	771,475
Capital lease obligation	53,690	-	53,690
Accrued compensated absences	1,009,406	-	1,009,406
Due to agency fund	<u>5,146,641</u>	<u>-</u>	<u>5,146,641</u>
Total current liabilities	<u>6,870,907</u>	<u>820,837</u>	<u>7,691,744</u>
NONCURRENT LIABILITIES			
Loan payable, net of current portion	-	15,393,394	15,393,394
Capital lease obligation, net of current portion	76,567	-	76,567
Accrued compensated absences	<u>3,684,820</u>	<u>-</u>	<u>3,684,820</u>
Total noncurrent liabilities	<u>3,761,387</u>	<u>15,393,394</u>	<u>19,154,781</u>
Total liabilities	<u>10,632,294</u>	<u>16,214,231</u>	<u>26,846,525</u>
NET ASSETS			
Invested in capital assets	2,039,109	1,021,139	3,060,248
Unrestricted	<u>17,497,072</u>	<u>3,381,404</u>	<u>20,878,476</u>
Total net assets	<u>19,536,181</u>	<u>4,402,543</u>	<u>23,938,724</u>
Total liabilities and net assets	<u>\$30,168,475</u>	<u>\$20,616,774</u>	<u>\$50,785,249</u>

See accompanying notes and independent auditors' report.

**MUNICIPAL REVENUE COLLECTION CENTER
GOVERNMENT- WIDE FINANCIAL STATEMENT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009**

	Governmental Activities	Business-type Activities	Total
EXPENSES			
• Salaries and fringe benefits	\$21,657,543	\$ -	\$21,657,543
• Professional and consulting services	1,977,759	191,804	2,169,563
• Travel and representation	485,765	-	485,765
• Depreciation	880,516	333,059	1,213,575
• Supplies	191,699	-	191,699
• Rent	1,511,383	7,500	1,518,883
• Repairs and maintenance	984,287	463,180	1,447,467
• Utilities	603,010	341,619	944,629
• Printed forms	238,166	-	238,166
• Postage	474,572	-	474,572
• Insurance	51,416	69,211	120,627
• Trainings	6,319	-	6,319
• Interest	6,336	913,382	919,718
• Miscellaneous	82,991	-	82,991
• Claims and judgments	125,000	-	125,000
• Other	<u>-</u>	<u>72,720</u>	<u>72,720</u>
• Total Expenses	29,276,762	2,392,475	31,669,237
CHARGES FOR SERVICES	<u>-</u>	<u>1,364,981</u>	<u>1,364,981</u>
NET EXPENSES	<u>29,276,762</u>	<u>1,027,494</u>	<u>30,304,256</u>
GENERAL REVENUES			
• Property tax administrative fees	27,670,527	-	27,670,527
• Sales of certification and maps	1,024,809	-	1,024,809
• Interest income	411,645	51,262	462,907
• Service charges to banks	1,201,894	-	1,201,894
• Other	<u>202,035</u>	<u>-</u>	<u>202,035</u>
• Total general revenues	<u>30,510,910</u>	<u>51,262</u>	<u>30,562,172</u>
• SPECIAL ITEMS TRANSFERS	<u>(1,446,000)</u>	<u>1,446,000</u>	<u>-</u>
CHANGE IN NET ASSETS	(211,852)	469,768	257,916
NET ASSETS AT BEGINNING OF FISCAL YEAR	<u>19,748,033</u>	<u>3,932,775</u>	<u>23,680,808</u>
• NET ASSETS AT END OF FISCAL YEAR	<u>\$19,536,181</u>	<u>\$4,402,543</u>	<u>\$23,938,724</u>

See accompanying notes and independent auditors' report.

**MUNICIPAL REVENUE COLLECTION CENTER
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2009**

ASSETS

Cash and cash equivalents	\$30,076,809
Accounts receivable	<u>422,300</u>
TOTAL ASSETS	<u><u>\$30,499,109</u></u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable and accrued Liabilities	\$ 536,170
Due to:	
Proprietary fund	2,500,000
Agency fund	<u>5,146,641</u>
Total liabilities	<u>8,182,811</u>

FUND BALANCES

Reserved for encumbrances	1,257,361
Unreserved	<u>21,058,937</u>
Total fund balances	<u>22,316,298</u>

TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$30,499,109</u></u>
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See accompanying notes and independent auditors' report.

**MUNICIPAL REVENUE COLLECTION CENTER
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUND TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

Amounts reported in the statement of net assets
are different because:

Total fund balances of governmental fund \$22,316,298

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$21,199,024 and the accumulated depreciation is \$19,029,658. 2,169,366

Capital lease obligation and accrued compensated absences do not involve the use of current financial resources and are not due and payable in the current period and, therefore, are not reported in the funds. (4,824,483)

Claims and judgments liability do not involve the use of current financial resources and are not due and payable in the current period and, therefore, are not reported in the funds. (125,000)

Net assets of governmental activities \$19,536,181

See accompanying notes and independent auditors' report.

**MUNICIPAL REVENUE COLLECTION CENTER
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2009**

REVENUES:

Property tax administrative fees		\$27,670,527
Sales of certification and maps	1,024,809	
Interest income		411,645
Service charges to banks		1,201,894
Other		<u>202,035</u>
Total revenues		<u>30,510,910</u>

EXPENDITURES:

Salaries and fringe benefits		22,244,582
Professional and consulting services		1,977,759
Travel and representation		485,765
Capital outlays and supplies		909,924
Rent		1,603,723
Repairs and maintenance		984,287
Utilities		603,010
Printed forms		238,166
Postage		474,572
Insurance		51,416
Trainings		6,319
Miscellaneous		<u>82,991</u>
Total expenditures		<u>29,662,514</u>

EXCESS OF REVENUES OVER EXPENDITURES 848,396

OTHER FINANCING USES

Transfers to proprietary fund (1,446,000)

**DEFICIENCY OF REVENUES OVER EXPENDITURES
AND OTHER FINANCING USES** (597,604)

FUND BALANCES AT BEGINNING OF FISCAL YEAR 22,913,902

FUND BALANCES AT END OF FISCAL YEAR \$22,316,298

See accompanying notes and independent auditors' report.

**MUNICIPAL REVENUE COLLECTION CENTER
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
 STATEMENT OF ACTIVITIES – GOVERNMENTAL FUND
 YEAR ENDED JUNE 30, 2009**

Amounts reported for governmental activities in the statement of activities are different because:

Deficiency of revenues over expenditures and other financing uses of governmental fund	\$(597,604)
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Governmental fund report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$200 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$718,225) restrained depreciation (\$880,516) in the current period.	(162,291)
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Capital lease obligation and accrued compensated absences do not involve the use of current financial resources and, therefore, are not reported in the governmental fund.	673,043
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Claims and judgments liability do not involve the use of current financial resources and, therefore, are not reported in the governmental fund.	<u>(125,000)</u>
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Change in net assets of governmental activities	<u><u>\$(211,852)</u></u>
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See accompanying notes and independent auditors' report.

**MUNICIPAL REVENUE COLLECTION CENTER
STATEMENT OF REVENUES AND EXPENDITURES –
BUDGET AND ACTUAL (NON-GAAP) - GENERAL FUND
YEAR ENDED JUNE 30, 2009**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>WITH FINAL BUDGET</u>
REVENUES				
Property tax administrative fees	\$27,670,527	\$27,670,527	\$27,670,527	\$ -
Interest income	865,652	865,652	411,645	(454,007)
Service charge to banks	938,990	938,990	1,201,894	262,904
Sales of certification and maps	935,256	935,256	1,024,809	89,553
Other	<u>3,764,886</u>	<u>3,764,886</u>	<u>202,035</u>	<u>(3,562,851)</u>
TOTAL REVENUES	<u>34,175,311</u>	<u>34,175,311</u>	<u>30,510,910</u>	<u>(3,664,401)</u>
EXPENDITURES				
Salaries and fringe benefits	22,946,549	22,933,160	22,244,582	(688,578)
Professional and consulting services	2,547,615	2,748,054	1,977,759	(770,295)
Travel and representation	457,312	508,183	485,765	(22,418)
Materials and office supplies	275,050	285,212	191,699	(93,513)
Rent	2,569,655	2,677,199	1,603,723	(1,073,476)
Repairs and maintenance	1,289,224	1,111,722	984,287	(127,435)
Utilities	1,183,767	1,183,898	603,010	(580,888)
Printed forms	75,000	163,717	238,166	74,449
Postage/stamps	668,514	668,514	474,572	(193,942)
Insurance	29,953	29,953	51,416	21,463
Miscellaneous	532,301	412,972	82,991	(329,981)
Capital outlays	712,040	933,203	718,225	(214,978)
Reserve	773,331	404,524	-	(404,524)
Other	<u>115,000</u>	<u>115,000</u>	<u>6,319</u>	<u>(108,681)</u>
TOTAL EXPENDITURES	<u>34,175,311</u>	<u>34,175,311</u>	<u>29,662,514</u>	<u>(4,512,797)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 848,396</u>	<u>\$ 848,396</u>

See accompanying notes and independent auditors' report.

**MUNICIPAL REVENUE COLLECTION CENTER
STATEMENT OF NET ASSETS - PROPRIETARY FUND
JUNE 30, 2009**

ASSETS

Current assets:

Cash	\$ 930,766
Due from governmental fund	<u>2,500,000</u>

Total current assets	3,430,766
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Noncurrent assets, capital assets - net of accumulated depreciation	<u>17,186,008</u>
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TOTAL ASSETS	<u>\$20,616,774</u>
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LIABILITIES AND NET ASSETS

LIABILITIES

Current liabilities:

Loan payable - current portion	\$ 771,475
Accounts payable	<u>49,362</u>

Total current liabilities	820,837
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Noncurrent liabilities - loan payable, net of current portion	<u>15,393,394</u>
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Total liabilities	<u>16,214,231</u>
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NET ASSETS

Invested in capital assets	1,021,139
Unrestricted	<u>3,381,404</u>

Total net assets	<u>4,402,543</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$20,616,774</u>
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See accompanying notes and independent auditors' report.

**MUNICIPAL REVENUE COLLECTION CENTER
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS – PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009**

OPERATING REVENUES	
Rent	<u>\$1,364,981</u>
OPERATING EXPENSES:	
Repairs and maintenance	463,180
Depreciation	333,059
Rent	7,500
Utilities	341,619
Professional fees	191,804
Other	<u>141,931</u>
Total operating expenses	<u>1,479,093</u>
OPERATING LOSS	<u>(114,112)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest:	
Income	51,262
Expense	<u>(913,382)</u>
Total nonoperating expenses	<u>(862,120)</u>
LOSS BEFORE TRANSFERS FROM GOVERNMENTAL FUND	(976,232)
TRANSFERS FROM GOVERNMENTAL FUND	<u>1,446,000</u>
CHANGE IN NET ASSETS	469,768
NET ASSETS AT BEGINNING OF FISCAL YEAR	<u>3,932,775</u>
NET ASSETS AT END OF FISCAL YEAR	<u>\$4,402,543</u>

See accompanying notes and independent auditors' report.

**MUNICIPAL REVENUE COLLECTION CENTER
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009**

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$1,369,276
Payments to suppliers	<u>(1,139,781)</u>
Net cash provided by operating activities	<u>229,495</u>
CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	
Transfers from governmental fund	<u>1,446,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on notes payable	(1,180,594)
Acquisition of property and equipment	(209,010)
Interest payments	<u>(913,382)</u>
Net cash used in capital and related financing activities	<u>(2,302,986)</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	
Interest income	<u>51,262</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(576,229)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL YEAR	<u>1,506,995</u>
CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR	<u>\$ 930,766</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (114,112)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	333,059
Decrease in accounts receivable	2,247
Increase in accounts payable	<u>8,301</u>
Net cash provided by operating activities	<u>\$ 229,495</u>

See accompanying notes and independent auditors' report.

**MUNICIPAL REVENUE COLLECTION CENTER
STATEMENT OF FIDUCIARY NET ASSETS- AGENCY FUNDS
JUNE 30, 2009**

	<u>Citizen's Participation</u>	<u>Property Taxes</u>	<u>Municipal Redemption</u>
ASSETS			
CASH AND CASH EQUIVALENTS	\$1,077,088	\$ 30,445,814	\$260,725,018
RECEIVABLE			
Due from:			
Taxpayers - real property, net of allowance for uncollectible of \$817,307,572	-	1,078,068,827	-
Taxpayers - personal property, net of allowance for uncollectible of \$307,716,768	-	223,124,390	-
Municipalities – net of allowance for uncollectible of \$35,227,547	-	302,416,433	-
Commonwealth	-	24,233,043	-
Other	<u>3,200,000</u>	<u>1,946,641</u>	<u>-</u>
Total assets	<u>\$4,277,088</u>	<u>\$1,660,235,148</u>	<u>\$260,725,018</u>
LIABILITIES			
Due to:			
Municipalities	\$4,277,088	\$ 95,772,063	\$ -
Municipalities – real property	-	1,078,068,827	-
Municipalities – personal property	-	223,124,390	-
Restricted for municipalities debt service	-	-	260,725,018
Commonwealth	<u>-</u>	<u>263,269,868</u>	<u>-</u>
Total liabilities	<u>\$4,277,088</u>	<u>\$1,660,235,148</u>	<u>\$260,725,018</u>

See accompanying notes and independent auditors' report.

MUNICIPAL REVENUE COLLECTION CENTER NOTES TO BASIC FINANCIAL STATEMENTS

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Municipal Revenue Collection Center (the Center) was created by Act No. 80 as part of the Municipal Reform Legislation of August 30, 1991. The Center was created for the purpose of establishing a separate and independent governmental entity from the Commonwealth of Puerto Rico (the Commonwealth), to collect, receive and distribute the property tax revenues of the Municipalities. Prior to the enactment of this Act, the Commonwealth, through the Department of the Treasury, accounted for these revenues. The Center is exempt from the payment of taxes on its revenues and properties.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Governmental Accounting Standards Board Codification Section 2100 have been considered and there are no agencies or entities which should be presented with the Center.

Basis of Accounting

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Center has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Capital Assets

Capital assets include land, building, building improvements, equipment and vehicles, are reported in the government-wide financial statements.

The Center defines capital assets as assets, which have an initial, individual cost of more than \$200 at date of acquisition and an estimated useful life of five or more years. Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the time of donation.

**MUNICIPAL REVENUE COLLECTION CENTER
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (continued)

Capital Assets (continued)

Additions, improvements and other capital outlays that significantly extend the useful life of capital assets are capitalized. The costs of normal maintenance and repairs that do not add value to the assets or materially extend assets lives are not capitalized; instead, they are expensed as incurred.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets are depreciated on the straight-line method over the assets estimated life. Equipment under capital leases is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Land is a non-depreciable asset. The estimated useful lives of capital assets are as follows:

<u>Type of Capital Assets</u>	<u>Years</u>
Building/ infrastructures	40
Building/ infrastructures improvements	40
Office equipment	5
Computer hardware and software	5
Vehicles	5
Office equipment under capital lease	5

Long-Term Obligations

In the government-wide financial statements, special and other long-term obligations are reported as noncurrent liabilities in the statement of net assets. The liabilities reported in this statement include the Center's long-term liabilities for the acquisition of its Main Office Building in San Juan, Puerto Rico, an obligation under capital leases for the acquisition of office equipment, and the long-term vacation and sick leave liabilities.

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Center and its employees is accrued as employees earn its rights to benefits. Employees earn its rights to annual vacation leave at the rate of 30 working days per calendar year up to a maximum permissible accumulation of 60 working days for regular employees.

MUNICIPAL REVENUE COLLECTION CENTER
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (continued)

Compensated Absences (continued)

The excess is payable, if not used by the employee, by June 30 of the next year. Employees earn sick leave at the rate of 18 working days per calendar year. Sick leave is only payable if the regular employee resigns and has more than 10 years of employment, or retires. The maximum permissible accumulation is 90 working days for all employees and the excess is payable if not used by the employee by March 31 of the next year.

The Center accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balance as they do not constitute either expenditures or liabilities.

Claims and Judgments

The estimated amount of the liability for claims and judgments, which is due on demand, such as from adjudicated or settled claims, is recorded in the general fund when the liability is incurred.

Measurement Focus

The Center's basic financial statements include both government-wide (Statements of Net Assets and Activities) and government fund financial statements (Balance Sheet and Statement of Revenue, Expenditures and Changes in Fund Balances).

Government-Wide Financial Statements

The government-wide financial statements report information of all of the non-fiduciary activities of the Center. For the most part, the effect of inter-fund activity has been removed from these government-wide financial statements.

MUNICIPAL REVENUE COLLECTION CENTER
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus (continued)

Government-Wide Financial Statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customer or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and 2) contributions that are restricted to meeting the operational or capital requirements of a specific function. Management fees and other items not properly included among program revenues are reported instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Center considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgment are recorded only when payment is due.

Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Basic Financial Statements Presentation

Financial Reporting Presentation

Financial information of the Center is presented in this report as follow:

1. Management's discussion and analysis introduces the basic financial statements and provides analytical overview of the Municipalities financial activities.

MUNICIPAL REVENUE COLLECTION CENTER
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements Presentation (continued)

Financial Reporting Presentation (continued)

2. The government-wide financial statements report information of all of the nonfiduciary activities of the Center. The statement of net assets presents the Center's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in two categories:
 - a. **Invested in Capital Assets, Net of Related Debt** - These consist of capital assets, net of accumulated depreciation and amortization and reduced for outstanding balances for notes and other debts that are attributed to the acquisition, construction, or improvements of those assets.
 - b. **Unrestricted Net Assets** - These consist of net assets which do not meet the definition of the preceding category. 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.

The government-wide Statement of Activities reports both the gross and net expenses of the Center's activities as well as the general government revenues (property tax administrative fees, interest income, etc.). The Statement of Activities reduces gross expenses (including depreciation) by the Center's activities revenues. In this Statement, net expenses are normally covered by general revenue.

3. Governmental fund financial statements focus on information about the Center's general fund. The general fund is the operating fund of the Center. It is used to account for all financial resources except those required to be accounted for in another fund.
4. Required supplementary information such as the reconciliation of the balance sheet of governmental funds to the statement of net assets, budgetary comparison schedule and other types of schedules, required by GASB.
5. The Proprietary Fund distinguishes operating revenue and expenses from non-operating items. Operating revenue and expenses result from providing services in connection with the fund principal ongoing operations. Revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses. The operating revenue of the proprietary fund are rent charges of several offices located at the Center's Main Office Building.

MUNICIPAL REVENUE COLLECTION CENTER
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements Presentation (continued)

Financial Reporting Presentation (continued)

6. The Statement of Fiduciary Net Assets is reported using the economic measurement focus and the accrual basis of accounting, similar to the government - wide financial statements described above. The Center reports the following major fiduciary funds:

Agency Fund: This fund reports resources held by the reporting government in a purely custodial capacity. There are three major agency funds reported by the Center as follows:

- i. Property Tax Fund :** Pursuant to Act No. 80, the Center is empowered to bill and collect property taxes in order to distribute property tax collections to the Municipalities. Refer to Note H for further details of the nature of this fund.
- ii. Municipal Redemption :** This fund is used to service the debt of the Municipalities. Refer to Note H for further details of the nature of this fund.
- iii. Citizen’s Participation Fund :** The Center is responsible for receiving and distributing funds assigned by the Commonwealth of Puerto Rico for Citizen’s Participation in the Municipality Development Program (the Program). The Program was established by Act No.2 of July 9, 1973 and is funded through legislative appropriations. Program funds are distributed to the Municipalities based on some specific criteria established by the Act.

7. Notes to basic financial statements.

The emphasis in the fund financial statements is on major funds. The model as defined in GASB No. 34 establishes criteria for determination of a major fund. In summary, the Center reports on the following major funds: General, Citizen Participation, Property Taxes, Municipal Redemption and Proprietary Fund.

Reservations of Fund Balances - Governmental Fund

In the balance sheet of the Governmental fund financial statement, the general fund reports reservations of fund balance for amounts that are not available for appropriation for expenditures or are legally restricted for a specific use. The Center has the following reservations of fund balances:

MUNICIPAL REVENUE COLLECTION CENTER
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reservations of Fund Balances - Governmental Fund (Continued)

- ***Capital Projects*** : Represent the reservation of amount to be used for future expenditures for capital projects under contracts and other commitments. These committed amounts generally will become liabilities in future periods as the projects are completed.
- ***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.
- ***Other Purposes*** : Represents net assets available for specific use and/or legally segregated for other specific future use.
- ***Debt Services Funds***: Represents net assets available to finance future debt service payments.

Inter-fund and intra-entity transactions

The Center has the following types of transactions funds:

- ***Operating Transfers***: Legally required transfers that are reported when incurred as “Operating Transfers-in” by the recipient fund and as “Operating Transfers-out” by the disbursing fund.
- ***Intra-Entity Transactions***: Transfers between the funds of the primary government are reported as inter-fund transfers with receivables and payables presented as amounts due to and due from other funds.

Financing Risk

The Center carries commercial insurance to cover 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.

Cost of insurance allocated to the Municipalities is deducted from the gross property tax collections by the Center. For the year ended June 30, 2009, it amounted to \$38,230,961. The current insurance policies have not been cancelled or terminated. The Center also deducted \$34,483,778 for workers compensations insurance covering all municipals employees.

MUNICIPAL REVENUE COLLECTION CENTER
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes reconciliation between fund balance total governmental fund and net assets- governmental activities as reported in the government- wide statement of net assets. The two elements of the reconciliation explain that “long-term liabilities, including compensated absences, loan and notes payable, are not due and payable in the current period and therefore are not reported in the funds”, and that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds”.

NOTE B - CASH AND CASH EQUIVALENTS

Deposits

The Center is authorized to deposit only in institutions approved by the Department of the Treasury of the Commonwealth of Puerto Rico. Such deposits should be kept in separate accounts in the name of the Center. Under Puerto Rico statutes, public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of federal depository insurance. The Center's policy regarding deposits consists in which all opening of bank accounts are approved by its Governing Board. During the year ended June 30, 2009, the Center invested its funds in bank accounts bearing interest.

Custodian Credit Risk

Custodian credit risk is the risk that, in an event of a bank failure, the Center's deposit might not be recovered. The Commonwealth of Puerto Rico requires that public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of federal depository insurance. All securities pledged as collateral are held by the Secretary of the Treasury of the Commonwealth.

The Center had the following depository accounts in commercial banks. All deposits are carried at cost plus accrued interest.

<u>Depository Account</u>	<u>Bank Balance</u> <u>At June 30, 2009</u>
Insured	\$ 500,000
Collateral held in the Center's name	<u>30,595,399</u>
Total deposits	<u>\$31,095,399</u>

MUNICIPAL REVENUE COLLECTION CENTER
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

NOTE B - CASH AND CASH EQUIVALENTS (CONTINUED)

Custodian Credit Risk (continued)

In addition, at June 30, 2009 the Center maintained cash deposited at the Governmental Development Bank for Puerto Rico (GDB), for \$306,111,142. This amount is uncollateralized since by law, the governmental banks of the Commonwealth of Puerto Rico are exempt of the requirement of insuring the deposits of funds of the entities of the Commonwealth of Puerto Rico.

The carrying amount of deposits at June 30, 2009, shown above included in the Center's balance sheet is \$337,206,541.

NOTE C - BUDGETS AND BUDGETARY ACCOUNTING

Under the statutory basis of accounting, the Center uses encumbrance accounting to record the full amount of purchase orders, contracts, and other commitments of appropriated resources as deductions from the appropriation prior to actual expenditure. Obligated appropriations of the Center at year end are carried over to the next fiscal year and are not reported as part of the next fiscal year's budget. Unexpended appropriations at the end of the year are available for re-appropriation in the following year. In the governmental funds, encumbrance accounting is a significant aspect of budgetary control. At the Center, budgets are prepared annually, as required, for the General Fund.

The statement of revenue and expenditures - budget and actual - budget basis - general fund, only presents the information for the general fund for which there is a legally adopted budget, as required by GAAP.

The following schedule presents comparisons of the legally adopted budget with actual data on a budget basis. Because accounting principles applied for purposes of developing data on a budget basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of entity, timing, and basis differences in the excess (deficiency) of revenue and other sources of financial resources over expenditures and other uses of financial resources for the year ended June 30, 2009 is presented below for the general fund:

Excess of revenues and other sources of financial resources over expenditures and other uses of financial resources-budgetary basis	\$ 848,396
Transfers to proprietary fund	<u>(1,446,000)</u>
Excess of revenue over expenditures and other uses of financial resources-GAAP	<u>\$ (597,604)</u>

MUNICIPAL REVENUE COLLECTION CENTER
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

NOTE D - RECEIVABLES

Receivables in the general fund amounting \$422,300 represents services charged to financial institutions regarding providing access in the web to their tax system, sale of maps, and parcel updates in the Digital Cadastre which are charged to the Office of Management and Budget of Puerto Rico.

Inter-Governmental: The inter-governmental receivables consist of the amount due from the general fund to the proprietary fund, and agency funds at June 30, 2009. These funds were used mainly as excess cash investments and for other purposes. The amounts due from the general funds consist as follows:

<u>Receivable Fund</u>	<u>Payable Fund General Fund</u>
Property taxes	\$1,946,641
Proprietary	2,500,000
Citizen's Participation Fund	<u>3,200,000</u>
Total	<u>\$7,646,641</u>

NOTE E- CAPITAL ASSETS

It consider capital assets, those with an estimated useful live of five year or more from the time of acquisition and a cost of \$200 or more, like was described in Note A. For this category, land and construction in progress are not subject to depreciation. A summary of capital assets and changes occurring in 2009 are as follows:

<u>Proprietary Activities:</u>	<u>Beginning Balance at July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance at June 30, 2009</u>
Capital asset, not being depreciated:				
Land	\$ 6,715,000	\$ -	\$ -	\$ 6,715,000
Construction in progress	<u>-</u>	<u>176,810</u>	<u>-</u>	<u>176,810</u>
Total capital assets, not being depreciated	<u>6,715,000</u>	<u>176,810</u>	<u>-</u>	<u>6,891,810</u>
Capital assets, being depreciated:				
Building/infrastructures	9,785,000	-	-	9,785,000
Building/infrastructures improvements	2,283,647	-	-	2,283,647
Office equipment	<u>782,044</u>	<u>32,200</u>	<u>-</u>	<u>814,244</u>
Total capital assets, being depreciated	<u>12,850,691</u>	<u>32,200</u>	<u>-</u>	<u>12,882,891</u>

MUNICIPAL REVENUE COLLECTION CENTER
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

NOTE E- CAPITAL ASSETS (CONTINUED)

<u>Proprietary Activities (Continued):</u>	<u>Beginning Balance at July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance at June 30, 2009</u>
LESS ACCUMULATED DEPRECIATION FOR				
Building/infrastructures	(1,223,125)	(244,625)	-	(1,467,750)
Building/infrastructures improvements	(250,465)	(81,994)	-	(332,459)
Office equipment	<u>(782,044)</u>	<u>(6,440)</u>	<u>-</u>	<u>(788,484)</u>
Total accumulated depreciation	<u>(2,255,634)</u>	<u>(333,059)</u>	<u>-</u>	<u>(2,588,693)</u>
Total capital assets, being depreciated, net	<u>10,595,057</u>	<u>(300,859)</u>	<u>-</u>	<u>10,294,198</u>
PROPRIETARY ACTIVITIES CAPITAL ASSETS, NET	<u>\$17,310,057</u>	<u>\$(124,049)</u>	<u>\$ -</u>	<u>\$17,186,008</u>
<u>Governmental Activities:</u>				
Capital assets, being depreciated:				
Office equipment	\$ 1,820,752	\$ 483,751	\$(73,342)	\$ 2,231,161
Computers hardware and software	10,957,723	234,475	-	11,192,198
Vehicles	183,984	-	-	183,984
Office equipment under capital lease	271,223	-	-	271,223
Other equipments	<u>7,320,458</u>	<u>-</u>	<u>-</u>	<u>7,320,458</u>
Total capital assets, being Depreciated	<u>20,554,140</u>	<u>718,226</u>	<u>(73,342)</u>	<u>21,199,024</u>
LESS ACCUMULATED DEPRECIATION FOR				
Office equipment	(1,473,002)	(194,798)	73,342	(1,594,458)
Computers hardware and software	(9,193,766)	(619,411)	-	(9,813,177)
Vehicles	(140,330)	(12,062)	-	(152,392)
Office equipment under capital lease	(94,928)	(54,245)	-	(149,173)
Other equipments	<u>(7,320,458)</u>	<u>-</u>	<u>-</u>	<u>(7,320,458)</u>
Total accumulated depreciation	<u>(18,222,484)</u>	<u>(880,516)</u>	<u>73,342</u>	<u>(19,029,658)</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 2,331,656</u>	<u>\$(162,290)</u>	<u>\$ -</u>	<u>\$ 2,169,366</u>

MUNICIPAL REVENUE COLLECTION CENTER
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

NOTE F - LEASES

Operating Leases

The Center is obligated under various leases agreements accounted for building and office facilities non-cancelable operating leases, which expires from February 28, 2010 to October 1, 2022. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in Center's financial statements as long-term liabilities. Therefore, leases are presented as rent expenditures.

The contingent rent under operating leases agreements amounted approximately to \$1,554,000 and actual rent expenditures was \$1,511,000 for the fiscal year ended June 30, 2009. The following is a schedule by years of future approximately minimum rent payments under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2009:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2010	\$ 1,552,018
2011	1,385,802
2012	1,382,781
2013	1,382,781
2014	1,289,025
2015-2019	4,126,713
2020-2024	<u>1,579,493</u>
	<u>\$12,698,613</u>

Capital Leases

The Center leases office equipment under a noncancellable lease that is classified as a capital lease that expires in August 31, 2011. The lease agreement contains a bargain purchase option at the end of the lease term. Therefore, capital lease is included in the accompanying government - wide statement of net assets.

The office equipment obligation under capital lease equals \$130,257 at June 30, 2009. This equipment has a capitalized cost of \$271,223 with lease monthly payments of \$4,827 including interest at 4%.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009, are as follows:

<u>Year ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 53,690	\$4,234	\$ 57,924
2011	55,878	2,046	57,924
2012	<u>20,689</u>	<u>122</u>	<u>20,811</u>
Total	<u>\$130,257</u>	<u>\$6,402</u>	<u>\$136,659</u>

**MUNICIPAL REVENUE COLLECTION CENTER
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

NOTE F – LEASES (CONTINUED)

Capital Leases (continued)

The depreciation expense for the office equipment under capital lease was \$54,245 with an accumulated depreciation of \$149,173, and book value of \$122,050 at fiscal year ended June 30, 2009. Amortized interest expense of outstanding obligation under such lease, presented in government-wide financial statement, was \$6,336 in 2009.

NOTE G - LONG-TERM LIABILITIES

Changes in Long-Term Liability

Long-term liability activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>	<u>Due in More than One Year</u>
Loan payable	\$16,895,333	\$ -	\$ 730,464	\$16,164,869	\$ 771,475	\$15,393,394
Note payable	<u>450,130</u>	<u>-</u>	<u>450,130</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	17,345,463	-	1,180,594	16,164,869	771,475	15,393,394
Capital lease obligation	186,043	-	55,786	130,257	53,690	76,567
Accrued compensated absences	<u>5,311,482</u>	<u>322,661</u>	<u>939,917</u>	<u>4,694,226</u>	<u>1,009,406</u>	<u>3,684,820</u>
Total governmental long-term liabilities	<u>\$22,842,988</u>	<u>\$322,661</u>	<u>\$2,176,297</u>	<u>\$20,989,352</u>	<u>\$1,834,571</u>	<u>\$19,154,781</u>

The long-term liabilities are described as follows:

Loan Payable

The Center entered in mortgage notes payable for the acquisition and improvements of the Main Office Building in San Juan, Puerto Rico. The original amount of the mortgage note payable for the acquisition of the building was \$20 millions. The note is payable in monthly payments of \$136,450 including interest at 5.40% through June 27, 2023, collateralized by Commercial Mortgage with Santander Bank. The original amount of the note payable for improvements of the Main Office Building and Regional Offices was \$2.5 million. The note was payable in monthly payments of \$45,796 including interest of 3.72% through April 1, 2009.

MUNICIPAL REVENUE COLLECTION CENTER
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM LIABILITIES (CONTINUED)

Loan Payable (continued)

Principal and interest payments for the years following June 30, 2009, are as follows:

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 771,475	\$ 865,928	\$ 1,637,403
2011	827,092	810,311	1,637,403
2012	872,877	764,526	1,637,403
2013	921,197	716,206	1,637,403
2014	972,191	665,212	1,637,403
2015 to 2019	5,730,335	2,456,686	8,187,021
2020 to 2024	<u>6,069,702</u>	<u>700,058</u>	<u>6,769,760</u>
Total	<u>\$16,164,869</u>	<u>\$6,978,927</u>	<u>\$23,143,796</u>

Notes payable

In 1996, the Center's Governing Board approved a credit agreement, amounting to \$56 millions, with a financial institution to finance the development of a Digital Cadastre Project.

The Digital Cadastre, deemed to be in the public interest, is expected to provide benefits to the 78 municipalities of Puerto Rico.

On October 11, 2001, the Commonwealth of Puerto Rico Legislature enacted Act No. 146, as amended by Act No. 159 of November 16, 2001, which authorized the Center to obtain a loan to refinance the payment schedule for the debt incurred for the Digital Cadastre Project.

On December 20, 2001, the Board of Directors of the Government Development Bank for Puerto Rico (GDB) authorized the Center to refinance the Digital Cadastre Project, through Resolution No. 7726 (which amended Resolution No. 7690 of October 17, 2001), negotiating a financing agreement with a commercial banking institution for the amount of \$70,459,381.

Finally, the municipal legislatures of the 78 municipalities of Puerto Rico issued resolutions authorizing the Center to refinance the Digital Cadastre Project.

Under the provisions of Act No. 146, as amended by Act No. 159 and GDB Resolution No.7726 the special assessment note payable is a limited obligation of the Center, payable solely (principal and interest) from resources generated by the municipalities property taxes. Accordingly, the special assessment note payable is not reported as a liability in the Government - Wide financial statements of the Center.

MUNICIPAL REVENUE COLLECTION CENTER
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM LIABILITIES (CONTINUED)

Notes payable (continued)

The refinancing agreement consists of installment payments of \$9,450,075 payable semiannually, from May 2002 through November 2011, which include principal and interest at a fixed rate of 5.95%. The note payable to Popular Bank of Puerto Rico (commercial bank) collateralized item is unsecured.

Principal and interest payments for the years following June 30, 2009, are as follows:

<u>Year ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 8,285,063	\$1,165,011	\$ 9,450,074
2011	8,785,358	664,716	9,450,074
2012	<u>4,550,506</u>	<u>135,378</u>	<u>4,685,884</u>
	<u>\$21,620,927</u>	<u>\$1,965,105</u>	<u>\$23,586,032</u>

During the fiscal year ended June 30, 2009, the Center withheld \$9,450,075 from the Municipalities property tax advances for principal and interest due on this special assessment note payable to a commercial bank. Total interest paid on the special assessment note amounted to \$1,636,741.

Compensated absences:

The government-wide statement of net assets includes \$2,930,000 of accrued sick leave benefits, and \$1,764,226 of accrued vacation benefits, representing the Center's commitment to fund such costs from future operations.

NOTE H – AGENCY FIDUCIARY FUND

Agency Funds

Agency funds report resources held by the Center in a purely custodial capacity. The Center received resources from grants or other legally sources that are transfer to or spend on behalf of a Municipalities. The Center serves only as a cash conduit-that is, it has no administrative or direct financial involvement in the program, therefore these resources were reported in an agency fund as required by GASB Statements No. 34, no revenue nor expenditures are recorded, and no fund balance is required.

The agency fiduciary fund is used to account for the: (a) citizen's participation, (b) municipal redemption funds and (b) property taxes, which are custodial in nature and do not involve measurement of results of operations. These agency funds are described below:

MUNICIPAL REVENUE COLLECTION CENTER
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

NOTE H – AGENCY FIDUCIARY FUND (CONTINUED)

Citizen's Participation Fund:

The Center is responsible for receiving and distributing funds assigned by the Commonwealth of Puerto Rico for Citizen's Participation in the Municipal Development Program (the Program). The Program was established by Act No. 81 of August 30, 1991, as amended by Act. 84 of October 29, 1992 and is funded through legislative appropriations. Program funds are distributed to the Municipalities based on some specific criteria established by the Act.

Municipal Redemption Fund

The Municipal Redemption Fund is used to service the debt of the Municipalities. The Government Development Bank for Puerto Rico (GDB) is the fund's trustee. GDB maintains records of outstanding municipal bonds and notes, makes principal, interest payments on their due dates, and notifies the Center of the amounts paid. The fund increases by the collections of the designated portions of real and personal property taxes.

The Center collected and transferred to the Municipal Redemption Fund the amount of \$222,207,324 during fiscal year 2008-2009. Total debt service payments amounted to \$224,679,623, during fiscal year 2009. Of such amount, principal and interest amounted to \$125,524,960 and \$99,154,663, respectively.

Outstanding notes and bonds of all Municipalities after the July 1, 2009 debt service payment amounted to \$1,905,825,948.

Property Tax Fund

Real and personal property taxes are assessed based on the taxable values as of January 1, for all properties located in the Commonwealth of Puerto Rico. Assessed values of real property, except equipment and machinery used in a business and considered real property which is assessed based on a formula, are established at estimated current values of 1957. Assessed values of personal property are based on the book value at January 1 of each year.

Real property taxes are billed by the Center and are due in two equal installments in July and January following the assessment date. Personal property taxes are self-assessed and are due on May 15, when the related property tax return is required to be filed.

The property tax rate per annum varies among municipalities; however, for fiscal years commencing on or after July 1, 1992 it is comprised of a basic maximum tax of 4% for personal property or 6% for real property, 1.03% assessed by the Commonwealth of Puerto Rico for the payment of general obligation bonds and notes, and an amount assessed by the municipalities for the payment of municipal bonds and notes. Property tax rates for fiscal year 2009 varied from 5.80% to 8.33% for personal property and from 7.80% to 9.58% for real property.

MUNICIPAL REVENUE COLLECTION CENTER
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

NOTE H – AGENCY FIDUCIARY FUND (CONTINUED)

Exemptions and Discounts:

Several Commonwealth of Puerto Rico Acts, primarily to promote economic development, provide property tax exemptions. Under various industrial incentives Acts, qualifying businesses are exempted totally or partially from real and personal property taxes for periods, which vary, by Municipality. Retailers with an annual sales volume of less than \$150,000 are granted an exemption from taxes on the first \$50,000 of personal property.

The Commonwealth of Puerto Rico also exempts homeowners from taxes on the first \$15,000 of the assessed value of real property used by the owner as his principal residence. Veterans have an additional exemption from taxes on \$5,000 of the assessed value of real property.

The Commonwealth of Puerto Rico pays to the municipalities property taxes exempted on real property. The amount paid by the Commonwealth of Puerto Rico for exempted real property is fixed at \$86,109,750 per fiscal year.

Act 16 of May 1960 authorizes the Secretary of the Treasury of the Commonwealth of Puerto Rico to grant a discount of .20% of the annual basic tax over the assessment value of all real property not exempt from taxes. The Department of the Treasury reimburses the discounts to the municipalities. The Center has credited discounts of \$25,338,011 for the fiscal year ended year ended at June 30, 2009.

Equalization Fund

Act No. 80 establishes a fund known as the Equalization Fund ("Fondo de Equiparación") and a subsidy known as the Income Guaranty Subsidy ("Garantía de Ingreso") for the purpose of ensuring that all Municipalities receive at least the same amount of funds they received under prior Acts.

The Equalization Fund includes the following:

- (a) All funds derived from basic property taxes assessed by the Commonwealth prior to the 1991 Municipal Reform corresponding to a tax rate of 1% for personal property and a tax rate of 3% over the assessed value of all real property in Puerto Rico, not otherwise exempt.
- (b) A subsidy fixed at 2.50% for the fiscal years after 2002-2003 of the net internal revenue of the Commonwealth.
- (c) 35% of the Additional Lottery System net income as recorded at June 30, 2009.

Funds received under items (a) above are distributed to the corresponding Municipalities. Funds received under items (b) and (c) above are distributed to the Municipalities up to the amounts required to make each Municipality's revenues equal its revenues from these sources for the prior fiscal year (i.e., equalize the Municipalities). Any excess funds received under items (b) and (c) above are distributed to the Municipalities using the factors provided by Act No. 80.

MUNICIPAL REVENUE COLLECTION CENTER
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

NOTE H – AGENCY FIDUCIARY FUND (CONTINUED)

Equalization Fund (continued)

The Center distributed to the municipalities \$47,830,614 and \$200,550,000 in fiscal year 2009, related to Lottery and Subsidies, respectively. The amount due from the Commonwealth for Lottery and Subsidies at June 30, 2009 are \$21,830,614 and \$17,704,000, respectively. The amount of \$17,704,000 relates to deficiencies in subsidies received for fiscal year 2008. Subsequent to fiscal year 2009, the Center has received \$8,852,000 related to subsidies due from the Commonwealth as of June 30, 2009.

Debt service provided by the Property Tax Fund

The Property tax fund provides debt service to the Municipal's governments for the repayments of the following debts:

- **Note Payable:** The Center's Governing Board approved a credit agreement amounting to \$70,459,381 with a financial institution to refinance the Digital Cadastre project. In November 2001, the Center signed the credit agreement and designated a trustee as its disbursement agent. Debt service payments will be made from Property Taxes Fund resources.
- **Line of Credit Agreements:** In accordance with Act No. 42 of January 26, 2000 the Center's Governing Board approved a line of credit with Governmental Development Bank amounting to \$166,449,961 to finance the accumulated debt due from municipalities up to June 30, 2000 for the excess of remittances received by the municipalities. The line of credit proceeds was used to pay off statutory and fiduciary obligations. This line of credit will be repaid from the increase of .48% of fixed subsidy of the net internal revenue of the Commonwealth of Puerto Rico granted to the municipalities.

In accordance with Act No. 146 of October 11, 2001 the Center approved a line of credit amounting \$105,000,000 to repurchase the bad debts sold to Puerto Rico Public Finance Corporation on June 30, 1998. The line of credit will be repaid from the increase of .48% of fixed subsidy of the net internal revenue of the Commonwealth of Puerto Rico granted to the municipalities. The amount collected from the delinquent tax debt would be applied to principal. The Center cannot determine the amount to be collected from the delinquent tax debts.

For the lines of credit described in the preceding two paragraphs, the Center is to receive the signed resolutions and note payable from municipalities. Once the municipalities complete such documents, each individual note will be part of the Municipal Redemption Fund.

MUNICIPAL REVENUE COLLECTION CENTER
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

NOTE H – AGENCY FIDUCIARY FUND (CONTINUED)

Debt service provided by the Property Tax Fund (continued)

- **Insurance and Other Withholdings:** The Department of the Treasury of the Commonwealth of Puerto Rico pays annually the municipal insurance policies and the deductibles for all their claims. These are charged to the Center, which reimburses the Department of the Treasury on behalf of the Municipalities and withholds amounts paid from the Municipalities' property tax advances. As of June 30, 2009 the Center had withheld from the Municipalities current property tax advances in the amount of \$39,230,961.

The Center also withholds from the Municipalities' property tax advances due on Lottery and Operational loans payable to the Government Development Bank for Puerto Rico. Total withholdings amounted to \$43,198,423.

NOTE I - PENSION PLAN

All regular employees participate in the Retirement System of the Commonwealth of Puerto Rico (the System), a cost sharing multi-employer defined benefit pension plan. The payroll for employees covered by the System for the year ended June 30, 2009 was approximately \$13.8 million.

All Center's regular employees, who at the time of employment are 55 years old or less, become members of the System as a condition of their employment. Employees who retire at or after age 55 with 25 years of credited service or age 58 with 10 years of credited service are entitled to a retirement benefit, payable each month for life, computed based on a benefit rate set forth by Commonwealth statute. The System also provides death and disability benefits established by Commonwealth statute.

The Center is subject to a possible claim by the System based on the provisions of Act No. 447 of 1951 (the Act). The Act provides that government instrumentality shall cover possible actuarial deficiencies related to the accrued benefits from the respective instrumentality.

No provision has been made in the financial statements for the liability that results from actuarial deficiency at June 30, 1994 and possible liability that may arise from actuarial study at June 30, 2005.

Commonwealth legislation requires employees to contribute 5.775% for the first \$550 of their monthly gross salary and 8.275% for the excess over \$550 of monthly gross salary. The Center is required by the same statute to contribute 9.25% of the participant's gross salary. Total employee and employer contributions during the fiscal year ended June 30, 2009 amounted to approximately \$1,258,710 and \$1,431,407, respectively, that represented 100% of required contributions.

MUNICIPAL REVENUE COLLECTION CENTER
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

NOTE I - PENSION PLAN (CONTINUED)

On September 24, 1999, an amendment to Act No. 447 of May 15, 1951, which created the Retirement System, was enacted with the purpose of establishing a new pension program (System 2000). Employees participating in the current system as of December 31, 1999, may elect to stay in the defined benefit plan or transfer to the new program. Persons joining the Center on or after January 1, 2000, will only be allowed to become members of System 2000. System 2000 will reduce the retirement age from 65 years to 60 for those employees who joined the current plan on or after April 1, 1990.

System 2000 is a hybrid defined contribution plan, also known as a cash balance plan. Under this 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. They will not guarantee benefits at retirement age. The annuity will be based on a formula which assumes that each year the employee's contribution (with a minimum of 8.275% of the employee's salary up to a maximum of 10%) will be invested in an account which will either: (1) earn a fixed rate based on the two-year Constant Maturity Treasury Note or, (2) earn a rate equal to 75% of the return of the System investment portfolio (net of management fees), or (3) earn a combination of both alternatives. Participants will receive periodic account statements similar to those of defined contribution plans showing their accrued balances. Disability pensions will not be granted under System 2000. The employers' contribution (9.275% of the employee's salary) will be used to fund the current plan.

NOTE J- CONTINGENCIES

Claims and lawsuits

The Center is defendant in labor and other lawsuits arising from its operations; management and legal counsel are of the opinion that the outcome of these suits will not have a material effect on the Center's financial position or the results of its operations. The accompanying financial statements include an adjustment of \$125,000 that might result from the outcome of these uncertainties.

NOTE K – SUBSEQUENT EVENT

Subsequent to year end, the Center entered into an agreement with a taxpayer to conclude a dispute related to certain tax collections. Such agreement required the Center to pay approximately \$934,000.



MUNICIPAL REVENUE COLLECTION CENTER

SCHEDULE OF PROPERTY TAX FUND

LIQUIDATION (IN ACCORDANCE
WITH LAW NO. 80 OF AUGUST 30, 1991,
AS AMENDED)

YEAR ENDED JUNE 30, 2009

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INDEPENDENT AUDITORS' REPORT

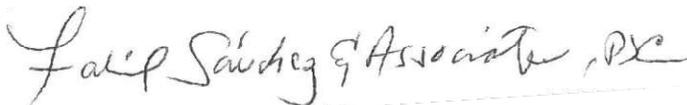
GOVERNING BOARD MUNICIPAL REVENUE COLLECTION CENTER

We have audited the accompanying Schedule of Property Tax Fund Liquidation (in accordance with Law Number 80 of August 30, 1991, as amended) of the Municipal Revenue Collection Center (the Center) for the year ended June 30, 2009. This Schedule is the responsibility of the Center's management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Property Tax Fund Liquidation is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Property Tax Fund Liquidation. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Schedule of Property Tax Fund Liquidation referred to above presents fairly, in all material respects, the property tax fund liquidation for the year ended June 30, 2009, in accordance with Law Number 80 of August 30, 1991, as amended.

This report is intended solely for the information and use of the Governing Board and management of the Municipal Revenue Collection Center and the mayors and management of the municipalities of Puerto Rico, and is not intended to be and should not be, used by anyone other than these specified parties.



December 3, 2009

Stamp number 2455956 was
affixed to the original of this
report.

**MUNICIPAL REVENUE COLLECTION CENTER
SCHEDULE OF PROPERTY TAX FUND LIQUIDATION
(IN ACCORDANCE WITH LAW NO. 80
OF AUGUST 30, 1991, AS AMENDED)
YEAR ENDED JUNE 30, 2009**

Municipality	Revenues after The Approval of Law 80 of August 30, 1991	Advances made to Municipalities	Center's Budget	Total before other Deductions and Adjustments	Deductions and Adjustments	Due from Municipalities	Due to Municipalities
TOTAL	\$900,425,350	\$900,187,215	\$27,670,527	\$(27,432,392)	\$(425,097)	\$(29,447,070)	\$2,439,775
ADJUNTAS	5,376,839	5,321,127	36,128	19,585	14,659	0	4,926
AGUADA	7,179,329	7,127,653	129,041	(77,364)	33,019	(110,384)	0
AGUADILLA	11,358,128	11,481,105	376,300	(499,277)	(51,420)	(447,858)	0
AGUAS BUENAS	6,100,716	6,065,150	57,246	(21,680)	17,680	(39,360)	0
AIBONITO	5,912,998	5,782,389	90,011	40,598	36,350	0	4,249
AÑASCO	6,021,248	6,020,645	121,782	(121,179)	(18,785)	(102,393)	0
ARECIBO	12,957,410	13,364,836	427,253	(834,679)	(238,238)	(596,441)	0
ARROYO	5,510,173	5,339,450	56,122	114,602	32,422	0	82,180
BARCELONETA	9,308,093	9,136,645	331,386	(159,938)	12,852	(172,790)	0
BARRANQUITAS	6,731,758	6,681,867	60,911	(11,019)	33,952	(44,972)	0
BAYAMON	52,052,560	50,919,762	2,081,103	(948,305)	186,740	(1,135,045)	0
CABO ROJO	8,973,767	8,693,462	312,578	(32,273)	67,278	(99,551)	0
CAGUAS	35,285,266	35,410,276	1,488,092	(1,613,102)	(227,020)	(1,386,083)	0
CAMUY	6,480,906	6,401,530	79,783	(407)	(3,466)	0	3,058
CANOVANAS	8,295,592	7,858,888	237,649	199,055	40,921	0	158,133
CAROLINA	49,933,009	50,648,876	1,972,378	(2,688,245)	94,050	(2,782,295)	0
CATAÑO	16,419,831	17,074,100	608,878	(1,263,146)	1,311	(1,264,457)	0
CAYEY	9,528,939	9,060,400	387,497	81,041	79,321	0	1,720
CEIBA	5,068,124	5,169,866	60,461	(162,202)	25,579	(187,782)	0

**MUNICIPAL REVENUE COLLECTION CENTER
SCHEDULE OF PROPERTY TAX FUND LIQUIDATION
(IN ACCORDANCE WITH LAW NO. 80 OF
AUGUST 30, 1991, AS AMENDED)
YEAR ENDED JUNE 30, 2009**

Municipality	Revenues after The Approval of Law 80 of August 30, 1991	Advances made to Municipalities	Center's Budget	Total before other Deductions and Adjustments	Deductions and Adjustments	Due from Municipalities	Due to Municipalities
CIALES	4,930,499	4,922,050	39,824	(31,374)	(47,965)	0	16,592
CIDRA	6,742,209	6,944,236	181,378	(383,404)	(72,872)	(310,532)	0
COAMO	6,542,757	6,543,205	95,603	(96,050)	33,150	(129,200)	0
COMERIO	6,535,960	6,563,191	32,349	(59,580)	14,549	(74,129)	0
COROZAL	6,770,631	6,905,422	63,388	(198,179)	16,911	(215,090)	0
CULEBRA	2,153,254	2,175,787	17,664	(40,197)	7,444	(47,642)	0
DORADO	9,825,501	9,893,066	428,145	(495,710)	(390)	(495,320)	0
FAJARDO	9,612,840	9,506,200	359,196	(252,556)	58,014	(310,570)	0
FLORIDA	4,757,127	4,792,249	20,921	(56,043)	12,742	(68,785)	0
GUANICA	5,365,271	5,294,652	48,821	21,798	(5,389)	0	27,187
GUAYAMA	8,891,789	7,708,931	382,533	800,324	134,219	0	666,105
GUAYANILLA	5,001,819	5,273,122	58,700	(330,003)	(8,243)	(321,760)	0
GUAYNABO	48,766,860	47,402,103	2,114,353	(749,596)	145,406	(895,002)	0
GURABO	7,734,178	7,598,898	254,141	(118,861)	1,353	(120,214)	0
HATILLO	7,764,708	7,627,441	257,328	(120,061)	32,792	(152,853)	0
HORMIGUEROS	4,954,500	5,173,561	106,062	(325,124)	(8,506)	(316,618)	0
HUMACAO	13,596,136	13,766,668	573,057	(743,590)	32,937	(776,526)	0
ISABELA	7,898,234	7,711,256	195,699	(8,721)	36,769	(45,490)	0
JAYUYA	4,934,835	4,898,425	44,623	(8,213)	(16,813)	0	8,600
JUANA DIAZ	6,039,683	7,344,111	154,258	(1,458,686)	43,617	(1,502,303)	0
JUNCOS	6,623,700	8,109,584	122,624	(1,608,508)	(100,081)	(1,508,427)	0

**MUNICIPAL REVENUE COLLECTION CENTER
SCHEDULE OF PROPERTY TAX FUND LIQUIDATION
(IN ACCORDANCE WITH LAW NO. 80 OF
AUGUST 30, 1991, AS AMENDED)
YEAR ENDED JUNE 30, 2009**

Municipality	Revenues after The Approval of Law 80 of August 30, 1991	Advances made to Municipalities	Center's Budget	Total before other Deductions and Adjustments	Deductions and Adjustments	Due from Municipalities	Due to Municipalities
LAJAS	5,636,164	5,541,058	89,671	5,435	11,156	(5,720)	0
LARES	6,661,865	6,714,494	66,616	(119,245)	32,342	(151,587)	0
LAS MARIAS	4,594,199	4,607,950	19,695	(33,445)	(23,654)	(9,792)	0
LAS PIEDRAS	6,252,459	5,991,607	165,243	95,609	36,962	0	58,646
LOIZA	7,061,911	7,010,291	72,205	(20,585)	19,465	(40,050)	0
LUQUILLO	5,487,401	5,382,746	129,270	(24,615)	25,070	(49,685)	0
MANATI	9,679,505	9,710,836	337,948	(369,280)	16,154	(385,434)	0
MARICAO	3,690,651	3,757,786	17,878	(85,013)	(14,600)	(70,412)	0
MAUNABO	5,236,085	5,231,136	32,526	(27,577)	24,842	(52,419)	0
MAYAGUEZ	22,117,241	21,442,383	892,032	(217,174)	(66,544)	(150,630)	0
MOCA	6,514,545	6,396,797	93,529	24,219	32,137	(7,918)	0
MOROVIS	6,654,254	6,607,732	54,956	(8,434)	(54,955)	0	46,521
NAGUABO	5,585,774	5,642,824	82,445	(139,495)	4,336	(143,830)	0
NARANJITO	7,038,414	6,983,829	76,532	(21,946)	30,516	(52,462)	0
OROCOVIS	6,770,667	6,725,606	45,626	(565)	6,732	(7,297)	0
PATILLAS	5,363,742	5,358,856	43,416	(38,530)	(11,269)	(27,260)	0
PEÑUELAS	6,767,822	6,527,675	191,279	48,869	(59,913)	0	108,782
PONCE	33,615,389	33,071,524	1,306,838	(762,972)	155,025	(917,997)	0
QUEBRADILLAS	5,774,588	5,665,141	70,328	39,119	(40,471)	0	79,590
RINCON	5,169,198	5,093,809	84,354	(8,965)	15,542	(24,507)	0
RIO GRANDE	9,029,729	8,856,858	305,818	(132,947)	38,067	(171,014)	0

**MUNICIPAL REVENUE COLLECTION CENTER
SCHEDULE OF PROPERTY TAX FUND LIQUIDATION
(IN ACCORDANCE WITH LAW NO. 80 OF
AUGUST 30, 1991, AS AMENDED)
YEAR ENDED JUNE 30, 2009**

Municipality	Revenues after The Approval of Law 80 of August 30, 1991	Advances made to Municipalities	Center's Budget	Total before other Deductions and Adjustments	Deductions and Adjustments	Due from Municipalities	Due to Municipalities
SABANA GRANDE	5,528,967	5,563,212	63,184	(97,428)	(58,846)	(38,582)	0
SALINAS	6,130,132	6,072,526	88,887	(31,280)	124,915	(156,195)	0
SAN GERMAN	7,018,753	6,882,917	169,218	(33,382)	36,201	(69,583)	0
SAN JUAN	149,094,431	151,208,262	6,242,825	(8,356,657)	(885,030)	(7,471,626)	0
SAN LORENZO	7,300,182	7,139,701	129,327	31,154	23,319	0	7,835
SAN SEBASTIAN	7,348,856	7,357,184	156,114	(164,442)	30,369	(194,811)	0
SANTA ISABEL	5,042,455	4,840,475	85,261	116,720	(23,766)	0	140,486
TOA ALTA	6,852,676	8,073,266	180,021	(1,400,611)	(11,975)	(1,388,636)	0
TOA BAJA	16,754,192	17,727,909	560,083	(1,533,800)	(393,072)	(1,140,727)	0
TRUJILLO ALTO	11,735,722	11,499,676	339,228	(103,182)	68,455	(171,636)	0
UTUADO	6,918,231	6,975,375	76,752	(133,897)	12,614	(146,511)	0
VEGA ALTA	8,847,985	7,400,456	360,572	1,086,957	131,155	0	955,802
VEGA BAJA	9,216,831	9,468,052	243,137	(494,359)	60,753	(555,112)	0
VIEQUES	3,989,937	3,976,256	37,268	(23,586)	(67,576)	0	43,990
VILLALBA	6,372,397	6,338,393	39,719	(5,715)	(31,086)	0	25,372
YABUCOA	6,424,711	6,408,755	88,648	(72,692)	(53,407)	(19,285)	0
YAUCO	7,210,108	7,221,677	166,817	(178,386)	(11,907)	(166,479)	0

**MUNICIPAL REVENUE COLLECTION CENTER
NOTES TO THE SCHEDULE OF PROPERTY TAX FUND LIQUIDATION
(IN ACCORDANCE WITH LAW NO. 80
OF AUGUST 30, 1991, AS AMENDED)
YEAR ENDED JUNE 30, 2009**

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICY

The Municipal Revenue Collection Center (the Center) was created by Law No. 80 as part of the Municipal Reform Legislation of August 30, 1991. The Center was created for the purpose of establishing a separate and independent governmental entity from the Commonwealth of Puerto Rico (the Commonwealth), to collect, receive and distribute the property tax revenues of the Municipalities and other funds appropriated by the Commonwealth for the Municipalities. Prior to the enactment of this Law, the Commonwealth, through the Department of the Treasury, accounted for these revenues. The Center is exempt from the payment of taxes on its revenues and properties.

The Schedule of Property Tax Liquidation (in accordance with Law No. 80 of August 30, 1991, as amended), has been prepared on the cash basis of accounting. Property tax revenues are recorded when collected and deducted when distributed to the municipalities. Advances to the municipalities are made on a monthly basis based on estimates of revenues in accordance with Law No. 80, as amended.

NOTE B - PROPERTY TAX FUND

Pursuant to Law No. 80 of August 30, 1991, as amended, the Center is empowered to bill and collect property taxes and to distribute property tax collections to the Municipalities.

The Center must advance to the Municipalities, on a monthly basis, one-twelfth of the estimate of annual revenues for each Municipality. A final liquidation of funds due to or from each Municipality is required within the six-month, following the close of the fiscal year on June 30, 2009.

Property Taxes:

Real and personal property taxes are assessed based on the taxable values as of January 1, for all properties located in the Commonwealth. Assessed values of real property are established at estimated current values of 1957. Assessed values of personal property are based on the book value at January 1 of each year.

Real property taxes are billed by the Center and are due in two equal installments in July and January following the assessment date. Personal property taxes are self-assessed and are due in May 15, when the related property tax return is required to be filed.

**MUNICIPAL REVENUE COLLECTION CENTER
NOTES TO THE SCHEDULE OF PROPERTY TAX FUND LIQUIDATION
(IN ACCORDANCE WITH LAW NO. 80
OF AUGUST 30, 1991, AS AMENDED) (CONTINUED)
YEAR ENDED JUNE 30, 2009**

NOTE B - PROPERTY TAX FUND (CONTINUED)

Property Taxes (continued)

The property tax rate per annum varies among municipalities; however, for fiscal years commencing on or after July 1, 1992 it is comprised of a basic maximum tax of 4% for personal property or 6% for real property, 1.03% assessed by the Commonwealth of Puerto Rico for the payment of general obligation bonds and notes, and an amount assessed by the municipalities for the payment of municipal bonds and notes. Property tax rates for fiscal year 2009 varied from 5.80% to 8.33% for personal property and from 7.80% to 9.58% for real property.

Exemptions and Discounts

Several Commonwealth laws, primarily to promote economic development, provide property tax exemptions. Under various industrial incentives laws, qualifying businesses are exempted totally or partially from real and personal property taxes for periods, which vary, by Municipality. Retailers with an annual sales volume of less than \$150,000 are granted an exemption from taxes on the first \$50,000 of personal property.

The Commonwealth also exempts homeowners from taxes on the first \$15,000 of the assessed value of real property used by the owner as his principal residence. Veterans have an additional exemption from taxes on \$5,000 of the assessed value of real property.

The Commonwealth pays to the municipalities property taxes exempted on real property up to a fixed amount. The amount paid by the Commonwealth for exempted basic rate on real property is fixed at approximately \$86 million per fiscal year.

Law 16 of May 1960 authorizes the Secretary of the Treasury of the Commonwealth to grant a discount of .20% of the annual basic tax over the assessment value of all real and personal property not exempt from taxes. The Department of the Treasury reimburses the discounts to the municipalities. For the fiscal year ended June 30, 2009 the discount totaled \$25,338,011.

Equalization Fund:

Law No. 80 establishes a special fund known as the Equalization Fund ("Fondo de Equiparación") for the purpose of ensuring that all Municipalities receive at least the same amount of revenues as they received on the prior year from these sources.

**MUNICIPAL REVENUE COLLECTION CENTER
NOTES TO THE SCHEDULE OF PROPERTY TAX FUND LIQUIDATION
(IN ACCORDANCE WITH LAW NO. 80
OF AUGUST 30, 1991, AS AMENDED) (CONTINUED)
YEAR ENDED JUNE 30, 2009**

NOTE B - PROPERTY TAX FUND (CONTINUED)

Equalization Fund (continued)

The Equalization Fund includes the following:

- (a) All funds derived from basic property taxes assessed by the Commonwealth prior to the 1991 Municipal Reform corresponding to a tax rate of 1% for personal property and a tax rate of 3% over the assessed value of all real property in Puerto Rico, not otherwise exempt.
- (b) A subsidy, fixed since fiscal year 2002-2003 at 2.5 0% of the net internal revenue of the General Fund of the Commonwealth of Puerto Rico.
- (c) An amount equal to 35% of the Puerto Rico Additional Lottery System net income. During this year this amount totaled \$47,830,614.

Funds received under items (a) above are distributed to the corresponding Municipalities. Funds received under items (b) and (c) above are distributed to the Municipalities up to the amounts required to make each Municipality's revenues equal its revenues from these sources for the prior fiscal year (i.e., equalize the Municipalities). Any excess funds received under items (b) and (c) above are distributed to the Municipalities using the factors provided by Law No. 80. If funds are not sufficient to equalize all the municipalities, then the available funds are distributed in proportion to the funds received in prior year, after the municipalities with less than 50 thousand habitants are equalized.

Insurance and Other Withholdings

The Department of the Treasury of the Commonwealth of Puerto Rico pays annually the municipal insurance policies and the deductibles for all their claims. The Center also withholds from the property tax advances to the municipalities all amounts due on loans which are payable to the Government Development Bank of Puerto Rico.

**MUNICIPAL REVENUE COLLECTION CENTER
NOTES TO THE SCHEDULE OF PROPERTY TAX FUND LIQUIDATION
(IN ACCORDANCE WITH LAW NO. 80
OF AUGUST 30, 1991, AS AMENDED) (CONTINUED)
YEAR ENDED JUNE 30, 2009**

NOTE C – LIQUIDATION AND CLAIMS

There are two municipalities that had filed legal actions against the Center, challenging the final liquidations of remittances for certain prior years.

At June 30, 2009, the ultimate outcome of these lawsuits cannot presently be determined and no provision for any liability that may result has been made in the Property Tax Fund Liquidation in Accordance with Law No. 80 of August 30, 1991, as amended.

