



*López-Vega, CPA, PSC*

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COMMONWEALTH OF PUERTO RICO

MUNICIPALITY OF DORADO

BASIC FINANCIAL STATEMENTS ACCOMPANIED BY  
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2008

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

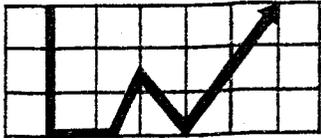
BASIC FINANCIAL STATEMENTS ACCOMPANIED BY  
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2008

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CONTENTS

	Page
<b><u>BASIC FINANCIAL STATEMENTS</u></b>	
Independent Auditors' Report	1-2
Required Supplementary Information (Part 1) Management's Discussion and Analysis	3-11
Government-Wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Statement of Revenues, Expenditures and Changes in Fund Balances	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	16
Proprietary Funds:	
Statement of Net Assets	17
Statement of Revenues, Expenses and Changes in Net Assets	18
Statement of Cash Flow	19
Notes to Basic Financial Statements	20-48
<b><u>SUPPLEMENTARY INFORMATION</u></b>	
Required Supplementary Information (Part II):	
Budgetary Comparison Schedule-General Fund	49
Notes to Budgetary Comparison Schedule-General Fund	50



*López-Vega, CPA, PSC*

Certified Public Accountants / Management Advisors

Member of:

- American Institute of Certified Public Accountants
- Puerto Rico Society of Certified Public Accountants

### INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
the Municipal Legislature  
Municipality of Dorado  
Dorado, Puerto Rico

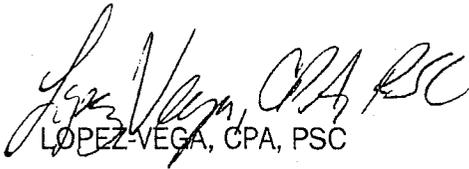
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Municipality of Dorado, Puerto Rico (Municipality)**, as of and for the year ended June 30, 2008, which collectively comprise the **Municipality's** basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **Municipality'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements 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 **Municipality of Dorado, Puerto Rico**, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

The Management's Discussion and Analysis on pages 3 through 11 and the Budgetary Comparison Schedule-General Fund on page 49 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

  
LOPEZ-VEGA, CPA, PSC

San Juan, Puerto Rico  
December 12, 2008

Stamp No. 2312194 of the Puerto Rico  
Society of Certified Public Accountants  
was affixed to the record copy of this report.



*López-Vega, CPA, PSC*

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2008

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the **Municipality of Dorado**, we offer readers of the Municipality's basic financial statements this narrative overview and analysis of the financial activities of the Municipality as of and for the fiscal year ended June 30, 2008. This Management's Discussion and Analysis (MD&A) includes comparative data, and it has been designed accordingly with the following goals:

- a) Assist the reader in focusing on significant financial issues;
- b) Provide an overview of the Municipality's financial activity;
- c) Identify changes in the Municipality's financial position (its ability to address the next and subsequent year challenges);
- d) Identify any material deviations from the financial plan (the approved budget,) and;
- e) Identify individual fund issues or concerns.

Since the MD&A is designed to focus on the current year activities, resulting changes and currently known facts, please read it in conjunction with the Municipality's financial statements.

**FINANCIAL HIGHLIGHTS**

- The Municipality net assets increase by \$4,414,970. Such increase is due mainly to increase in current and capital assets during the year.
- In the fund financial statements, the governmental activities revenues decreased \$724,540 (or 2%) while governmental activities expenditures increased \$841,805 (or 2%).
- The General Fund (the primary operating fund) reflected, on a current financial resource basis, an increase of \$2,606,993.
- On a budgetary basis, actual revenues exceeded actual expenditures by \$1,965,508.
- The Municipality issued bonds and notes amounting to \$11,225,000 and \$6,900,000, respectively, to finance the acquisition of properties and construction and improvement of municipal facilities and roads.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2008

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**FINANCIAL HIGHLIGHTS (CONTINUED)**

**Using This Annual Report**

This annual report consists of a series of new financial statements with a change in the focus from previous financial statements. The new focus is on both the Municipality as a whole (government-wide) and the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the Municipality's accountability.

**Government-Wide Financial Statements**

The Government-Wide Financial Statements are designed to provide users of the financial statements with a broad overview of the Municipality's finances in a manner similar to private-sector companies.

The Statement of Net Asset presents information on all of the Municipality's assets and liabilities, with the difference between both reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Municipality is improving or deteriorating.

The Statement of Activities presents information showing how the Municipality'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 timing of the related cash flows. Thus, revenues and expenses are reported in the Statement of Activities that will only result in cash flows in future fiscal periods. The Statement of Activities is focused on both the gross and net cost of various activities, which are provided by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of cost of various governmental services.

**Fund Financial Statements**

The Fund Financial Statements provide detailed information about the Municipality's most significant funds, not the Municipality as a whole. The Municipality has only one kind of fund which is the governmental fund.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government Wide Financial Statements.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS - (CONTINUED)

YEAR ENDED JUNE 30, 2008

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**FINANCIAL HIGHLIGHTS (CONTINUED)**

However, unlike the Government Wide Financial Statements, Government Fund Financial Statements, focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating the Municipality's near term financial requirements.

Because the focus of governmental funds is narrower than that of the government wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government wide financial statements. By doing so, users of the basic financial statements may better understand the long-term impact of the Municipality's near term financial decisions. Both of the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Infrastructure Assets**

Historically, a significant group of infrastructure assets such as roads, bridges, traffic signals, underground pipes not associated with utilities, have not been recognized nor depreciated in the accounting records of the Municipality. GASB 34 requires that such type of assets be inventoried, valued and reported under the governmental column of the Government-Wide Statement. As of July 1, 2002, the Municipality commenced the prospective reporting of infrastructure assets, and reported historical costs for such assets in the fiscal year ending June 30, 2007.

According to the requirements of GASB 34, the government must elect to either (a) depreciate the aforementioned assets over their estimated useful life or (b) develop a system of asset management design to maintain the service delivery to near perpetuity. If the government develops the asset management system, (the modified approach) which periodically (at least every three years), by category, measures and demonstrate its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation. In this particular respect, the municipality has elected the use of recognizing depreciation under the useful life method and it contemplates to continue this treatment on said basis.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS - (CONTINUED)

YEAR ENDED JUNE 30, 2008

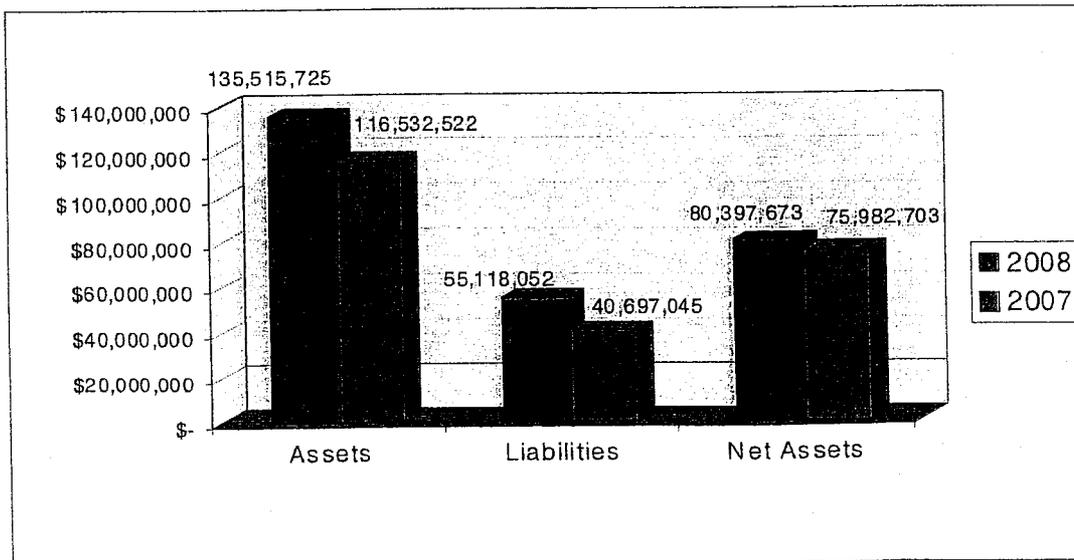
FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Municipality's combined net assets (excess of assets over liabilities) totaled \$80,397,673 at the end of 2008 compared to \$75,982,703 at the end of the previous year, as restated. Such increase in the total assets is mainly due to the increase in current and capital assets.

Condensed Statement of Net

Assets	2008	2007	Change	%
Current assets	\$36,535,206	\$25,298,888	\$11,236,318	44%
Capital assets	98,980,519	91,233,634	7,746,885	8%
<b>Total assets</b>	<b>135,515,725</b>	<b>116,532,522</b>	<b>18,983,203</b>	<b>16%</b>
Current liabilities	6,929,267	8,276,650	(1,347,383)	(16%)
Noncurrent liabilities	48,188,785	32,420,395	15,768,390	49%
<b>Total liabilities</b>	<b>55,118,052</b>	<b>40,697,045</b>	<b>14,421,007</b>	<b>35%</b>
Invested in capital assets, net of related debt	56,803,712	58,768,780	(1,965,068)	(3%)
Restricted	27,277,266	14,227,130	13,050,136	92%
Unrestricted	(3,683,305)	2,986,793	(6,670,098)	(223%)
<b>Total net assets</b>	<b>\$80,397,673</b>	<b>\$75,982,703</b>	<b>\$4,414,970</b>	<b>6%</b>



COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS - (CONTINUED)

YEAR ENDED JUNE 30, 2008

FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE (CONTINUED)

Changes in Net Assets

The Municipality's net assets increased by \$4,414,970. Approximately 59 percent of the Municipality's total revenue came from taxes, while 25 percent resulted from grants and contributions, including federal aid. Charges for Services provided 1 percent of the total revenues. Interest earnings and miscellaneous provided 15 percent of the total revenues. The Municipality's expenses cover a range of services. The largest expenses were for general government, public works and health and welfare. As follow, is presented a comparative analysis of government-wide data. In this analysis was determined the percentage change in revenues and expenditures from prior year to current year.

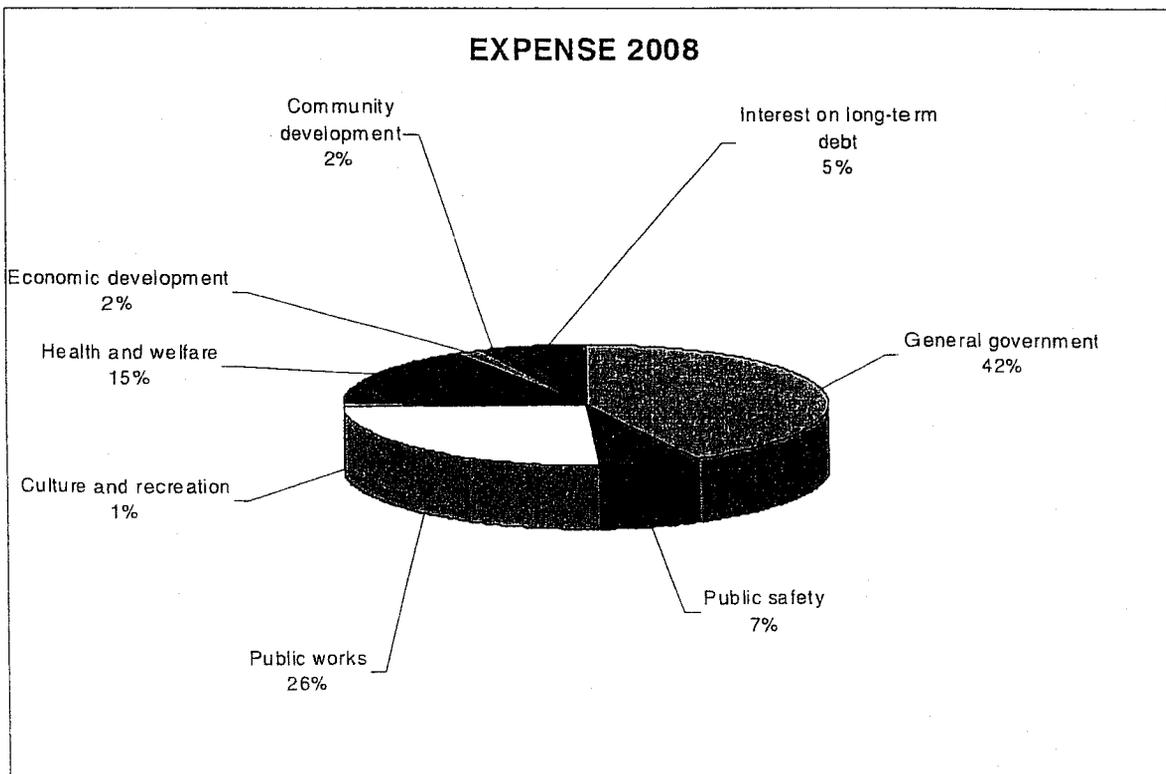
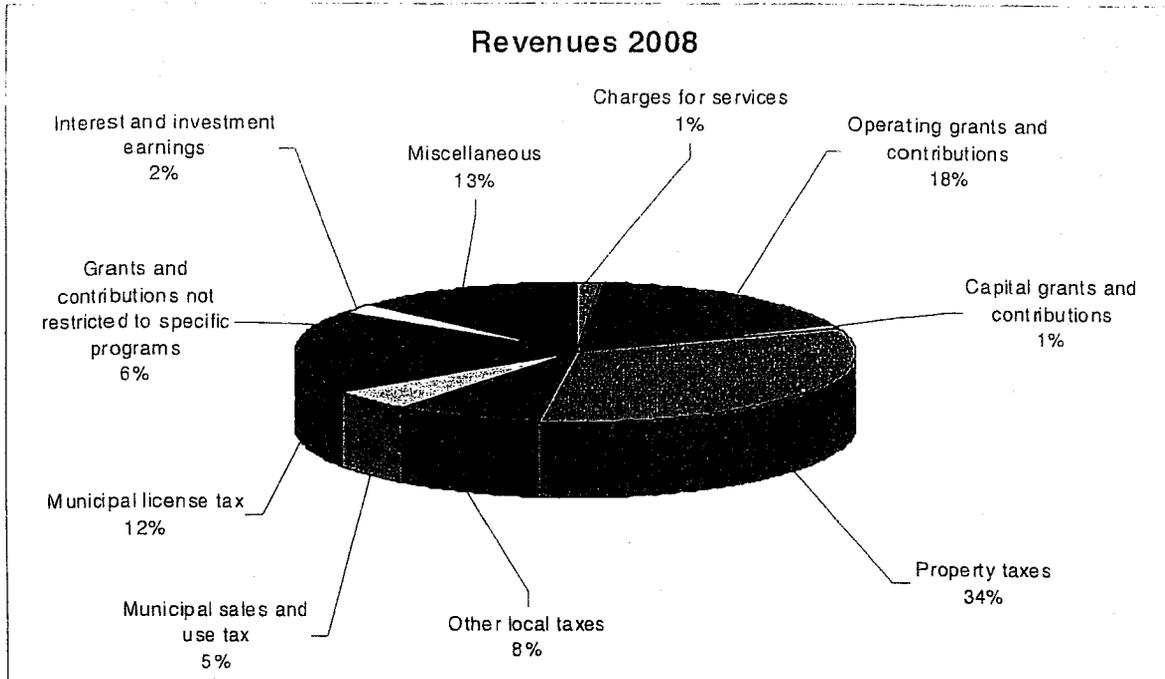
Condensed Statement of Activities	2008	2007	Change	%
Program revenues:				
Charges for services	\$483,189	\$500,340	(\$17,151)	(3%)
Operating grants and contributions	6,306,674	7,046,202	(739,528)	(10%)
Capital grants and contributions	417,500	3,980,954	(3,563,454)	(90%)
General revenues:				
Property taxes	12,167,963	11,238,288	929,675	8%
Other local taxes	3,145,318	2,460,722	684,596	28%
Municipal sales and use tax	1,884,053	1,255,750	628,303	50%
Municipal license tax	4,599,335	4,258,515	340,820	8%
Grants and contributions not restricted to specific programs	2,482,124	2,589,340	(107,216)	(4%)
Interest and investment earnings	827,206	1,046,562	(219,356)	(21%)
Miscellaneous	4,870,851	12,251,644	(7,380,793)	(60%)
<b>Total revenues</b>	<b>37,184,213</b>	<b>46,628,317</b>	<b>(9,444,104)</b>	<b>(20%)</b>
Expenses:				
General government	13,909,300	10,653,487	3,255,813	31%
Public safety	2,158,963	1,784,355	374,608	21%
Public works	8,428,626	7,243,047	1,185,579	16%
Culture and recreation	267,449	292,095	(24,646)	(8%)
Health and welfare	5,065,223	4,818,440	246,783	5%
Economic development	539,114	334,589	204,525	61%
Community development	701,114	948,917	(247,803)	(26%)
Urban development	46,054	2,465	43,589	1768%
Education	2,916	3,055	(139)	(5%)
Interest on long-term debt	1,650,484	1,384,723	265,761	19%
<b>Total expenses</b>	<b>32,769,243</b>	<b>27,465,173</b>	<b>5,304,070</b>	<b>19%</b>
Change in net assets	4,414,970	19,163,144	(14,748,174)	(77%)
Net assets-beginning of year, as restated	75,982,703	56,819,559	19,163,144	34%
Net assets-end of year	\$80,397,673	\$75,982,703	\$4,414,970	6%

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS - (CONTINUED)

YEAR ENDED JUNE 30, 2008

FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE (CONTINUED)



COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS - (CONTINUED)

YEAR ENDED JUNE 30, 2008

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**FINANCIAL ANALYSIS OF THE MUNICIPALITY'S INDIVIDUAL FUNDS**

As noted earlier, the Municipality uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental Funds**

The focus of the Municipality's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Municipality'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.

As of the end of the current fiscal year, the Municipality's governmental funds reported combined ending fund balances of \$30,596,791, an increase of \$13,038,319 in comparison with the prior year, as restated. There are reservations of fund balance amounting to \$29,059,425. This is the fund balance that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior fiscal year (\$901,890), 2) to pay debt service (\$5,376,203), 3) to pay for capital projects (\$21,845,717) and 4) for other purposes (\$834,758).

Within the governmental funds, it is included the general fund which is the chief operating fund of the Municipality. As of June 30, 2008 the general fund has an unreserved undesignated fund balance of \$1,537,366, and designated for a specific fund purpose, fund balance of \$100,857.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the Municipality Council revised the Municipality's budget in order to include increases in revenues that were identified during the course of the fiscal year based on current developments that positively affected the Municipality's finances. Increases in budgeted expenditures were also made since the law mandates a balanced budget.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

MANAGEMENT'S AND DISCUSSION ANALYSIS - (CONTINUED)

YEAR ENDED JUNE 30, 2008

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Municipality's investment in capital assets for Governmental Activities as of June 30, 2008 amounts to \$113,916,930 with an accumulated depreciation of \$17,850,786, leaving a net book value of \$96,066,144. For Business - Type Activities investments in capital assets as of June 30, 2008 amounts to \$3,971,648, with an accumulated depreciation of \$1,057,273, leaving a net book value of \$2,914,375. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the state, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

The total increase in the Municipality's investment in capital assets in the current fiscal year was about 9% in terms of net book value. Depreciation charges for the year totaled \$ 1,717,671.

The Municipality finances a significant portion of its construction activities through bond issuances. The proceeds from bond issuances designated for construction activities are committed in its entirety for such purposes and cannot be used for any other purposes. As of June 30, 2008, the Municipality has \$16,528,630 of unexpended proceeds from bond issuances that are committed to future construction activities in governmental Activities and \$59,907 in Business-Type Activities.

**Debt Administration**

The Puerto Rico Legislature has established a limitation for the issuance of general obligation municipal bonds and notes for the payment of which the good faith, credit and taxing power of each municipality may be pledged.

The applicable law also requires that in order for a Municipality to be able to issue additional general obligation bonds and notes such Municipality must have sufficient "payment capacity".

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

MANAGEMENT'S AND DISCUSSION ANALYSIS - (CONTINUED)

YEAR ENDED JUNE 30, 2008

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**CAPITAL ASSETS AND DEBT ADMINISTRATION- (CONTINUED):**

Act No. 64 provides that a municipality has sufficient "payment capacity" to incur additional general obligation debt if the deposits in such municipality's Redemption Fund and the annual amounts collected with respect to such Municipality's Special Additional Tax (as defined below), as projected by GDB, will be sufficient to service to maturity the Municipality's outstanding general obligation debt and the additional proposed general obligation debt ("Payment Capacity").

The Municipality is required under applicable law to levy the Special Additional Tax in such amounts as shall be required for the payment of its general obligation municipal bonds and notes. In addition, principal of and interest on all general obligation municipal bonds and notes and on all municipal notes issued in anticipation of the issuance of general obligation bonds issued by the Municipality constitute a first lien on the Municipality's Basic Tax revenues. Accordingly, the Municipality's Basic Tax revenues would be available to make debt service payments on general obligation

Municipal bonds and notes to the extent that the Special Additional Tax levied by the Municipality, together with moneys on deposit in the Municipality's Redemption Fund, are not sufficient to cover such debt service. It has never been necessary to apply Basic Taxes to pay debt service on general obligation debt of the Municipality.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Municipality relies primarily on property and municipal taxes as well as federal grants to carry out the governmental activities. Historically, property and municipal taxes have been very predictable with increases of approximately five percent. Federal grant revenues may vary if new grants are available but the revenue also is very predictable.

Those factors were considered when preparing the Municipality's budget for the 2008-2009 fiscal year.

**FINANCIAL CONTACT**

The Municipality's financial statements are designed to present users (citizens, taxpayer, customers, investors and creditors) with a general overview of the Municipality's finances and to demonstrate the Municipality's accountability. If you have questions about the report or need additional financial information, contact the Municipality's Chief Financial Officer at PO Box 588, Dorado, Puerto Rico 00646-0588, Telephone (787) 796-1230.

Commonwealth of Puerto Rico  
Municipality of Dorado  
Statement of Net Assets  
June 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 12,865,350	\$ 454,663	\$ 13,320,013
Cash with fiscal agent	21,845,816	59,907	21,905,723
Accounts receivable:			
Intergovernmental	919,595		919,595
Interest	43,202		43,202
Federal grants	227,315		227,315
Others	119,358		119,358
Capital assets			
Land, improvements, and construction in progress	75,547,950	388,790	75,936,740
Other capital assets, net of depreciation	20,518,194	2,525,585	23,043,779
Total capital assets	<u>96,066,144</u>	<u>2,914,375</u>	<u>98,980,519</u>
<b>Total assets</b>	<u>132,086,780</u>	<u>3,428,945</u>	<u>135,515,725</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	2,423,782		2,423,782
Due to other governmental entities	243,697		243,697
Deferred revenues:			
Municipal license tax	3,018,948		3,018,948
Federal grant revenues	322,454		322,454
Interest payable	880,269	40,117	920,386
Noncurrent liabilities:			
Due within one year	2,772,351	63,163	2,835,514
Due in more than one year	44,342,262	1,011,009	45,353,271
<b>Total liabilities</b>	<u>54,003,763</u>	<u>1,114,289</u>	<u>55,118,052</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	55,003,626	1,800,086	56,803,712
Restricted for:			
Capital projects	21,845,717		21,845,717
Debt service	4,495,934		4,495,934
Other purposes	935,615		935,615
Unrestricted (deficit)	<u>(4,197,875)</u>	<u>514,570</u>	<u>(3,683,305)</u>
<b>Total net assets</b>	<u>\$ 78,083,017</u>	<u>\$ 2,314,656</u>	<u>\$ 80,397,673</u>

Commonwealth of Puerto Rico  
Municipality of Dorado  
Statement of Activities  
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
General government	\$ 13,751,592	\$ 216,446	\$ 326,425	\$ -	\$ (13,208,721)	\$ -	\$ (13,208,721)
Public safety	2,158,963	4,272	364,733	-	(1,789,958)	-	(1,789,958)
Public works	8,428,626	-	56,464	417,500	(7,954,662)	-	(7,954,662)
Health and welfare	5,065,223	-	4,394,043	-	(671,180)	-	(671,180)
Culture and recreation	267,449	-	-	-	(267,449)	-	(267,449)
Economic development	539,114	-	275,867	-	(263,247)	-	(263,247)
Community development	701,114	-	848,026	-	146,912	-	146,912
Urban development	46,054	-	41,116	-	(4,938)	-	(4,938)
Education	2,916	-	-	-	(2,916)	-	(2,916)
Interest on long-term debt	1,560,876	-	-	-	(1,560,876)	-	(1,560,876)
<b>Total governmental activities</b>	<b>\$ 32,521,927</b>	<b>\$ 220,718</b>	<b>\$ 6,306,674</b>	<b>\$ 417,500</b>	<b>(25,577,035)</b>	<b>-</b>	<b>(25,577,035)</b>
<b>Business type activities:</b>							
General Government	157,708	262,471	-	-	-	104,763	104,763
Interest on long term debt	89,608	-	-	-	-	(89,608)	(89,608)
<b>Total business type activities</b>	<b>247,316</b>	<b>262,471</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,155</b>	<b>15,155</b>
<b>Total primary government</b>	<b>\$ 32,769,243</b>	<b>483,189</b>	<b>6,306,674</b>	<b>417,500</b>	<b>(25,577,035)</b>	<b>15,155</b>	<b>(25,561,880)</b>
<b>General revenues:</b>							
Property taxes					12,167,963		12,167,963
Municipal license tax					4,599,335		4,599,335
Municipal sales and use tax					1,884,053		1,884,053
Other local taxes					3,145,318		3,145,318
Grants and contributions not restricted to specific programs					2,482,124		2,482,124
Interest and investment earnings					827,206		827,206
Miscellaneous					4,870,482	369	4,870,851
<b>Total general revenues and transfers</b>					<b>29,976,481</b>	<b>369</b>	<b>29,976,850</b>
Change in net assets					4,399,446	15,524	4,414,970
Net assets - beginning, as restated					73,683,571	2,299,132	75,982,703
Net assets - ending					<b>\$ 78,083,017</b>	<b>\$ 2,314,656</b>	<b>\$ 80,397,673</b>

Commonwealth of Puerto Rico  
Municipality of Dorado  
Balance Sheet  
Governmental Funds  
June 30, 2008

	General Fund	Capital Projects Fund - State & Local Grants	Capital Projects Fund - Federal Grants	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 5,533,065	\$ 1,116,419	\$ 4,582,572	\$ -	\$ 1,633,294	\$ 12,865,350
Cash with fiscal agent	4,217	16,528,630		5,312,969		21,845,816
Accounts receivable:						
Intergovernmental	848,757			63,234	7,604	919,595
Interest	43,202					43,202
Federal grants					227,315	227,315
Others	44,358					44,358
Due from other funds	782,240				2,000	784,240
<b>Total assets</b>	<b><u>\$ 7,255,839</u></b>	<b><u>\$ 17,645,049</u></b>	<b><u>\$ 4,582,572</u></b>	<b><u>\$ 5,376,203</u></b>	<b><u>\$ 1,870,213</u></b>	<b><u>\$ 36,729,876</u></b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities :</b>						
Accounts payable and accrued liabilities	\$ 602,324	\$ 174,504	\$ -	\$ -	\$ 138,161	\$ 914,989
Due to other governmental entities	243,697					243,697
Due to other funds	2,000	207,400			574,840	784,240
Deferred revenues:						
Municipal license tax	3,018,948					3,018,948
Intergovernmental	848,757					848,757
Federal grant revenues					322,454	322,454
<b>Total liabilities</b>	<b><u>4,715,726</u></b>	<b><u>381,904</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,035,455</u></b>	<b><u>6,133,085</u></b>
<b>Fund balances:</b>						
<b>Reserved for:</b>						
Encumbrances	901,890					901,890
Capital projects		17,263,145	4,582,572			21,845,717
Debt service fund				5,376,203		5,376,203
<b>Reserved reported in nonmajor funds:</b>						
Other purposes					834,758	834,758
<b>Unreserved:</b>						
Designated for specific fund purpose	100,857					100,857
Undesignated	1,537,366					1,537,366
<b>Total fund balances</b>	<b><u>2,540,113</u></b>	<b><u>17,263,145</u></b>	<b><u>4,582,572</u></b>	<b><u>5,376,203</u></b>	<b><u>834,758</u></b>	<b><u>30,596,791</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 7,255,839</u></b>	<b><u>\$ 17,645,049</u></b>	<b><u>\$ 4,582,572</u></b>	<b><u>\$ 5,376,203</u></b>	<b><u>\$ 1,870,213</u></b>	
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>						
Accrual basis of accounting accounts receivable recognized in government-wide financial statements						923,757
Accrual basis of accounting accounts payable recognized in government-wide financial statements						(1,508,793)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds						96,066,144
Long-term liabilities, including accrued interest payable, are not due and payable in the current period, and therefore, are not reported in the funds						(47,994,882)
<b>Net assets of governmental activities</b>						<b><u>\$ 78,083,017</u></b>

Commonwealth of Puerto Rico  
Municipality of Dorado  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2008

	General Fund	Capital Projects Fund - State & Local Grants	Capital Projects Fund - Federal Grants	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property taxes	\$ 8,219,599	\$ -	\$ -	\$ 4,079,770	\$ -	\$ 12,299,369
Municipal license taxes	4,599,335					4,599,335
Municipal sales and use tax	1,666,965			217,088		1,884,053
Licenses, permits and other local taxes	3,115,334					3,115,334
Intergovernmental	2,808,549	401,766			733,086	3,943,401
Fines and forfeitures	4,272					4,272
Rent of property	216,446					216,446
Interest	827,206	5,845				833,051
Federal grants					5,234,042	5,234,042
Miscellaneous	1,635,845	9,888	1,350		139,564	1,786,647
<b>Total revenues</b>	<b>23,093,551</b>	<b>417,499</b>	<b>1,350</b>	<b>4,296,858</b>	<b>6,106,692</b>	<b>33,915,950</b>
<b>Expenditures</b>						
<b>Current:</b>						
General government	12,447,143	70,850			34,240	12,552,233
Public safety	1,786,898				411,774	2,198,672
Public works	7,521,482	3,883,951			6,443	11,411,876
Health and welfare					5,071,092	5,071,092
Culture and recreation	627,242	1,229,193			13,848	1,870,283
Economic development					539,114	539,114
Community development			919,459		829,344	1,748,803
Urban development					46,054	46,054
<b>Debt service:</b>						
Principal				2,245,000		2,245,000
Interest			48,195	1,271,309		1,319,504
<b>Total expenditures</b>	<b>22,382,765</b>	<b>5,183,994</b>	<b>967,654</b>	<b>3,516,309</b>	<b>6,951,909</b>	<b>39,002,631</b>
Excess (deficiency) of revenues over (under) expenditures	710,786	(4,766,495)	(966,304)	780,549	(845,217)	(5,086,681)
<b>Other financing sources (uses)</b>						
Transfers in	13,458		51,674	132,393	850,779	1,048,304
Transfers out	(891,622)	(106,508)	(2,798)		(47,376)	(1,048,304)
Long-term debt issued		12,625,000	5,500,000			18,125,000
<b>Total other financing sources (uses)</b>	<b>(878,164)</b>	<b>12,518,492</b>	<b>5,548,876</b>	<b>132,393</b>	<b>803,403</b>	<b>18,125,000</b>
<b>Net change in fund balances</b>	<b>(167,378)</b>	<b>7,751,997</b>	<b>4,582,572</b>	<b>912,942</b>	<b>(41,814)</b>	<b>13,038,319</b>
Fund balance, beginning as restated	2,707,491	9,511,148		4,463,261	876,572	17,558,472
Fund balance, ending	<u>\$ 2,540,113</u>	<u>\$ 17,263,145</u>	<u>\$ 4,582,572</u>	<u>\$ 5,376,203</u>	<u>\$ 834,758</u>	<u>\$ 30,596,791</u>

*CDP  
5/11/09*

Commonwealth of Puerto Rico  
Municipality of Dorado  
Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2008

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Net Change in Fund Balances - Total Governmental Funds	\$ 13,038,319
Amounts reported for governmental activities in the Statement of Activities are different because:	
Prior Year Accounts Receivable reported in the Governmental Fund Financial Statements as revenues, but reversed in the Government-Wide Statement of Activities and Changes in Net Assets.	(1,004,658)
Accounts Receivable reported in Government-Wide Statement of Net Assets collected after year end, but not available soon enough to pay current liabilities, and therefore are not reported in the Governmental Funds.	923,757
Donations of Capital Assets from outside parties, do not provide current financial resources in Governmental Funds, but the transaction must be reflected in the Government-Wide Statement of Net Assets based on the fair value of the donated property,	3,120,686
Governmental Funds report capital outlays as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	6,344,255
Retirement of Capital Assets	(386)
Depreciation Expense on Capital Assets is reported in the Government-Wide Statements of Activities and Change in Net Assets, but they do not require the use of current financial resources. Therefore, Depreciation expense is not reported as expenditures in Governmental Funds Financial Statements.	(1,628,100)
Interest Expense change is reported in the Government-Wide Statement of Activities and Change in Net Assets, but not require the use of current financial resources. Therefore, Interest expense change is not reported as expenditures in Governmental Funds Financial Statements.	(241,372)
Accounts payable change is reported in the Government-Wide Statement of Activities and Change in Net Assets, but not reported as in the Governmental Funds, because they do not require the use of current financial resources. This is the amount reported in the current period.	(249,849)
Long term debt issuances are reported in the Government-Wide Statement of Net Assets, but not require the use of current financial resources. Therefore, Long term debt issuances are not reported as expenditures in Governmental Funds Financial Statements.	(718,133)
Long term debts payments are reported as expenditures in the Governmental Funds Financial Statements which require the use of current financial resources. Therefore Long term debt payments are not reported as expenditures in the Government-Wide Statement of Activities and Change in Net Assets.	961,827
Change in Landfill Accrual	(266,900)
Bonds proceeds provide current financial resources to Governmental Funds, but issuing debt increase long-term liabilities in the Government-Wide statement of Net Assets. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long -term liabilities in the Government-Wide Statement of Net Assets. This is the amount by which the debt service principal payments exceed the debt proceeds	(15,880,000)
Change in Net Assets of Governmental Activities	<u>\$ 4,399,446</u>

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND-BUSINESS TYPE ACTIVITY-ENTERPRISE FUND  
YEAR ENDED JUNE 30,2008

	Business Type Activity Enterprise
<b>Assets</b>	
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 454,663
Cash with fiscal agent	59,907
Total current assets	514,570
<b>Noncurrent Assets:</b>	
<b>Capital Assets:</b>	
<b>Property, and equipment:</b>	
Land	388,790
Building	3,582,858
Accumulated depreciation	(1,057,273)
Total non-current assets	2,914,375
Total assets	3,428,945
<b>Liabilities:</b>	
<b>Current Liabilities:</b>	
Revenue Fund-Banco Santander Loan	63,163
Interest Payable-Banco Santander Loan	40,117
Total current liabilities	103,280
<b>Noncurrent Liabilities:</b>	
Revenue Fund-Banco Santander Loan	1,011,009
Total noncurrent liabilities	1,011,009
Total liabilities	1,114,289
<b>Net Assets</b>	
Invested in Capital Assets, net of related debt	1,800,086
Unrestricted	514,570
Total Net Assets	\$ 2,314,656

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND-BUSINESS TYPE ACTIVITY-ENTERPRISE FUND  
YEAR ENDED JUNE 30, 2008

	<u>Business - Type Activities Enterprise</u>
<b>Operating revenues:</b>	
Charges for services	\$ 262,471
Total operating revenues	<u>262,471</u>
 <b>Operating expenses:</b>	
Operations and maintenance	68,137
Depreciation and amortization	<u>89,571</u>
Total operating expenditures	<u>157,708</u>
Operating income (Loss)	104,763
 <b>Non-operating revenues (expenses):</b>	
Interest revenue	369
Interest expense	<u>(89,608)</u>
Total non-operating revenues (expenses)	<u>(89,239)</u>
Income (loss) before transfers	15,524
Change in Net Assets	15,524
Total net assets-beginning as restated	<u>2,299,132</u>
Total net assets-ending	<u><u>\$ 2,314,656</u></u>

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND- BUSINESS TYPE ACTIVITY- ENTERPRISE FUND  
YEAR ENDED JUNE 30, 2008

Cash Flows from Operating Activities:

Receipts from Customers	\$ 262,471
Payment to Suppliers	(68,137)
Interest revenue	369
Interest paid	<u>(49,490)</u>
 Net Cash Provided (Used) by Operating Activities	 <u>145,213</u>

Cash Flows from Capital and Related Financing Activities:

Repayment of Revenue Bond	<u>(164,233)</u>
 Net Cash Provided (Used) in Capital and Related Financing Activities	 <u>(164,233)</u>
 Net Decrease in Cash and Cash with Fiscal Agent, Restricted	 (19,020)
 Cash and Cash with Fiscal Agent at Beginning of Period, Restricted	 <u>533,590</u>
 Cash and Cash with Fiscal Agent at End of Period, Restricted	 <u>\$ 514,570</u>

Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:

Operating Income	<u>\$ 15,524</u>
 Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:	
Depreciation	89,572
Accrued Interest	<u>40,117</u>
 Total Adjustments	 <u>129,689</u>
 Net Cash Provided (Used) by Operating Activities	 <u>\$ 145,213</u>
 Noncash investing, capital and financing activities:	 none

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The **Municipality of Dorado** (the Municipality) was founded on the year 1842. The Municipality's governmental system consists of an executive and legislature body. It is governed by a Mayor and a fourteen member Municipal Legislature who are elected for a four-year term.

The Municipality provides public safety, public works, culture and recreation, health and welfare, community development, education, and other miscellaneous services.

The accounting policies and financial reporting practices of the Municipality conform to accounting principles generally accepted in the United States of America ("USGAAP") as applicable to governmental units.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, "Basic Financial Statements and Management's and Discussion and Analysis for State and Local Governments." This Statement, known as the Reporting Model, provides for the most significant change in financial reporting for state and local governments in over 20 years and affects the way the Municipality prepares and presents financial information. The Statement was adopted as of July 1, 2002. In addition to this Statement, GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus" and GASB Statement No. 38, "Certain Financial Statement Note Disclosures" have been adopted and are reflected in these financial statements.

As part of this Statement, there is a new reporting requirement regarding the capitalization of local government infrastructure (roads, bridges, traffic signals, etc.). This requirement permits an optional four-year delay for implementation to fiscal year 2007. The Municipality implemented the capitalization of infrastructure since July 1, 2006.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2008

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Component Units**

In evaluating how to define the Municipality for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the provisions of Statement No. 14, The Financial Reporting Entity, of the GASB, as amended by the GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units. The basic, but not the only criterion for including a potential component unit within the reporting entity is if elected officials of a primary government are financially accountable for the entity. Financial accountability exists if the primary governmental appoints a voting majority of the entity's governing body, and if either one of the following conditions exist: the primary government can impose its will on the other entity or the potential exists for the other entity to (1) provide specific financial benefits to or (2) impose specific financial burdens on the primary government. A second criterion used in evaluating potential component units is if the nature and significance of the relationship between the entity and a primary government are such that to exclude the entity from the financial reporting entity would render the financial statements misleading or incomplete. Based on the above criteria the Municipality does not have component units to include within its reporting entity.

**B. Government-wide and fund financial statements**

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

1. Management's discussion and analysis introduces the basic financial statements and provides an analytical overview of the Municipality's financial activities.
2. The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all the activities of the Municipality and its component units, if any. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-typed activities, if any, which rely to a significant extent on fees and charges for support. Interfund activity has been removed from these statements to minimize the duplicating effect on assets and liabilities within the governmental activities.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

NOTES TO BASIC FINANCIAL STATEMENTS - (CONTINUED)

YEAR ENDED JUNE 30, 2008

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

3. Fund financial statements focus on information about the Municipality's major governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The Municipality reports the following major governmental funds:

**General Fund**- is the accounting entity in which all governmental activity, except that which is required to be accounted for in another fund, is accounted for. Its revenues consist mainly of taxes, licenses and permits, intergovernmental revenue, charges for services and other.

**Capital Projects Fund - State and Local Grants** - is the accounting entity in which revenues derived from local funds, state or other restricted revenue sources related to capital projects, is accounted for. The uses and limitations of each capital project fund are specified by Municipality ordinances or federal and state statutes.

**Capital Projects Fund - Federal Grants** - is the accounting entity in which revenues derived from federal grants sources related to capital projects, is accounted for. The uses and limitations of each capital project fund are specified by Municipality ordinances or federal and state statutes.

**Debt Service Fund** - is the accounting entity used to account for the resources accumulated and payments made for principal and interest on long-term general obligation bonds of governmental funds.

4. Proprietary Fund Types focus on report any activities for which a fee is charged to external users for goods or services. The Municipality reports the following proprietary fund:

**Enterprise Fund** - The Enterprise Fund, which was established in June 1996, is used to account for operations (1) that are financed and operated in a similar manner as private business enterprises where the intent of the governing body is that the costs ( expenses, including depreciation) of providing goods and services to the general public on a continuing basis, are financed or recovered primary through uses, charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

NOTES TO BASIC FINANCIAL STATEMENTS - (CONTINUED)

YEAR ENDED JUNE 30, 2008

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- The enterprise fund of the Municipality includes land and buildings known as "Commercial Pavilion Rafael Hernández Colón" located in 349 Méndez Vigo Street at Dorado, Puerto Rico. The main source of income comes from rent received from spaces rented with formal contracts.
- 5. The notes to the financial statements provide information that is essential to a user's understanding of the basic financial statements.
- 6. Required supplementary information such as the budgetary comparison schedule-general fund and other types of data required by GASB.
- 7. Notes to the budgetary comparison schedule-general fund.

**C. Financial reporting presentation**

The accounts of the Municipality are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

The Municipality has established the following fund categories, fund types, account groups and discreet presentation of enterprise fund:

**Governmental Fund Types:**

**General Fund-** Is the operating fund of the Municipality. It is used to account for all governmental activity, except those required to be accounted for in another fund.

**Special Revenue Fund - Local and State Grants -** Special Revenue Funds are used to account for revenues derived from local funds, state grants or other restricted revenue sources. The uses and limitations of each special revenue fund are specified by Municipality ordinances or federal and state statutes.

**Special Revenue Fund - Section 8 -** Special Revenue Funds are used to account for revenues derived from section 8 choice voucher program. The uses and limitations of each special revenue fund are specified by Municipality ordinances or federal and state statutes.

**Special Revenue Fund - Head Start -** Is the accounting entity in which revenues derived from the federal agency are used to provide comprehensive health, educational, nutritional, social, and other developmental services primarily to economically disadvantaged preschool children (ages 3 to 5) and infants and toddler (birth through age 3) so that the children will attain school readiness.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

NOTES TO BASIC FINANCIAL STATEMENTS - (CONTINUED)

YEAR ENDED JUNE 30, 2008

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Capital Projects Funds - Local and State Grants** - Capital Project Funds are used to account for financial resources used for the acquisition or construction of major capital facilities.

**Capital Projects Funds - Federal Grants** - Capital Project Funds are used to account for financial resources used for the acquisition or construction of major capital facilities.

**Debt Service Funds**- Debt Service Funds are used to account for the accumulation of resources for and the payment of, general long-term debt principal, interest, and related costs.

**Special Revenue Fund - Other Federal Grants** - Special Revenue Funds are used to account for revenues derived from federal grants. The uses and limitations of each special revenue fund are specified by Municipality ordinances or federal and state statutes.

**Proprietary Fund Types**

**Enterprise Fund** - The enterprise fund statements consist of Statement of Net Assets, Statement of Activities, and Statement of Cash Flows. This fund accounts for exchange like transactions, like private enterprise and its operations are intended to be self supporting through charges to users. These statements are prepared using the economic resources measurement focus, which concentrates on an entity or fund's net assets.

All transactions and events that affect the total economic resources (net assets) during the period are reported. The statements are reported on the full accrual basis of accounting. Revenues are recognized in the period earned and expenses recognized in the period in which the associated liability is incurred.

**D. Measurement focus, basis of accounting and financial presentation**

Except for budgetary purposes, the basis of accounting used by the Municipality conform to accounting principles generally accepted in the United States of America ("USGAAP") as applicable to governmental units. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

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

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

NOTES TO BASIC FINANCIAL STATEMENTS - (CONTINUED)

YEAR ENDED JUNE 30, 2008

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Municipality has elected not to apply all Statements and Interpretations issued by the Financial Accounting Standard Board after November 30, 1989, in accordance with GASB Statement No.20.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within the current period or soon enough thereafter. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from issuance of general long-term debt reported as other financing sources. Property taxes, other taxes, licenses, rent, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

Private-sector standards of accounting and financial reporting issue prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Municipality has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants, and contributions, and 3) capital grants and contributions, including special assessments, if any. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

The preparation of the 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

NOTES TO BASIC FINANCIAL STATEMENTS - (CONTINUED)

YEAR ENDED JUNE 30, 2008

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, liabilities and net assets

1. **Cash, cash equivalents, and cash with fiscal agent-** The Municipality's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Cash with fiscal agent in the debt service fund represents special additional property tax collections retained by the Commonwealth of Puerto Rico and restricted for the payment of the Municipality's debt service, as established by law. Also, cash with fiscal agent consists of unused proceeds of bonds and notes issued for the acquisition of equipment and construction of major capital improvements.

Cash with fiscal agent is shown in the Enterprise Fund which is held by the Government Development Bank and its use is limited to the expenditures associated with "Commercial Pavilion of Dorado Rafael Hernández Colón"

2. **Receivables and payables-** Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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

Receivables are stated net of estimated allowances for uncollectible accounts, which are determined, based upon past collection experience and current economic conditions. Intergovernmental receivable in the general fund represents the balance due from the Municipal Revenue Collection Center (CRIM) resulting from the final settlement; Intergovernmental receivables in the debt service fund represent the amounts due from the CRIM resulting from the excess of current year property tax collections over current year advances. Intergovernmental receivable in the capital projects fund and in other governmental funds represent amounts owed to the Municipality for reimbursement of expenditures incurred pursuant to federally funded programs or state funded programs.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

NOTES TO BASIC FINANCIAL STATEMENTS - (CONTINUED)

YEAR ENDED JUNE 30, 2008

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. **Inventories-** Inventories in the general fund is recorded as expenditure and, consequently, the inventory is not recorded in the statement of net assets.

4. **Capital assets-** Capital assets, which include property, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental activities column in the governmental-wide financial statements. The Municipality defines capital asset as assets with an initial, individual cost of more than \$25 and an estimated useful life in excess of one year. Such assets are reported at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Municipality are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Useful Life</u>	<u>Capitalization threshold</u>
Buildings and site improvements	40 years	\$1
Infrastructure	40 years	\$1
Works of art	10 years	\$1
Vehicles	5 years	\$1
Furniture and fixtures	5 years	\$25
Machinery and equipment	3 to 5 years	\$25

5. **Long-term obligations-** The liabilities reported in the government-wide financial statements include to general and special obligation bonds and notes, and other long-term liabilities, such as vacation, sick leave, litigation, long-term liabilities to other governmental entities.

In the fund financial statements, governmental fund types recognize bond issuances cost, during the current period. The face amount of debt issued is reported as other financing sources, while bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

6. **Compensated absences-** Employees accumulate vacation leave at a rate of 2.5 days per month up to a maximum of 60 days. Unpaid vacation time accumulated is fully vested to the employees from the first day of work. All vacation pay it is accrued when incurred in the government-wide financial statements.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

NOTES TO BASIC FINANCIAL STATEMENTS - (CONTINUED)

YEAR ENDED JUNE 30, 2008

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employees accumulate sick leave at a rate of 1.5 days per month up to a maximum of 90 days. Upon retirement, an employee receives compensation for all accumulated and unpaid sick leave at the current rate, if the employee has at least 10 years of service with the Municipality. All sick leave pay and salary related benefits are accrued when incurred in the governmental-wide financial statements when the employee meets such criteria.

7. **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.

8. **Reservations of fund balance-** Reservations of fund balance in the fund financial statements represent portions of fund balances that are legally segregated for specific future use or are not appropriated for expenditure. The Municipality has the following reservations of fund balance:

a. **Capital Projects-** Represent the reservation of amounts 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.

b. **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.

c. **Other Purposes-** Represents net assets available for specific use and/or legally segregated for other specific future use.

d. **Debt Service Fund-** Represents net assets available to finance future debt service payments.

9. **Interfund and intra-entity transactions-** The Municipality has the following types of transactions among funds:

a. **Operating Transfers-** Legally required transfers that are reported when incurred as "Operating transfer-in" by the recipient fund and as "Operating transfers-out" by the disbursing fund.

b. **Intra-Entity Transactions-** Transfers between the funds of the primary government are reported as interfund transfers with receivables and payables presented as amounts due to and due from other funds.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

NOTES TO BASIC FINANCIAL STATEMENTS - (CONTINUED)

YEAR ENDED JUNE 30, 2008

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. Risk financing- The Municipality 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 Municipality and deducted from the gross property tax collections by the CRIM for the year ended June 30, 2008 amounted to \$348,389. The current insurance policies have not been cancelled or terminated. The CRIM also deducted \$481,126 for workers compensation insurance covering all municipal employees.

11. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes reconciliation between fund balance-total governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets. The two elements of that reconciliation explains that "long term liabilities, including compensated absences, bonds 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. The details of this reconciliation are as follows:

		<u>Total Net Assets - Governmental Activities</u>
<u>Net assets invested in capital assets, net of related debt</u>		
Capital assets, net of depreciation	\$96,066,144	
Deduct:		
Bonds Payable related to Capital Assets	(32,453,000)	
Notes Payables related to Capital Assets	(8,605,000)	
Lease Obligation - IBM	<u>(4,518)</u>	\$55,003,626
<u>Net assets restricted for capital projects</u>		
Fund balance restricted for capital projects		21,845,717
<u>Net assets restricted for debt service</u>		
Fund balance restricted for debt service	5,376,203	
Deduct:		
Interest Payable	<u>(880,269)</u>	4,495,934
<u>Net assets restricted for other purposes</u>		
Other governmental funds- fund balance restricted for other purposes		935,615

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

NOTES TO BASIC FINANCIAL STATEMENTS - (CONTINUED)

YEAR ENDED JUNE 30, 2008

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net assets unrestricted (deficit)

General fund - total fund balance:	\$2,540,113	
Add:		
Accrual basis accounts receivable	923,757	
Deduct:		
Fund balance reserved for other purposes	(100,857)	
Accrual basis accounts payable	(1,508,793)	
Bonds Payable related to Operational Debts	(640,000)	
Compensated absences debt	(2,559,387)	
Landfill Obligation	(1,762,695)	
LIMS repayment plan	(312,015)	
Department of Labor repayment plan	(195,958)	
Claims and Judgments	(50,000)	
Property tax debt - CRIM Law 42	(246,833)	
Property tax debt - CRIM Law 146	<u>(285,207)</u>	<u>(4,197,875)</u>

Total net assets - governmental activities \$78,083,017

2. DEPOSITS

Under Commonwealth of Puerto Rico statutes 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 Puerto Rico. In addition, the Municipality maintains deposits with the Government Development Bank for Puerto Rico (GDB).

The Municipality's bank balances in commercial banks of \$5,533,065, \$1,116,419, and \$4,582,572 in the general fund, capital projects fund - local and state grants, and capital projects fund - federal grants, respectively, were fully collateralized at June 30, 2008. In the other governmental funds there were deposits with commercial banks of \$ 1,633,294 that were fully collateralized.

The deposits at GDB of \$16,528,630 that is restricted principally for capital projects in the capital project fund - local and state grant, \$4,217 restricted for operational expenditures in the general fund and the \$5,312,969 in the debt service fund are unsecured and uncollateralized, as no collateral is required to be carried by governmental banks.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

NOTES TO BASIC FINANCIAL STATEMENTS - (CONTINUED)

YEAR ENDED JUNE 30, 2008

3. RECEIVABLES

A. *Municipal License Tax*- The Municipality imposes a municipal license tax on all businesses that operate within the Municipality, which are not totally or partially exempt from the tax pursuant to the Industrial Incentives Acts of the Commonwealth of Puerto Rico. This is a self-assessed tax based on the business volume in gross sales as shown in the tax return that is due on April 24 of each year. Entities with sales volume of \$1,000,000 or more must include audited financial statements together with the tax return. During the fiscal year ended June 30, 2008, the tax rates were as follows:

1. Financial business- 1.50% of gross revenues
2. Other organizations- 0.50% of gross revenues

This tax is due in two equal installments on July 1 and January 1 of each fiscal year. A discount of 5% is allowed when full payment is made on or before April 15. Municipal license tax receivable represents filed municipal license tax returns that were uncollected as of June 30, 2008, net of allowance for uncollectible.

Municipal license taxes collected prior to June 30 but pertaining to the next fiscal year are recorded as deferred revenues.

B. *Intergovernmental* - Intergovernmental receivable in the general fund represents the balance due from the Municipal Revenue Collection Center (CRIM) at June 30, 2008, as described in Note 9. Following is a detail of the intergovernmental receivable:

<u>Governmental Entity</u>	<u>Amount</u>
Municipal Revenue Collection Center ("CRIM")	<u>\$ 848,757</u>
Total	<u>\$ 848,757</u>

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2008

3. RECEIVABLES (CONTINUED)

Intergovernmental receivable in debt service fund represents property tax receivable at June 30, 2008. Following is a detail of the intergovernmental receivable:

<u>Governmental Entity</u>	<u>Amount</u>
Municipal Revenue Collection Center ("CRIM")	\$ 63,234
Total	<u>\$ 63,234</u>

Intergovernmental receivable in other governmental funds represents expenditures incurred not yet reimbursed by local and state government. Following is a detail of the intergovernmental receivable:

<u>Program Description</u>	<u>Amount</u>
Department of Labor (Law 82)	\$ 7,604
Total	<u>\$ 7,604</u>

C. **Federal grants receivables-** Federal Grant receivable in other governmental funds represents expenditures incurred not yet reimbursed by federal government or the pass-through grantor. Following is a detail of the intergovernmental receivable:

<u>Program Description</u>	<u>Amount</u>
Hazard Mitigation Program	\$ 28,000
Child Care Food Program	3,447
Community Development Block Grants/ State's Program	126,880
Emergency Management Performance Grant-Homeland Security	<u>68,988</u>
Total	<u>\$227,315</u>

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

NOTES TO BASIC FINANCIAL STATEMENTS - (CONTINUED)

YEAR ENDED JUNE 30, 2008

**4. INTERFUND TRANSACTIONS**

Interfund receivables and payables at June 30, 2008, and interfund transfers during the fiscal year ended at June 30, 2008, are summarized as follows:

**a. Due from/to other fund:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Other Governmental Funds- Federal Programs	Payroll and related accruals paid and not reimbursed	\$ 574,840
General Fund	Capital Projects Fund-State & Local Funds	Reimbursable expenditures	207,400
Other Governmental Funds	General Fund	Matching Contribution	<u>2,000</u>
<b>Total</b>			<b><u>\$ 784,240</u></b>

**b. Transfer in/out to other fund**

<u>Transfer out</u>	<u>Transfer in</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Other Governmental Fund	Matching Contribution	\$ 200,000
General Fund	Other Governmental Fund- Head Start	Matching Contribution	307,879
General Fund	Other Governmental Fund- Title III	Matching Contribution	218,292
General Fund	Debt Service Fund	Debt retirement	132,393
General Fund	Capital Projects Fund- Federal Grants	Transfer of funds for special purpose	20,448
General Fund	Other Governmental Fund	Transfer of funds for special purpose	12,610
Other Governmental Funds	General Fund	Expenditure reclassification to the correct fund	13,458
Other Governmental Funds	Other Governmental Funds	Expenditure reclassification to the correct fund	2,692
Other Governmental Fund	Capital Projects Fund- Federal Grants	Transfer of funds for special purpose	31,226
Capital Projects Fund- Federal Grants	Other Governmental Funds	Transfer of funds for special purpose	2,798
Capital Projects Fund- Local & State Grants	Other Governmental Funds	Transfer of funds for special purpose	106,508
<b>Total</b>			<b><u>\$ 1,048,304</u></b>

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

NOTES TO BASIC FINANCIAL STATEMENTS - (CONTINUED)

YEAR ENDED JUNE 30, 2008

**5. CAPITAL ASSETS**

Capital assets; those with an estimated useful life of one year or more from the time of acquisition by the Municipality and a cost of \$25 or more, are primarily funded through the issuance of long-term bonds and loans. A summary of capital assets and changes occurring in 2008, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land and construction in progress are not subject to depreciation:

<u>Governmental Activities:</u>	<u>Balance July 1, 2007, as restated</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2008</u>
<b>Capital asset, not being depreciated:</b>				
Land	\$ 59,472,461	\$ 3,672,073	\$ -	\$ 63,144,534
Construction in progress	<u>10,642,772</u>	<u>3,982,229</u>	<u>(2,221,585)</u>	<u>12,403,416</u>
<b>Total capital assets not being depreciated</b>	<u>70,115,233</u>	<u>7,654,302</u>	<u>(2,221,585)</u>	<u>75,547,950</u>
<b>Capital assets, being depreciated:</b>				
Buildings	12,681,495	359,911		13,041,406
Buildings improvements	3,901,371	271,321		4,172,692
Infrastructure	6,555,681	1,201,598		7,757,279
Infrastructure improvements	1,198,712	1,441,331		2,640,043
Equipment	2,633,920	411,129	(6,139)	3,038,910
Furnishing	342,943	20,745	(391)	363,297
Work of Arts	95,003	1,000		96,003
Computers	340,978	75,334	(6,371)	409,941
Vehicles	<u>6,599,553</u>	<u>249,856</u>	<u>-</u>	<u>6,849,409</u>
<b>Total capital assets being depreciated</b>	<u>34,349,656</u>	<u>4,032,225</u>	<u>(12,901)</u>	<u>38,368,980</u>
<b>Less accumulated depreciation for:</b>				
Buildings	(5,096,078)	(325,858)		(5,421,936)
Buildings improvements	(277,704)	(102,616)		(380,320)
Infrastructure	(2,653,238)	(178,992)		(2,832,230)
Infrastructure improvements	(201,463)	(155,291)		(356,754)
Equipment	(2,090,937)	(291,334)	5,753	(2,376,518)
Furnishing	(262,173)	(30,892)	391	(292,674)
Computers	(280,572)	(46,915)	6,371	(321,116)
Work of Arts	(19,605)	(8,792)		(28,397)
Vehicles	<u>(5,353,431)</u>	<u>(487,410)</u>	<u>-</u>	<u>(5,840,841)</u>
<b>Total accumulated depreciation</b>	<u>(16,235,201)</u>	<u>(1,628,100)</u>	<u>12,515</u>	<u>(17,850,786)</u>
<b>Total capital assets being depreciated, net</b>	<u>18,114,455</u>	<u>2,404,125</u>	<u>(386)</u>	<u>20,518,194</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 88,229,688</u>	<u>\$ 10,058,427</u>	<u>\$ (2,221,971)</u>	<u>\$ 96,066,144</u>

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

NOTES TO BASIC FINANCIAL STATEMENTS - (CONTINUED)

YEAR ENDED JUNE 30, 2008

5. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the Municipality as follows:

Governmental activities:

General government	\$ 694,809
Public safety	41,801
Public works	549,080
Health and welfare	1,695
Education	3,073
Culture and recreation	77,334
Community development	<u>260,308</u>

Total depreciation expense-governmental activities \$ 1,628,100

<u>Business - type activities</u>	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2008</u>
<b>Capital asset, not being depreciated:</b>				
Land and construction in progress	\$ <u>388,790</u>	\$ -	\$ -	\$ <u>388,790</u>
<b>Total capital assets not being depreciated</b>	<u>388,790</u>	<u>-</u>	<u>-</u>	<u>388,790</u>
<b>Capital assets, being depreciated:</b>				
Building	3,537,458			3,537,458
Building improvements	<u>45,400</u>	<u>-</u>	<u>-</u>	<u>45,400</u>
<b>Total capital assets being depreciated</b>	<u>3,582,858</u>	<u>-</u>	<u>-</u>	<u>3,582,858</u>
<b>Less accumulated depreciation for:</b>				
Building	<u>( 967,702)</u>	<u>(89,571)</u>	<u>-</u>	<u>( 1,057,273)</u>
<b>Total accumulated depreciation</b>	<u>(967,702)</u>	<u>(89,571)</u>	<u>-</u>	<u>(1,057,273)</u>
<b>Total capital assets being depreciated, net</b>	<u>2,615,156</u>	<u>(89,571)</u>	<u>-</u>	<u>2,525,585</u>
<b>Business - type Activities capital assets, net</b>	<u>\$ 3,003,946</u>	<u>\$ (89,571)</u>	<u>\$ -</u>	<u>\$ 2,914,375</u>

Depreciation expense was charged to functions/programs of the Municipality as follows:

<u>Business -type Activities</u>	
General government	<u>\$ 89,571</u>
<b>Total depreciation expense-governmental activities</b>	<u>\$ 89,571</u>

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

NOTES TO BASIC FINANCIAL STATEMENTS - (CONTINUED)

YEAR ENDED JUNE 30, 2008

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities at June 30, 2008 are summarized as follows:

<u>Description</u>	<u>General Fund</u>	<u>Capital Projects Fund - State &amp; Local Grants</u>	<u>Debt Service Fund</u>	<u>Other Governmental Fund</u>	<u>Total</u>
Accounts payable	\$ 355,618	\$ 174,504	\$ -	\$ 138,161	\$ 668,283
Accrued liabilities	<u>246,706</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>246,706</u>
<b>Total</b>	<b><u>\$ 602,324</u></b>	<b><u>\$ 174,504</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 138,161</u></b>	<b><u>\$ 914,989</u></b>

**7. DUE TO OTHER GOVERNMENTAL ENTITIES:**

The amounts due to other governmental entities in the General Fund include the following:

<u>Governmental Entity</u>	<u>Amount</u>
Puerto Rico Aqueduct and Sewer Authority	\$ 33,596
General Services Administration	1,620
Department of Treasury	<u>208,481</u>
<b>Total</b>	<b><u>\$ 243,697</u></b>

**8. DEFERRED REVENUES**

**A. Municipal License Tax-** The deferred revenues of \$3,018,948 in the general fund relates to municipal license tax collected in fiscal year 2007-08 that will be earned in fiscal year 2008-09.

**B. Federal Government-** The deferred revenues presented in other governmental funds represent the portion of federal grants received for which qualifying expenditures have not been incurred. Deferred revenues from the federal government are as follows:

<u>Program Description</u>	<u>Amount</u>
Head Start Program	\$ 39,076
Community Development Block Grant-State's Program	53,796
Title III	47,222
Repayment Section 108 Loan	47,488
Edward Byrne Memorial Program	50,000
Emergency Management Performance Grant	30,453
Other Programs	<u>54,419</u>
<b>Total</b>	<b><u>\$ 322,454</u></b>

**C. Intergovernmental -** The deferred revenues of \$848,757 in the general fund relates to the balance due from the Municipal Revenue Collection Center (CRIM) at June 30, 2008, as described in Note 9.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2008

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9. PROPERTY TAXES

The personal property tax is self assessed by the taxpayer on a return which is to be filed by May 15 of each year with the CRIM, a governmental entity created by the government of Puerto Rico as part of the Municipal Governmental Autonomous Law of August 1991. Real property tax is assessed by the CRIM on each piece of real estate and on each building.

The assessment is made as of January 1 of each year and is based on current values for personal property and on estimated values as of 1957 for real property tax. The tax on personal property must be paid in full together with the return by May 15. The tax on real property may be paid in two installments by July 1 and January 1. The CRIM is responsible for the billing and collections of real and personal property taxes on behalf of all the municipalities of Puerto Rico. Prior to the beginning of each fiscal year, the CRIM informs the Municipality of the estimated amount of property tax expected to be collect for the ensuing fiscal year. Throughout the year, the CRIM advances funds to the Municipality based on the initial estimated collections. The CRIM is required by law to prepare a settlement statement on a fiscal year basis, whereby a comparison is made between the amounts advanced to the Municipality and amounts actually collected from taxpayers. This settlement has to be completed on a preliminary basis not later than three months after fiscal year-end, and a final settlement made not later than six months after year-end. If the CRIM remits to the Municipality property tax advances, which are less than the tax actually collected, a receivable from the CRIM is recorded at June 30. However, if advances exceed the amount actually collected by the CRIM, a payable to the CRIM is recorded at June 30. The CRIM issued the preliminary settlement noting that collections exceeded advances by \$3,563,566. In the Governmental funds, the entire receivable has been offset by deferred revenue since the excess was not available to pay liabilities of the current period. In the government-wide financial statement, the entire receivable is recognized as revenue. During fiscal year 2007-2008, the Municipality paid its obligation corresponding to the outstanding debt balance of \$982,044 for the 2005 CRIM final settlement.

On January 26, 2000, Public Law No. 42 was enacted which authorized the CRIM to obtain a loan up to \$200,000,000, and for a term not to exceeding 10 years, to allow for the financing of the debt that the Municipalities of Puerto Rico have with the CRIM arising from final settlements of property tax advances versus actual collections through fiscal year ended June 30, 2000. The amounts that the Municipalities will collect from additional property taxes resulting from increases in the subsidy from the Commonwealth of Puerto Rico to the Municipalities are assigned through this law to repay such loan. The increase in this subsidy was the result of the Public Law No. 238, enacted on August 15, 1999. On October 11, 2001, Public Law No. 146 was enacted to amend Public Law No. 42, to extend the loan amortization period up to 30 years.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2008

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9. PROPERTY TAXES (CONTINUED)

Also, on October 11, 2002, Public Law No. 172 was enacted, to provide as an option for the Municipalities to include the debt that the Municipalities of Puerto Rico have with the CRIM arising from final settlements of property tax advances versus actual collections for the fiscal year ended June 30, 2001 with the loan authorized through Public Law No. 42 enacted on January 26, 2000.

On June 26, 1997, Public Law No. 21 was enacted which authorized the CRIM to sell property tax receivables related to taxpayers who owned property taxes from 1974 to 1996. The property tax receivables were purchased by Public Financing Corporation, a subsidiary of the Government Development Bank (GDB), with proceeds of a bonds issuance. This Law imposes to the CRIM the obligation to replace any uncollectible property tax receivable with any valid property tax receivables or equivalent in money.

A high percentage of receivables were determined to be uncollectible receivables, and therefore, on October 11, 2001, Public Law No. 146 was enacted which authorized the CRIM to obtain a loan to pay in advance the bonds issued by the Public Financing Corporation (a GDB subsidiary), and any costs related to the transaction. Also, a term not to exceeding 30 years was authorized to the financing of the debt that the Municipalities of Puerto Rico have with the CRIM arising from the sale of property tax receivables to the Public Financing Corporation (a GDB Subsidiary).

The government wide statement of net assets includes an outstanding debt balance of \$246,832 and \$285,207 related to Law No. 42 and Law 146 respectively.

Residential real property occupied by its owner is exempt by law from the payment of property taxes on the first \$ 15,000 of the assessed value. For such exempted amounts, the Puerto Rico Treasury Department assumes payment of the basic tax to the Municipalities, except for property assessed at less than \$ 3,500 for which no payment is made. As part of the Municipal Autonomous Law of 1991, the exempt amount to be paid by the Puerto Rico Treasury department to the Municipalities was frozen as of January 1, 1992. In addition, the law grants a tax exemption from the payment of personal property taxes of up to \$ 50,000 of the assessed value to retailers having annual net sales of less than \$ 150,000.

The annual tax rate is 8.83% for real property and 6.83% for personal property of which 1.03% of both tax rates are for the redemption of public debt issued by the Commonwealth of Puerto Rico. The remaining percentage is distributed as follows: (a) 5.8% and 3.80%, respectively, represents the Municipality's basic property tax rate which is appropriated for basics and accounted for in the general fund. A portion of such amount is deposited in an equalization fund together with a percentage of the net revenues of the Puerto Rico electronic lottery and a subsidy from the Commonwealth of Puerto Rico. From such fund, a distribution is made to all municipalities; (b) 2.00% represents the ad valorem tax restricted for debt service and accounted for in the debt service fund.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2008

**10. MUNICIPAL SALES AND USE TAX:**

On July 29, 2007, an amendment to Act. No. 117 of July 4, 2006, known as the "Tax Fairness Act of 2006", was enacted with the purpose of establishing a mandatory sales and use tax of 1.5% at the Municipal level. The Municipalities of Puerto Rico are responsible to collect 1% of the corresponding tax with the same exemptions and limitations that the portion collected by the Treasury Department. The Act provides for an optional surtax on the unprocessed food. This surtax must be approved by the Municipal Legislature. The Treasury Department is responsible to create, the Municipal Development Fund (.01%), the Municipal Redemption Fund (.03%), and the Municipal Improvement Fund (.01%) with the remaining 0.5%. The Municipality collected \$1,455,610 during the year ended June 30, 2008. Also, \$217,088 from the Municipal Redemption Fund are included in the Debt Service Fund.

**11. LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2008, was as follows:

Description	Beginning Balance	Borrowings or Additions	Payments or Deductions	Ending Balance	Due Within One Year
Bonds Payable	\$23,718,000	\$11,225,000	\$(1,850,000)	\$33,093,000	\$1,776,000
Notes Payable	2,100,000	6,900,000	(395,000)	8,605,000	585,000
Lease Obligation-Cross Border	50,462		(50,462)		
Lease Obligation-IBM	4,518			4,518	4,518
Property Tax Debt-Law 146	611,609		(326,402)	285,207	29,624
Property Tax Debt - Law 42	251,062		(4,229)	246,833	4,495
Property Tax Advances					
LIMS Repayment Plan	390,019		(78,004)	312,015	82,714
Compensated Absences	2,218,089	593,133	(251,835)	2,559,387	240,000
Claims and Judgments	75,000	125,000	(150,000)	50,000	50,000
Department of Labor Repayment Plan	309,444		(113,486)	195,958	
Landfill obligation	1,495,795	266,900		1,762,695	
<b>Total</b>	<b>\$31,223,998</b>	<b>\$19,110,033</b>	<b>\$ (3,219,418)</b>	<b>\$47,114,613</b>	<b>\$2,772,351</b>

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

NOTES TO BASIC FINANCIAL STATEMENTS - (CONTINUED)

YEAR ENDED JUNE 30, 2008

**11. LONG-TERM LIABILITIES (CONTINUED)**

1. **Legal debt margin-** The Municipality is subject to a legal debt margin requirement, which is equal to 10% of the total assessment of property located within the Municipality plus balance of the ad valorem taxes in the debt service fund, for bonds payable to be repaid with the proceeds of property taxes restricted for debt service. In addition, before any new bonds are issued, the revenues of the debt service fund should be sufficient to cover the projected debt service requirement. Long-term debt, except for the bonds and notes payable (excluding notes payable to the Land Authority), is paid with unrestricted funds.
  
2. **Bonds Payable-** The Municipality issues general and special obligation bonds to provide funds for the acquisition and construction of major capital facilities. During the current year the municipal legislature authorized bond issuances for \$11,225,000. Bonds payable outstanding at June 30, 2008 are as follows:

<u>Type of bonds</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Range of Interest Rates</u>	<u>Balance at June 30, 2008</u>
1993-Series	7-1-2008	150,000	7.61%	\$ 10,000
1996-Series	7-1-2014	2,750,000	6.12% to 6.58%	1,550,000
1997-Series	7-1-2009	2,650,000	5.42% to 5.78%	595,000
1997-Series	7-1-2016	290,000	3.93% to 7.00%	160,000
1997-Series	7-1-2016	110,000	3.93% to 7.00%	50,000
1998-Series	7-1-2013	3,675,000	5.69% to 6.11%	1,955,000
1998-Series	7-1-2012	1,065,000	5.69% to 6.04%	495,000
2000-Series	7-1-2013	65,000	3.88% to 4.61%	30,000
2000-Series	7-1-2025	310,000	3.88% to 5.60%	275,000
2000-Series	7-1-2020	1,500,000	3.88% to 5.29%	1,205,000
2002-Series	7-1-2026	2,850,000	3.88% to 5.60%	2,565,000
2004-Series	7-1-2028	550,000	3.93% to 7.00%	510,000
2004-Series	7-1-2023	3,150,000	4.37% to 5.25%	2,750,000
2004-Series	7-1-2023	115,000	4.24% to 5.25%	95,000
2004-Series	7-1-2023	1,860,000	4.24% to 5.25%	1,620,000
2004-Series	7-1-2010	285,000	5.00% to 7.00%	95,000
2005 Series	7-1-2014	50,000	3.93% to 7.00%	35,000
2005 Series	7-1-2019	945,000	4.24% to 4.73%	810,000
2005 Series	7-1-2019	5,825,000	4.17% to 4.73%	4,975,000
2006 Series	7-1-2030	532,000	3.93% to 7.00%	503,000
2007 Series	7-1-2022	1,645,000	3.93% to 7.50%	1,585,000
2008-Series	7-1-2033	3,650,000	3.93% to 7.50%	3,650,000
2008-Series	7-1-2018	220,000	3.93% to 6.25%	220,000
2008-Series	7-1-2033	370,000	3.93% to 7.50%	370,000
2008-Series	7-1-2033	3,265,000	3.93% to 7.50%	3,265,000
2008-Series	7-1-2033	3,720,000	7.00% to 7.50%	3,720,000
<b>Total general obligation bonds</b>				<b>\$ 33,093,000</b>

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

NOTES TO BASIC FINANCIAL STATEMENTS - (CONTINUED)

YEAR ENDED JUNE 30, 2008

**11. LONG-TERM LIABILITIES (CONTINUED)**

These bonds, except the 1997 Series bonds for \$110,000 and \$290,000, the 2004 Series bonds amounting to \$285,000, and the 2006 Series bonds amounting to \$532,000 are payable from the special ad valorem property tax of 2.00% which is restricted for debt service and retained by the Government Development Bank for Puerto Rico for such purposes.

Annual debt service requirements to maturity for bonds payable are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 1,776,000	\$ 1,488,352
2010	1,962,000	1,862,176
2011	1,712,000	1,759,663
2012	1,828,000	1,661,915
2013	1,939,000	1,552,353
2014-2018	8,235,000	6,277,847
2019-2023	7,011,000	4,050,332
2024-2028	4,485,000	2,289,469
2029-2033	4,145,000	806,265
<b>Total Bonds Payable</b>	<u>\$33,093,000</u>	<u>\$21,748,372</u>

3. **Notes Payable-** The proceeds of the issuance of notes payables were used principally to pay debt incurred in prior years and to cover the expenditures of a special event. During the current year the municipal legislature authorized notes issuances for \$1,900,000 and the Municipality was granted a Section 108 Loan for \$5,500,000 for a hotel development. The notes are payable as follows:

<u>Type of notes</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Range of Interest rates</u>	<u>Balance at June 30, 2008</u>
2004-Series	7-1-2010	370,000	4.24% to 4.50%	180,000
2005 Series	7-1-2009	45,000	4.24% to 4.38%	20,000
2005 Series	7-1-2011	1,190,000	4.24% to 4.62%	730,000
2005 Series	7-1-2012	345,000	4.24% to 4.73%	260,000
2006 Series	7-1-2008	235,000	3.93%	85,000
2007 Series	7-1-2014	480,000	3.93% to 7.50%	430,000
2008 Series	7-1-2015	230,000	3.93% to 7.50%	230,000
2008 Series	7-1-2012	245,000	3.93% to 7.50%	245,000
Section 108- Series 2008-A	7-1-2028	5,500,000	5.11%	5,500,000
2008 Series	7-1-2015	925,000	3.93% to 7.50%	925,000
<b>Total notes payable</b>				<u>\$ 8,605,000</u>

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

NOTES TO BASIC FINANCIAL STATEMENTS - (CONTINUED)

YEAR ENDED JUNE 30, 2008

11. LONG-TERM LIABILITIES (CONTINUED)

Annual debt service requirements to maturity for notes payable are as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 585,000	\$ 292,792
2010	555,000	399,103
2011	876,000	361,338
2012	846,000	317,791
2013	681,000	276,802
2014-2018	2,010,000	981,919
2019-2023	1,530,000	594,778
2024-2028	1,522,000	201,920
Total	<u>\$ 8,605,000</u>	<u>\$3,426,443</u>

**Lease Obligations-** During the fiscal year June 30, 1999, the Municipality acquired computer equipment under a capital lease. The capital lease to IBM Credit Corp. is payable in monthly installments of \$4,546 which includes interests at 7.48% through June 30, 2005. No principal payments were issued during the current year.

The assets acquired through the capital lease are as follows:

<u>Assets</u>	<u>Governmental Activities</u>
1999 Ford Winnebago	\$ 227,000
Less:	
Accumulated Depreciation	<u>(227,000)</u>
Net value	<u>\$ _____</u>

The outstanding debt balance as of June 30, 2008 amounts to \$4,518. The debt service requirements to maturity including \$28 of interest are as follows:

<u>Year ending June 30.</u>	<u>Governmental Activities</u>
2009	<u>\$ 4,546</u>

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

NOTES TO BASIC FINANCIAL STATEMENTS - (CONTINUED)

YEAR ENDED JUNE 30, 2008

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11. LONG-TERM LIABILITIES (CONTINUED)

4. **Property Tax Debt-** These amounts represent the balance owed to the Municipal Revenue Collection Center (CRIM) at June 30, 2008, as described in Note 9.
5. **LIMS Repayment Plan-** During the fiscal year 2001-2002, the Municipality authorized the CRIM to retain the corresponding portion for the financing project of Land Information Management System - LIMS, contracted by the CRIM. A total of \$746,092.78 is to be retained in a ten years period at an interest rate of 5.95%, until November 28, 2011. At June 30, 2008, the outstanding debt balance is \$312,016. This amount is presented in the government-wide financial statements.
6. **Compensated absences-** The government-wide statement of net assets includes \$1,352,257 of accrued sick leave benefits, and approximately \$1,207,130 of accrued vacation benefits, representing the Municipality's commitment to fund such costs from future operations.
7. **Claims and Judgments -** This amount represents the balance related to legal claims at June 30, 2008, as described in Note 12.
8. **Department of Labor Repayment Plan-** This amount relates to an unemployment insurance debt. The Municipality agrees to repay the total of \$435,310.46 including interests, by an agreement signed in December, 2005. In this agreement, the Municipality accepted the debt for the total of \$212,856.67 and requests a payment plan to liquidate the debt in 210 monthly payments. As of June 30, 2008 the debt balance amounted to \$195,958.
9. **Landfill obligation-** State and federal laws and regulations require the Municipality to place a final cover on its landfill site when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In accordance with Statement No. 18 of the GASB, "Accounting for Municipal Solid Waste Landfill Closure and Post Closure Care Costs", the Municipality has performed a study of the activities that need to be implemented at the Municipality's landfill to comply with applicable state and federal regulations. During June 30, 2004, the Municipality entered in an agreement with a contractor to complete the final cover of the landfill for a total cost of \$873,569 and additional inspection, monitoring, and supervision costs amounting to \$90,079 for a total cost of \$963,648. During 2004-2005 fiscal year a change order was issued by \$11,500 and a total of \$185,618 were paid to the contractor related to closing costs. From 2006 thru 2007 a total of \$268,264 were paid to the contractor for closing costs. Based on this, the Municipality has recognized \$146,947 as the Municipality's estimated current cost for landfill closure as of June 30, 2008. The preliminary annual estimate of post closure costs has been adjusted to approximately \$1,550,000 for a period of approximately 25 years. Actual costs may be different due to inflation, changes in technology, or changes in laws and regulations. As of June 30, 2008, the Municipality's landfill facilities have been closed. The balance of closure and post-closure costs of \$146,947 and \$1,550,000, respectively, are reported in the government-wide statement of net assets.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2008

**11. LONG-TERM LIABILITIES (CONTINUED)**

**10. Operating leases**-The Municipality is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the Municipality's financial statements.

The following is a schedule by years of future minimum rental payments under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2008:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2009	107,824
2010	91,200
2011	91,200
2012	-
2013	-
Total minimum payments required	<u>\$ 290,224</u>

**11. Revenue Bonds-Enterprise Funds** - In 1994, the Municipality issued \$2,090,000 revenue bonds, in which the Municipality pledges rent income from the enterprise fund (completed construction by July 1996 of the "Commercial Pavilion Rafael Hernández Colón") to pay such debt. On January 18, 2000, the Municipality formalizes a revenue bond payable with Banco Santander Puerto Rico. This loan was used to refinance the outstanding loan with Governmental Development Bank at 9.00%.

The note will be paid by semi-yearly installments of \$103,280, which includes interest at 7.25% for the first ten years. After the first ten years, the Municipality can exercise the option to fully repay the outstanding balance of \$943,238 or refinance the debt at an interest rate determined by the lesser of 9.50% or 1.00% over the London Interbank Offered Rate (L.I.B.O.R.) +1%. Total principal payments during the current year amounted to \$122,225. The outstanding debt balance as of June 30, 2008 amounts to \$1,074,172. The debt service requirements to maturity including \$141,858 of interest are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	128,615	77,945
2010	945,557	63,913
Total	<u>\$ 1,074,172</u>	<u>\$ 141,858</u>

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2008

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**12. PENSION PLAN**

The Employee's Retirement System of the Commonwealth and its Instrumentalities (the Retirement System) is a cost-sharing multiple defined benefit pension plans sponsored by, and reported as a component unit of the Commonwealth of Puerto Rico. All regular employees of the Municipality under 55 years of age at the date of employment become members of the Retirement System as a condition to their employment.

The Retirement System provides retirement, death and disability benefits pursuant to legislation enacted by the Commonwealth's legislature. Disability retirement benefits are available to members for occupational and non-occupational disabilities. Retirement benefits depend upon age at retirement and the number of years of creditable service. Benefits vest after ten years of plan participation.

Members who have attained 55 years of age and have completed at least 25 years of creditable service or members who have attained 58 years of age and have completed ten years of creditable service are entitled to an annual benefit payable monthly for life.

The amount of the annuity shall be one and one-half percent of the average compensation, as defined, multiplied by the number of years of creditable service up to twenty years, plus two percent of the average compensation, as defined, multiplied by the number of years of creditable service in excess of 20 years. In no case will the annuity be less than \$200 per month.

Participants who have completed at least 30 years of creditable service are entitled to receive the Merit Annuity. Participants who have not attained 55 years of age will receive 65 percent of the average compensation, as defined; otherwise they will receive 75 percent of the average compensation, as defined. No benefits are payable if the participant receives a refund of his/her accumulated contributions.

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 Municipality is required by the same statute to contribute 9.275% of the participant's gross salary. Total Municipality contributions to the above-mentioned plans during the year ended June 30, 2008 recorded as pension expenditures were approximately \$577,853. This amount represents 100% of the required contribution.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2008

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**12. 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). Employee's participation 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 Municipality 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 new plan, there will be a pool of pension assets, which will be invested by ERS together with those of the current defined benefit plan. The Commonwealth of Puerto Rico 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% to 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 ERS's 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 employer's contribution (9.275% of the employee's salary) will be used to fund the current plan.

Additional information on the Retirement System is provided in its financial statements for the year ended June 30, 2008, a copy of which can be obtained from the Retirement System, Minillas Station, PO Box 42003, San Juan, PR 00940-2003.

**13. RISK MANAGEMENT**

The Property Division is responsible of assuring that the Municipality's property is properly insured. Annually, the Property Division compiles the information of all property owned and its respective market value. After evaluating this information, the Property Division submits the data regarding the Municipality's properties to the Public Insurance Department at the Treasury Department of the Commonwealth of Puerto Rico who is responsible for purchasing all property and casualty insurance policies of all municipalities. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2008

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**14. COMMITMENTS AND CONTINGENCIES**

The Municipality is a defendant in a number of lawsuits arising principally from the ordinary course of the Municipality's activities.

With respect to pending and threatened litigation, the Municipality has reported liabilities of \$50,000 for awarded or anticipated unfavorable judgments in the Government-Wide Financial Statements. This amount was included in the financial statements and represents the amounts estimated as a probable liability or a liability with a fix or expected due date, which will require future available financial resources for its payments.

It is the management's opinion, based on the advice of the legal counsel, that the potential claims against the Municipality not covered by insurance will not materially affect the financial resources for its payment.

The Municipality participates in a number of federal financial assistance programs funded by the Federal Government. Expenditures finance by these programs are subject to financial and compliance audits by the appropriate grantor or grantee. The amount, if any, of expenditures which may be disallowed by such audits cannot be determined at this time, although the Municipality management expects such amounts, if any, will not be material.

**15. FUTURE ADOPTION OF ACCOUNTING PRONOUNCEMENTS**

The GASB has issued the following statements that have effective dates after June 30, 2008:

- a. GASB Statement No.51, Accounting and Financial Reporting for Intangible Assets, which is effective for periods beginning after June 15, 2009.
- b. GASB Statement No.52, Land and Other Real Estate Held as Investments by Endowments, which is effective for periods beginning after June 15, 2008.

The impact of these statements on the Municipality's basic financial statements has not yet been determined.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2008

**16. PRIOR PERIOD ADJUSTMENTS**

**A. GOVERNMENTAL FUND FINANCIAL STATEMENTS**

The following restatements have been made in the governmental fund financial statements, which are reported as an adjustment to the beginning fund balances:

Description	General Fund	Capital Projects Fund - State & Local Grants	Capital Projects Fund - Federal Grants	Debt Service Fund	Other Governmental Fund	Total
Fund balance, beginning	\$2,707,491	\$ 9,378,968	\$ -	\$ 4,463,261	\$ 876,572	\$17,426,292
To correct prior year accounts payable	-	132,180	-	-	-	132,180
Fund balance, beginning as restated	<u>\$2,707,491</u>	<u>\$ 9,511,148</u>	<u>\$ -</u>	<u>\$ 4,463,261</u>	<u>\$ 876,572</u>	<u>\$17,558,472</u>

**B. GOVERNMENTAL WIDE FINANCIAL STATEMENTS**

The following restatements have been made in the governmental wide financial statements, which are reported as an adjustment to the beginning net assets:

Description	Governmental Activities	Business-type Activities	Total
Net assets, beginning	\$ 73,538,797	\$ 2,296,680	\$ 75,835,477
To correct prior year accounts payables	132,180	-	132,180
Others adjustments	12,594	2,452	15,046
Net assets, beginning as restated	<u>\$ 73,683,571</u>	<u>\$ 2,299,132</u>	<u>\$ 75,982,703</u>

**16. SUBSEQUENT EVENTS**

On July 30, 2008, the Municipal Legislature approved the issuance of a special obligation bond for the amount of \$125,000, for the acquisition of furniture for the "Casa del Artesano". Repayment of the bond is scheduled from July 2009 through July, 2013.

On August 26, 2008, the Municipal Legislature approved the issuance of a special obligation note charged to the Municipal Redemption Fund, for the amount of \$930,000, for the improvement and reconstruction of several facilities. Repayment of the note is scheduled from July 2009 through July, 2016.

On August 28, 2008, the Municipal Legislature approved the issuance of a special obligation note charged to the Municipal Redemption Fund, for the amount of \$1,141,000, for the acquisition of several properties in the Municipality. Repayment of the note is scheduled from July 2009 through July, 2016.

On September 30, 2008, the Municipal Legislature approved an ordinance to accept from the Commonwealth of Puerto Rico's "Departamento de Recreación y Deportes" a transfer of funds amounting to \$1,450,000, for the construction of a new Municipal Sports Complex.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

BUDGETARY COMPARISON-GENERAL FUND

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 8,219,600	\$ 8,219,600	\$ 8,219,600	\$ -
Municipal license tax	4,059,865	4,552,144	4,599,335	47,191
Municipal sales and use tax	1,305,000	1,338,901	1,666,965	328,064
Licenses, permits and other local taxes	1,626,000	3,121,658	3,108,320	(13,338)
Intergovernmental	2,383,286	2,439,210	2,808,549	369,339
Rent of property	119,178	182,271	179,101	(3,170)
Fines and forfeitures	10,100	10,068	4,272	(5,796)
Interest	450,000	656,195	784,004	127,809
Miscellaneous	<u>1,055,000</u>	<u>1,162,476</u>	<u>1,635,845</u>	<u>473,369</u>
Total revenues before carryover	19,228,029	21,682,523	23,005,991	1,323,468
Budgeted carryover (1)	-	<u>2,541,453</u>	<u>2,541,453</u>	-
Total revenues and budget carryover	<u>19,228,029</u>	<u>24,223,976</u>	<u>25,547,444</u>	<u>1,323,468</u>
<b>EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES:</b>				
Current:				
General government	9,577,866	14,094,102	12,866,840	1,227,262
Public safety	1,994,451	1,932,689	1,810,983	121,706
Public works	6,071,902	7,383,248	7,377,248	6,000
Culture and recreation	1,362,556	653,544	635,243	18,301
Operating transfer to other fund	<u>221,254</u>	<u>160,393</u>	<u>891,622</u>	<u>(731,229)</u>
Total expenditures, encumbrances and other financing uses	<u>19,228,029</u>	<u>24,223,976</u>	<u>23,581,936</u>	<u>642,040</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING SOURCES (USES)</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,965,508</u>	<u>\$ 1,965,508</u>
Explanation of Differences:				
Sources/inflows of resources:				
Actual amounts (budgetary basis)"available for appropriation" from the budgetary comparison schedule				\$25,547,444
Differences-budget to GAAP:				(2,541,453)
Budget carryover				<u>87,560</u>
Nonbudgeted revenues				
Total revenues and other financing sources as reported on the statement of revenues, expenditures, and changes in fund balances				<u>\$ 23,093,551</u>
Uses/outflows of resources:				
Actual amounts (budgetary basis)"total charges to appropriations" from the budgetary comparison schedule				\$ 23,581,936
Differences-budget to GAAP:				(731,229)
Nonbudgeted transfer out				215,726
Nonbudgeted expenditures				184,822
Prior year encumbrances recorded as current year expenditures for GAAP basis				<u>(868,490)</u>
Current year encumbrances recorded as expenditures for budgetary purposes				
Total expenditures and other financing uses as reported on the statement of revenues, expenditures, and changes in fund balances				<u>\$ 22,382,765</u>

(1) Represents fund balances carried over from prior years

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF DORADO

NOTES TO BUDGETARY COMPARISON - GENERAL FUND

YEAR ENDED JUNE 30, 2008

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1. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Control

The Municipality's annual budget is prepared on the budgetary basis of accounting, which is not in accordance with USGAAP, and represents departmental appropriations recommended by the Mayor and approved by the Municipal Legislature prior to the beginning of the fiscal year. Amendments to the budget require the approval of the Municipal Legislature. Transfers of appropriations within the budget, known as Mayor's Resolutions, do not require the approval of the Municipal Legislature.

The Municipality prepares its annual budget including the operations of the general fund. For budgetary purposes, encumbrance accounting is used. The encumbrances (i.e., purchase orders, contracts) are considered expenditures when incurred. For USGAAP reporting purposes, encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

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

