

**INSTITUTO DE ESTADÍSTICAS DE
PUERTO RICO
(A COMPONENT UNIT OF THE
COMMONWEALTH OF PUERTO RICO)**

**FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**INSTITUTO DE ESTADÍSTICAS DE PUERTO RICO
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)**

**FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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Llavona - Casas, CPA PSC

Certified Public Accountants and Consultants

Members of:

Puerto Rico Society of Certified Public Accountants

American Institute of Certified Public Accountants

Association of Certified Fraud Examiners

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Instituto de Estadísticas de Puerto Rico

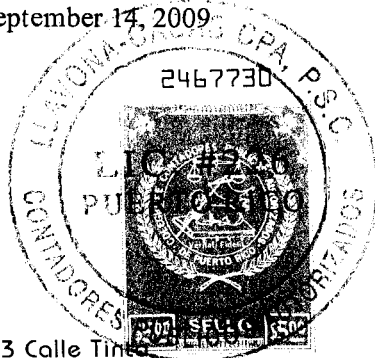
We have audited the accompanying financial statements of the governmental activities of the Instituto de Estadísticas de Puerto Rico ("the Institute"), a component unit of the Commonwealth of Puerto Rico, as of and for the year ended June 30, 2009, which collectively comprise the Institute's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Institute. 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Institute as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United Sates of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 5 and 18 through 19, 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 inquires 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.

San Juan, Puerto Rico
September 14, 2009



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**INSTITUTO DE ESTADÍSTICAS DE PUERTO RICO
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to Instituto de Estadísticas de Puerto Rico's basic financial statements for the fiscal year ended June 30, 2009. The Institute's basic financial statements comprise three components: government-wide financial statements, fund financial statements, and notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Institute's finances, in a manner similar to a private-sector business. The Statement of Net Assets presents information on all of the Institute's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Institute's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the Institute's net assets changed during the most recent fiscal year, using the full accrual basis of accounting. Both government-wide financial statements include functions of the entity that are principally supported by intergovernmental revenues. The governmental activities of the Institute include a single program function, a general fund.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Instituto de Estadísticas de Puerto Rico, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related governmental requirements. The fund of the Institute is classified as a governmental fund.

The governmental fund is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

**INSTITUTO DE ESTADÍSTICAS DE PUERTO RICO
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**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Summary of Net Assets

The following schedule summarizes the net assets at June 30, 2009:

Assets	
Current assets	\$667,604
Capital assets, net of accumulated depreciation	<u>89,719</u>
Total assets	<u>\$757,323</u>
Liabilities and Net Assets	
Current liabilities	\$113,112
Long-term liabilities	57,852
Net Assets – Unrestricted	<u>586,359</u>
Total liabilities and net assets	<u>\$757,323</u>

Analysis of Financial Position

At the end of the first fiscal year of operation ended June 30, 2009, the Institute's net assets are \$635,359. A few of the more significant factors affecting net assets during the year are discussed below:

Depreciation Expense

This expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with generally accepted accounting principles (GAAP), depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2009, \$26,732 was recorded for depreciation expense in the statement of activities.

Capital Outlay Acquisitions

For the fiscal year ended June 30, 2009, expenditures totaling \$35,725 were capitalized and recorded as assets of the Institute. These additions to the Institute's capital assets will be depreciated over time as described above. The net effect of the new capital assets and the current year's depreciation is an increase to capital assets in the amount of \$8,993 for the fiscal year ended June 30, 2009.

**INSTITUTO DE ESTADÍSTICAS DE PUERTO RICO
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**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Results of Operations

For the fiscal year ended June 30, 2009, the changes in net assets were as follows:

Program Revenues - General Fund	\$928,000
General Revenues - Earnings on deposit account	<u>9,282</u>
Total Revenues	937,282
Expenses	<u>874,925</u>
Changes in Net Assets	<u>\$ 62,357</u>

The Institute's revenues consist of appropriations from the Commonwealth of Puerto Rico's general fund in the amount to of \$977,000. On the other hand, during year ended June 30, 2009, total operating expenses amounted \$874,925. The most significant expenses were: salaries, \$372,632; professional services, \$166,550; and rent, \$82,428.

Financial Analysis of the Institute's Funds

At June 30, 2009, the Institute's governmental funds reported a combined cash and cash equivalents balance of \$645,337, an increase of \$388,159, as compared to prior year. This is due to the excess of the general fund assigned over expenditures paid during the current year.

General Fund Budgetary Highlights

The Institute's budget is approved by its Board of Directors. The only budgeted fund is the General Fund which budget was established and amended during the year to recognize the planned expenditures and additional information became known during the fiscal year.

In January 2009, the Governor of Puerto Rico decreed a state of fiscal emergency and implemented a series of measures for fiscal control and economic reconstruction. This public policy included an explicit recognition of the critical need for reductions in operational expenditures. Each agency was asked to examine its operations to identify and implement immediate measures for cost reductions. The Board of Directors of the Puerto Rico Institute of Statistics approved (amongst others) a reduction of 10 percent of half of its operating budget for fiscal year 2008-09.

Capital Assets

At June 30, 2009 the Institute has spent \$122,251 in capital assets, including leasehold improvements, equipment, furniture and fixtures. For this year of operation depreciation expense and accumulated depreciation amounted to \$26,732 and \$32,532, respectively.

**INSTITUTO DE ESTADÍSTICAS DE PUERTO RICO
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**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Factors Bearing on the Institute's Future

At the time that these financial statements were prepared and audited, the Institute was facing a rapid increase in services provided related to various statistical projects educating employees of governmental.

Requests for Information

This financial report is designed to provide a general overview of the Institute's finances for all those with an interest in the Institute's finances. If you have questions about this report, please contact Instituto de Estadísticas de Puerto Rico, Calle Quisqueya #57, San Juan, Puerto Rico 00917.

**INSTITUTO DE ESTADÍSTICAS DE PUERTO RICO
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**STATEMENT OF NET ASSETS
JUNE 30, 2009**

	Governmental Activities
ASSETS	
Cash	\$645,337
Prepaid expenses	22,267
Capital assets:	
Office equipment and furniture and	112,530
Leasehold improvements	9,721
Less: accumulated depreciation	(32,532)
Net capital assets	89,719
Total Assets	\$757,323
LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable	\$ 97,678
Accrued liabilities	73,286
Total Liabilities	170,964
Net assets:	
Invested in capital assets	89,719
Unrestricted	496,640
Total Net Assets	586,359
TOTAL LIABILITIES AND NET ASSETS	\$757,323

The accompanying notes are an integral part of the basic financial statements.

**INSTITUTO DE ESTADÍSTICAS DE PUERTO RICO
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**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

		<u>Program Revenues</u>	<u>Net (expenses) revenues and changes in net assets</u>
<u>Activities:</u>	<u>Expenses</u>	<u>Operating grants and contributions</u>	<u>Governmental Activities</u>
Governmental:			
Statistics services	<u>\$874,925</u>	<u>\$928,000</u>	\$ 53,075
General revenues:			
Interest			<u>9,282</u>
Change in net assets			62,357
Net assets – beginning			<u>524,002</u>
Net assets – ending			<u>\$586,359</u>

The accompanying notes are an integral part of the basic financial statements.

**INSTITUTO DE ESTADÍSTICAS DE PUERTO RICO
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**BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2009**

	<u>General Fund</u>
ASSETS	
Cash	\$645,337
Prepaid expenses	<u>22,267</u>
Total Assets	<u>\$667,604</u>
LIABILITIES	
Accounts payable	\$ 48,678
Accrued liabilities	<u>64,434</u>
Total Liabilities	113,112
FUND EQUITY	
Fund balance:	
Encumbrances	9,161
Unreserved	<u>545,331</u>
Total fund balance	<u>554,492</u>
Total Liabilities and Fund Balance	<u>\$667,604</u>

The accompanying notes are an integral part of the basic financial statements.

**INSTITUTO DE ESTADÍSTICAS DE PUERTO RICO
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**RECONCILIATION OF GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009**

Total Governmental Fund Balance	\$554,492
Amounts reported for governmental activities in the Statements of Net Assets are different because:	
Capital assets and unamortized expenses used in governmental activities are not financial resources and are not reported in the governmental funds balance sheet:	
Cost of capital assets	\$122,251
Accumulated depreciation	<u>(32,532)</u> 89,719
Compensated absences are included as a liability:	
Compensated absences	<u>(57,852)</u>
Net Assets of Governmental Activities	<u>\$586,359</u>

The following notes are an integral part of the financial statements.

**INSTITUTO DE ESTADÍSTICAS DE PUERTO RICO
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**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2009**

	General Fund
 REVENUES	
Revenues from state sources	\$928,000
Interests	<u>9,282</u>
Total Revenues	<u>937,282</u>
 EXPENDITURES	
Salaries	372,632
Professional services	166,550
Insurance	1,100
Advertising	3,240
Payroll taxes	43,693
Benefits	56,335
Office supplies	4,452
Travel	10,971
Utilities	31,503
Rent	82,428
Repairs and maintenance	7,269
Capital outlays	35,725
Other	<u>37,034</u>
Total Expenditures	<u>852,932</u>
Excess of revenues over expenditures	84,350
Fund balance – beginning of year	<u>470,142</u>
Fund balance – ending of year	<u>\$554,492</u>

The accompanying notes are an integral part of the basic financial statements.

**INSTITUTO DE ESTADÍSTICAS DE PUERTO RICO
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**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

Net change in fund balances - total governmental funds **\$ 84,350**

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

Governmental funds reports capital assets outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlays	35,725
Current year depreciation	(26,732)
	8,993

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

Compensated absences	(30,801)
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Change in net assets of governmental activities **\$62,357**

The accompanying notes are an integral part of the basic financial statements.

**INSTITUTO DE ESTADÍSTICAS DE PUERTO RICO
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Instituto de Estadísticas de Puerto Rico (the "Institute") was created on August 28, 2003 under the provisions of the "Fundación para la Reforma de los Sistemas de Recopilación de Datos y Estadísticas" ("Ley del Instituto de Estadísticas de Puerto Rico"), and its first year of operation was 2007-2008. The Institute Board consists of seven members, appointed by Puerto Rico's Governor with the consent of the Senate. The Institute's reporting entity does not contain any component units as defined in Governmental Accounting Standard Board No. 14.

The financial statements of the Institute have been prepared in accordance with accounting principles generally accepted in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

In June 1999, the GASB issued Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments" which affects the way the Institute prepares and presents financial information. This Statement, which establishes new requirements and a new reporting model for the annual reports of state and local governments, was developed to make annual reports easier to understand and more useful to the people who use the governmental financial information to make decisions.

Comparability with reports issued in prior years is affected with the implementation of GASB No. 34. The Institute has prepared required supplementary information titled Management's Discussion and Analysis, which precedes the basic financial statements.

Other GASB Statements are required to be implemented in conjunction with GASB 34. Therefore, the Institute has implemented the following GASB Statements in the current fiscal year: GASB Statement No. 37 "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus—an amendment of GASB Statements No. 21 and No. 34"; GASB Statement No. 38 "Certain Financial Statement Note Disclosures"; and GASB Statement No. 41 "Budgetary Comparison Schedules—Perspective Differences—an amendment of GASB Statement No. 34".

Financial reporting entity

The accompanying financial statement includes the organization units governed by the Executives officers of the Institute. In evaluating the Institute as a reporting entity, management has addressed the entire potential component unit.

**INSTITUTO DE ESTADÍSTICAS DE PUERTO RICO
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The basic criteria for including a potential component unit within the reporting entity is if potential component unit are financially accountable and other organization for which the nature and significance of their relationship with the entity are that exclusion would cause the Institute's Financial Statement to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) ability to the Institute to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Institute.

The relative importance of each criteria must be evaluate in light of specific circumstances in order to determine which components unit are to be included as part of the reporting entity. Our specific evaluation of the criteria applicable to the Institute indicates that no organization meet the criteria to be included as component units. Accordingly, these basic financial statements present only the Institute as the reporting entity.

Basis of presentation, measurement focus and basis of accounting

The financial report of the Institute consists of a Management Discussion and Analysis (MD&A), basic financial statements, notes to the financial statements and required supplementary information other than the MD&A. Following is a summary presentation of each, including the measurement focus and basis of accounting measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus:

Management Discussion and Analysis

This consists of a narrative introduction and analytical overview of the Institute's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

Basic financial statements

Basic financial statements include both government-wide and fund financial statements. Both levels of statements categorize primary activities as governmental type, which are primarily supported by taxes and intergovernmental revenues.

Government-wide statements

The government-wide statements consist of a Statement of Net Assets and a Statement of Activities. These statements are prepared using the economic resources measurement focus, which concentrates on an entity or fund's net assets.

**INSTITUTO DE ESTADÍSTICAS DE PUERTO RICO
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All transactions and events that affect the total economic resources (net assets) during the period are reported. The statements are reported on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flow. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Fiduciary activities, if any, whose resources are not available to finance government programs, are excluded from the government-wide statements. The effect of inter-fund activities is eliminated.

The Statement of Net Assets incorporates all capital (long lived) assets and receivables as well as long term debt and obligations. The Statement of Activities reports revenues and expenses in a format that focus on the net cost of each function of the Institute. Both the gross and net cost of the function, which is otherwise being supported by the general government revenues, is compared to the revenues generated directly by the function. This Statement reduces gross expenses, including depreciation, by related program revenues, operating and capital grants, and contributions.

Private-sector standards of accounting and financial reporting issued 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.

Governmental Fund Financial Statements

The financial transactions of the Institute are recorded in individual funds, each of which are considered an independent fiscal entity. Each fund is accounted for by providing a separate set of self balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures. Funds are segregated according to their intended purpose which helps management in demonstrating compliance with legal, financial and contractual provisions. Governmental Funds are those through which most governmental functions of the Institute are financed.

The governmental fund statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances with one column for the general fund, one for each major fund and one column combining all non-major governmental funds. Major funds are determined based on a minimum criterion (percentage of the assets, liabilities, revenues or expenditures) or based on the Institute's official's criteria, if the fund is particularly important to financial statement users.

The Institute only reports the general fund, which is used to account for resources provided by the Legislature of the Commonwealth of Puerto Rico for the administration of statistical services.

**INSTITUTO DE ESTADÍSTICAS DE PUERTO RICO
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GABS No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the governmental column in the government-wide Statement of Net Assets.

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 deposit insurance. All securities pledged as collateral are held by the Secretary of Treasury of Puerto Rico. In addition, the Institute maintains deposits with the Governmental Development Bank of Puerto Rico (GDB).

Receivables

Receivables are recorded in the General Fund and are considered collectible; accordingly, no provision for doubtful account has been established.

Inventories

The purchase method is followed to account for inventory. Under this method, inventory is recorded as expenditure when purchased. The Institute estimated that the amount of inventory of office and printing supplies on hand are immaterial; accordingly, any amount of inventory is recorded in the government-wide financial statements.

Capital Assets

Property and equipment purchased or acquires is carried at historical cost or estimated historical cost. The Institute's capitalization policy is to capitalize individual amounts exceeding \$500. Other cost incurred for repair and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimates useful lives:

Office equipment	5 years
Leasehold improvements	5 years

Compensated Absences

The Institute accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The Institute employees are granted thirty (30) days of vacations and 18 days of sick leave annually. Vacations may be accumulated up to the maximum of sixty (60) days and sick up to a maximum of ninety (90) days. In the event of employee resignation, the employee is paid for accumulated vacation days up to the maximum allowed.

**INSTITUTO DE ESTADÍSTICAS DE PUERTO RICO
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Separation for the employment prior to the use of all or part of the sick leave terminates all rights for compensation, except for employees with ten years of services who are entitled to sick leave pay up to the maximum allowed. The Institute accrued a liability for compensated absences, which meet the following criteria:

1. The Institute's obligations relating to employee's rights to receive compensation for future absences are attributable to employee's services already rendered.
2. The obligation relates to right that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria and requirements as established by GASB No. 16; the Institute has accrued a liability for compensated absences, which has been earned but not taken by Institute's employees. For the government-wide statements, the current portion is the amount estimated to be used in the following years. For the governmental funds statements, the current portion for compensated absences is only considered and represents a reconciling item between the fund level and government-wide presentation. Accrued compensated absences for the fiscal year ended June 30, 2009 amounted to \$57,852.

Encumbrances

Encumbrance accounting is employed in the governmental fund types. Under the encumbrance system all purchases orders, contracts and other commitments issued for goods and services not received at the year-end are recorded in order to reserve that portion of the applicable appropriation.

Net assets and reservations of fund balance

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislations of other governments that relate to specific projects of the Institute. Net assets not reported as invested in capital assets, net of related debt or as restricted, are reported as unrestricted.

**INSTITUTO DE ESTADÍSTICAS DE PUERTO RICO
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of the financial statements in conformity with accounting principle generally accepted in the United States of America requires management to make estimates and assumption that affect the reported amounts of assets and liabilities at the date of the basis financial statements and the reported amounts of revenues and expenses during the reporting period. Actual result count differs from those estimates.

NOTE B - CAPITAL ASSETS

The capital assets activity for the year ended June 30, 2009 was as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Office equipment	\$76,805	\$35,725	\$ -	\$112,530
Leasehold improvements	<u>9,721</u>	<u>-</u>	<u>-</u>	<u>9,721</u>
Total Historical Cost	86,526	35,725	-	122,251
Less: Accumulated Depreciation	(<u>5,800</u>)	(<u>26,732</u>)	<u>-</u>	(<u>32,532</u>)
Net Capital Assets	<u>\$80,726</u>	<u>\$ 8,993</u>	<u>-</u>	<u>\$ 89,719</u>

Depreciation expense was charged to governmental administration function as an administrative expenditure for a total amount of \$26,932.

NOTE C - COMMITMENTS – OPERATING LEASES

The Institute leases its office facilities under an operating lease with a term of approximately 4 years, expiring in June 30, 2011. Lease agreement contains a renewal option and provides for an annual increase in rent of approximately 2.8%. Also, the Institute has operating leases for equipment which do not give rise to property rights of lease obligations and, therefore, are not reflected in the Institute's governmental fund statements. For the fiscal year ended June 30, 2009, rent expenditures under the above operating leases aggregated approximately \$82,428. Minimum required rental payments under this operating lease are:

<u>Year ending June 30,</u>	<u>Amount</u>
2010	\$ 83,568
2011	<u>85,904</u>
	<u>\$ 169,472</u>

INSTITUTO DE ESTADÍSTICAS DE PUERTO RICO
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STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
State services	\$ 977,000	\$ 928,000	\$ 928,000	\$ -
Earnings on deposits	-	-	9,282	(9,282)
Total revenues	<u>977,000</u>	<u>928,000</u>	<u>937,282</u>	<u>(9,282)</u>
Expenditures:				
Salaries:	377,263	377,263	372,632	(4,631)
Employee fringe benefits:				
Employee insurance	21,000	19,697	18,750	(947)
Retirement	36,331	36,330	12,462	(23,868)
Social security	27,898	29,200	29,549	349
Other compensation	14,956	14,186	14,146	(40)
Worker's compensation	7,923	7,923	9,585	1,662
Christmas bonus	3,230	4,000	7,000	3,000
Compensated absences	-	-	4,447	4,447
Unemployment	5,000	5,000	4,091	(909)
Subtotal	<u>116,338</u>	<u>116,336</u>	<u>100,030</u>	<u>(16,306)</u>
Supplies and materials:				
Postage	1,500	541	-	(541)
Supplies	15,000	15,000	4,452	(10,548)
Subtotal	<u>16,500</u>	<u>15,541</u>	<u>4,452</u>	<u>(11,089)</u>
Other operating expenses:				
Utilities	60,233	60,258	31,503	(28,755)
Insurance - property and liability	1,210	1,210	1,100	(110)
Repairs and maintenance	6,275	6,908	7,269	361
Travel	20,300	20,300	10,971	(9,329)
Dues and fees	2,000	4,806	4,806	-
Rent	82,428	82,428	82,428	-
Legal, accounting and consulting	172,000	167,700	166,550	(1,150)
Miscellaneous	69,453	42,250	35,466	(6,784)
Subtotal	<u>413,899</u>	<u>385,860</u>	<u>340,093</u>	<u>(45,767)</u>
Capital outlays	<u>53,000</u>	<u>33,000</u>	<u>35,725</u>	<u>2,725</u>
Total expenditures	<u>977,000</u>	<u>928,000</u>	<u>852,932</u>	<u>(75,068)</u>
Excess of revenues over expenditures	-	-	84,350	84,350
Fund Balance - beginning of Year	-	-	470,142	470,142
Fund Balance - end of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 554,492</u>	<u>\$ 554,492</u>

See accompanying notes to this schedule.

**INSTITUTO DE ESTADÍSTICAS DE PUERTO RICO
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2009**

NOTE A – BUDGET PROCESS AND BUDGETARY BASIS OF ACCOUNTING

The Institute's budget is prepared for Governmental Fund following state requirements. Budget amendments are approved by the Board of Directors. The budget is prepared on a budgetary (statutory) basis of accounting which is different from GAAP. Revenues include amounts classified by GAAP as other financing sources and expenditures include encumbrances and amounts classified by GAAP as other financing uses. On a GAAP basis, encumbrances outstanding at year end are reported in the governmental funds statements as a reservation of fund balance since they do not constitute expenditures or liabilities while on a budgetary basis encumbrances are recorded as expenditures of current year.

The presentation of the budgetary data excludes long-term obligations such as compensated absents and depreciation charges for capital assets. Historically, those obligations have been budgeted on a pay as you go basis. The budgetary comparison schedule presents comparisons of the original and final legally adopted budget with actual data on a budgetary basis.