9-1-1 SERVICE GOVERNMENT BOARD
(A COMPONENT UNIT OF THE
COMMONWEALTH OF PUERTO RICO)

BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

SISTEMA DE
EMERGENCIA
9-1-1
JUNTA DE GOBIERNO
DEL SERVICIO 9-1-1
ESTADO LIBRE ASOCIADO DE PUERTO RICO
POR LA SEGURIDAD DE PUERTO RICO

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INDEPENDENT AUDITORS' REPORT

To the Governing Board of the
9-1-1 Service Government Board
(A Component Unit of the Commonwealth of Puerto Rico)
San Juan, Puerto Rico

Report on the Financial Statements

We have audited the accompanying basic financial statements **of 9-1-1 Service Government Board (A Component Unit of the Commonwealth of Puerto Rico) (the Board)**, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the **Board's** basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Basis for Qualified Opinion

As discussed in Notes **1** and **10**, the **Board's** pension plan administrator has not provided the audited actuarial and financial information necessary for the proper recognition and reporting of its net pension liability as of June 30, 2015. As a result, management has not complied with the accounting and financial reporting requirements for pensions that are provided to the employees of state and local governmental employers through pension plans trusts that comply with the criteria set forth in the GASB Statement No. 68. Accounting principles generally accepted in the United States of America require that governmental employers whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans recognize a liability and pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate share of the collective net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources reported by the pension plan trust. The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the **Board's** governmental activities has not been determined.

In addition, the **Board's** financial statements do not disclose the descriptive information about the pension plans through which the pensions are provided required by the GASB Statement No. 68 for cost-sharing employers. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the effect of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of THE Board as of June 30, 2015 and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages **4** through **11** be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because of the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Required Supplementary Information (Continued)

Management has omitted historical pension information, required as supplementary information related to new pension standards (GASB Statement No. 68) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standard Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

López-Vega, CPA, PSC

LOPEZ VEGA, CPA, PSC

San Juan, Puerto Rico
January 15, 2016
Stamp No. 2705495 of the
Puerto Rico Society of Certified
Public Accountants was affixed to
the record copy of this report.

The Management of 9-1-1 Service Government Board (The Board) provides this Management's Discussion and Analysis for the readers of the Board's basic financial statements. This narrative provides our analysis of the Board's financial performance during the fiscal year ended June 30, 2015. Please read it in conjunction with the financial statements, which follows this section.

Financial Highlights

The following comments about the financial condition and results of operations as reflected in the financial statements prepared for the fiscal year 2015 deserve special mention:

- The Board's net position decreased from $25.06 million to $16.04 million, a decrease of $9.02 million, when compared with the 2014 fiscal year.

- Total operating revenues increased by $0.38 million or 1.86%. During the fiscal year 2015, the Board did not make any distributions to the emergency agencies. This resulted in a reduction of $8.34 million in distributions compared with fiscal year 2014.

- Operating expenses increased by $0.96 million or 8.07% mainly due to an increase in personnel services of $1.04 million.

- Transfers to emergency agencies and municipalities increased by $2.43 million from $3.28 million during 2014 to $5.71 million during 2015.

- During the fiscal year 2015, the Board made a transfer of $12.00 million to comply with the provisions established in Act No. 78 of July 1, 2014, to create the "Legal Liability Fund".

Overview of the Financial Statements

This annual report includes the management's discussion and analysis report, the independent auditors' report, and the basic financial statements of the Board. The basic financial statements include notes that explain in more detail the information contained in the basic financial statements.

The financial statements of the Board report information using accounting methods similar to those used by private sector companies. The statements offer short-term and long-term financial information about its activities. The statement of net position is the first required statement; it includes all of the Board's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and nature and extent of obligation (liabilities). It also provides the basis for computing the rates of return, evaluating the capital structure of the Board and assessing the liquidity and financial flexibility of the Board.

All of the current revenues and expenses are accounted for in the statement of revenues, expenses and changes in net position, which is the second required financial statement. This statement measures the profitability of the Board's operations over the current year and can be used to determine whether the Board has successfully recovered all its costs through its user fees and other charges.

The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Board's cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and non-capital financial activities. It also provides information regarding sources of cash, uses of cash, and the changes in the cash balance during the reporting period.

Financial Analysis of the Board

The statement of revenues, expenses and changes in net position provides a broad view of the Board's operations in a manner similar to a private business sector, while the statement of net position provides both short-term and long-term information about the Board's financial position, which assists in assessing the Board's economic condition at the end of the fiscal year. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting, similar to those used by most businesses. This method takes into account all revenues and expenses related with the fiscal year even if cash involved has not been received or paid. The statement of net position presents all of the Board's assets and liabilities, with the difference between the two reported as "net position". Over time, increase or decrease in the Board's net position may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

The operations of the Board are intended to recover all or a significant portion of their costs through the imposition of a monthly charge of $0.50 for residential and cellular telephone accounts, and $1.00 for commercial telephone accounts. The charges are billed and collected by telephone service provider companies, who at the end of each month, reimburse the amounts collected to the Board. Law No. 144 of December 22, 1994, as amended, and bylaws and resolutions, obligate the Board to transfer no less than 40% of the funds collected from the provider companies to those agencies that provide the emergency services (Fire Department, Police Department, Family Department's Social Emergency Program, Municipal Offices for Emergency Management and State Agency for Emergency Management). As mentioned before, during the fiscal year ended June 30, 2015, the Board did not make any distributions to the emergency agencies. Instead, the Board used $12.00 million of its resources to comply with the provisions established in Law No. 78 of July 1, 2014, to create the "Legal Liability Fund".

The net position reported in the financial statements by the Board show categories of restricted and unrestricted net position.

Restricted net position results when constraints on the use of net position are either externally imposed by creditors, grantors, or imposed by law through constitutional provisions or enabling legislation. The Board has the following restricted net position:

- **Contingencies –** As required by Law No. 144 of December 22, 1994, as amended, the Board has to deposit in a contingency reserve no more than 15% of its budgeted annual collections.

- **Expansion and Equipment Replacement –** As required by Law No. 144 of December 22, 1994, as amended, the Board has to deposit in an expansion and equipment replacement fund no less than 10% of its budgeted annual collections.

- **Distribution to Emergency Agencies –** As required by Law No. 144 of December 22, 1994, as amended, the Board has to deposit in a distribution to emergency agencies fund no less than 40% of its budgeted annual collections.

- **Telephone Companies Billing Fees –** As required by Law No. 144 of December 22, 1994, as amended, the Board has to deposit in a telephone companies billing fees fund no more than 2% of its budgeted annual collections.

Financial Analysis of the Board (Continued)

Unrestricted net position includes funds that have constraints imposed by the Board's management that can be removed or modified. These constraints indicate that management does not consider those resources available for general operations. The Board has the following constraints on net position:

- **Mechanization Fund -** In June 2001, the Board's management established a mechanization fund for the purpose of implementing a mechanization plan for the telephone calls received at the Public Safety Answering Point. Also, this fund will be used for the betterments and renovations of the property acquired during the fiscal year 2015 to relocate the Board's operations. The balance constrained by the Board for the Mechanization Fund amounted to $7,500,000 as of June 30, 2015.

- **Public Education Fund -** The Board's management created this fund during the fiscal year ended June 30, 2007. This fund was created for the purpose of providing funding for educational campaigns to Puerto Rico's citizenship about the use of the 9-1-1 Service. The balance constrained by the Board for the Public Education Fund amounted to $19,786 as of June 30, 2015.

- **Administrative and Operating Fund -** The Board's management created this fund during the fiscal year ended June 30, 2011. This fund was created for the purpose of providing funding for non-recurrent expenses related to the administration and operation of the 9-1-1 Service. As of June 30, 2015, the Board did not constrain funds for the Administrative and Operating Fund.

- **Voluntary Termination Benefits Fund -** The Board's management created this fund during the fiscal year ended June 30, 2011. This fund was created for the purpose of providing funding for termination benefits for those employees opting for voluntary retirement under the provisions of by Law No. 70 of July 6, 2010. As of June 30, 2015, the Board did not constrain funds for the Voluntary Termination Benefits Fund.

- **3-1-1 Center Fund -** The Board's management created this fund during the fiscal year ended June 30, 2012. This fund was created for the purpose of providing funding for the development and establishment of the 3-1-1 Government Service and Information Answering Center. As of June 30, 2015, the Board did not constrain funds for the 3-1-1 Center Fund.

The following table provides a summary for the Board's statements of net position as of June 30, 2015 and 2014 (millions omitted):

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Financial Analysis of the Board (Continued)

	2015	2014	Change
Current assets	$ 2.30	$ 2.19	$ 0.11
Noncurrent assets	12.94	31.65	(18.71)
Capital assets	7.11	4.06	3.05
Total assets	22.35	37.90	(15.55)
Current liabilities	5.24	11.18	(5.94)
Noncurrent liabilities	1.07	1.66	(0.59)
Total liabilities	6.31	12.84	(6.53)
Net investment in capital assets	6.99	3.86	3.13
Restricted	6.98	10.17	(3.19)
Unrestricted	2.07	11.03	(8.96)
Total net position	$ 16.04	$ 25.06	$ (9.02)

Statement of Net Position

The Board's net position as of June 30, 2015 amounted to $16.04 million, resulting in a net decrease of $9.02 million from its net position as of June 30, 2014 amounting to $25.06 million. Total assets decreased by $15.55 million during the fiscal year ended June 30, 2015. This decrease is mainly due to the net effect of (1) a decrease in restricted cash of $18.52 million; (2) an increase in capital assets of $3.05 million.

As mentioned before, the net decrease in restricted cash amounted to $18.52 million for the fiscal year ended June 30, 2015. This decrease was mainly caused by the net effect of cash provided by operating activities and by investing activities amounting to $2.71 million and $0.39 million, respectively; and cash used by capital and related financing activities amounting to $21.62 million.

The net increase of capital assets balance amounted to $3.05 million. This increase resulted principally from the net effect of the acquisition of land, building, equipment, furniture and vehicles of $4.01 million and $0.84 million of depreciation expense recorded during the fiscal year 2015.

Total liabilities decreased by $6.53 million, mainly due to the net effect of a decrease in the balance due to emergency management agencies of $8.24 million and an increase in accounts payable and accrued expenses of $1.88 million and $0.23 million, respectively.

Statement of Revenues, Expenses and Changes in Net Position

The following table provides a summary of the Board's changes in net position for the years ended June 30, 2015 and 2014 (millions omitted):

	2015	2014	Change
Operating revenues:			
Emergency telephone service charges, net	$ 21.22	$ 12.50	$ 8.72
Operating expenses:			
Personnel services	10.19	9.15	1.04
Administrative	1.76	1.72	0.04
Depreciation	0.84	0.96	(0.12)
Total operating expenses	12.79	11.83	0.96
Operating income	8.43	0.67	7.76
Non-operating revenues	0.26	0.19	0.07
Income before transfers	8.69	0.86	7.83
Transfers to the Commonwealth of Puerto Rico	(12.00)	0.00	(12.00)
Transfers to emergency management agencies and municipalities	(5.71)	(3.28)	(2.43)
Decrease in net position	(9.02)	(2.42)	(6.60)
Net position, beginning of the year	25.06	27.48	(2.42)
Net position, end of the year	$ 16.04	$ 25.06	$ (9.02)

Analysis of Changes in Net Position

Net position decreased by $9.02 million, from $25.06 million in 2014, to $16.04 million in 2015 due to the result of current year operation, as follows:

- Net operating revenue increased by $8.72 million, mainly due to the decrease of distribution to emergency agencies amounting to $8.34 million, as detailed in the following table:

Analysis of Changes in Net Position (Continued)

	2015	2014	Change
Revenues	$ 21.22	$ 20.84	$ 0.38
Distributions to agencies	-	(8.34)	8.34
Net revenues	$ 21.22	$ 12.50	$ 8.72

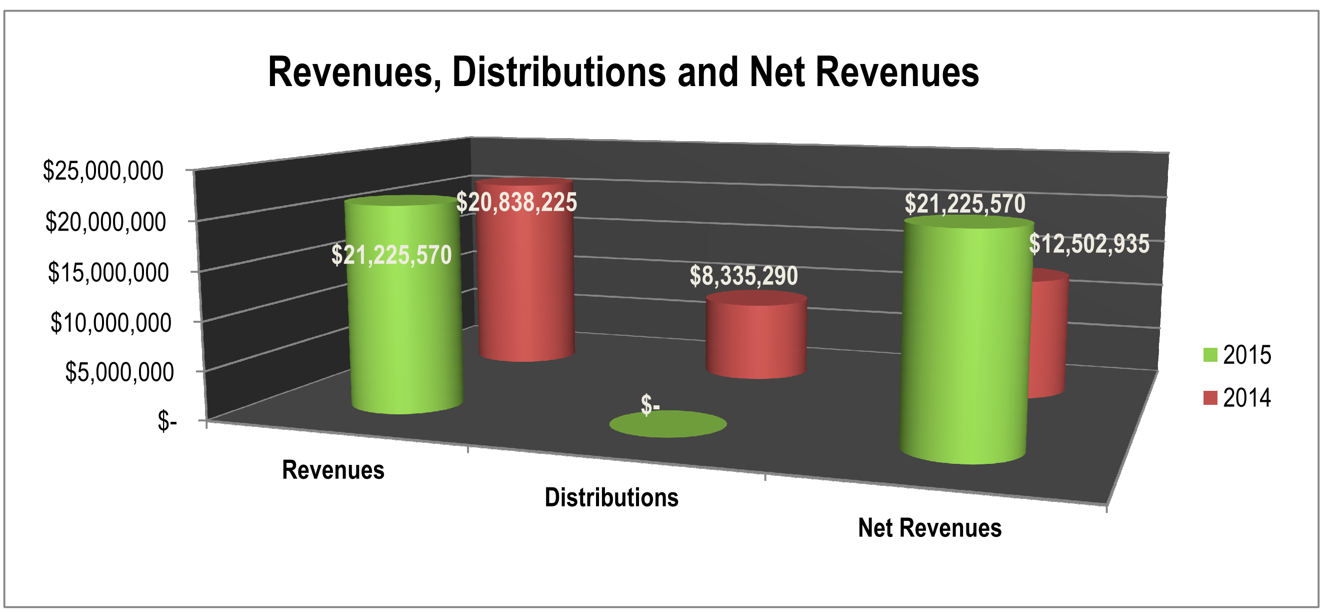
- Operating expenses increased by $0.96 million or 8.11%, principally due to the increase in personnel services of $1.04 million.

- Total transfers to emergency management agencies and municipalities increased by $2.43 million, which represents an increase of 74.09% when compared with fiscal year 2014. The transfers to emergency management agencies and municipalities, includes vehicles and ambulances donated to agencies and municipalities and are based on the agencies' needs and the approval by the Board.

- Finally, during the fiscal year 2015, the Board made a transfer of $12.00 million to the Commonwealth of Puerto Rico to comply with the requirements and provisions of Act No. 78 of July 1, 2014, to create a "Legal Responsibility Fund".

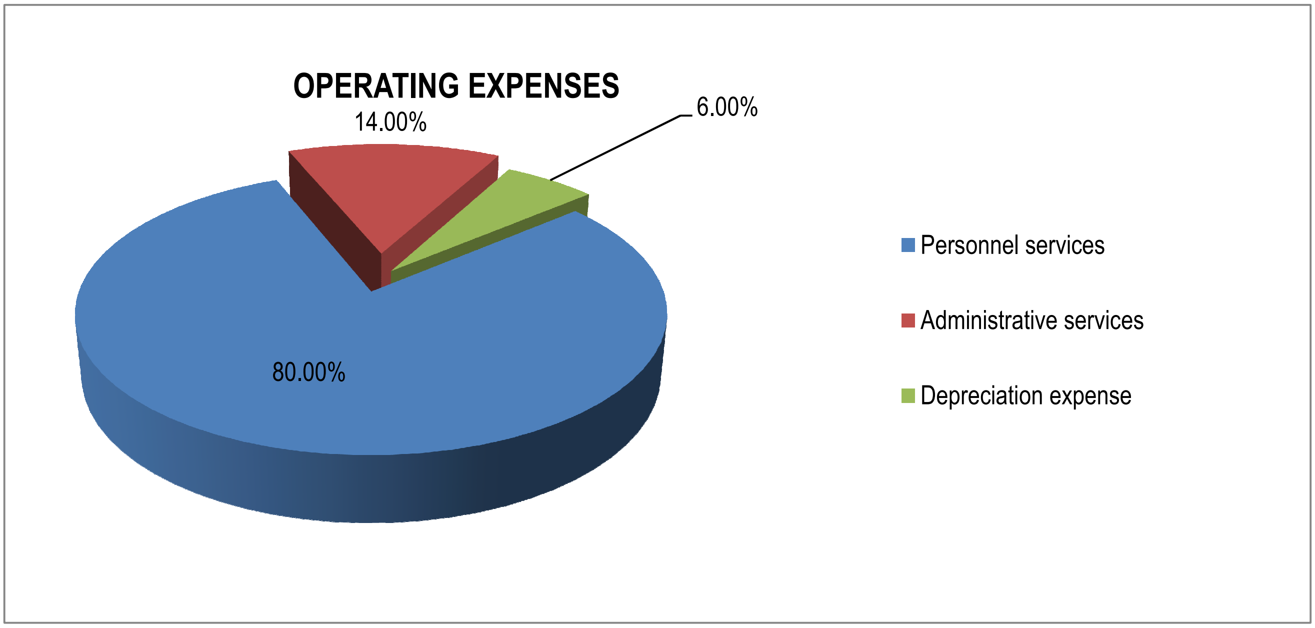
The Board as a Whole

The following chart presents a comparison of revenues, distributions to agencies and net revenues of the Board's activities for the years ended June 30, 2015 and 2014:



The Board as a Whole (Continued)

The following chart presents the composition of operating expenses of the Board for the year ended June 30, 2015:



Capital Assets

At the end of June 30, 2015, the Board had $7.11 million invested in land, building, equipment, furniture, and motor vehicles (net of depreciation). The net investment in capital assets increased by $3.05 million during the fiscal year 2015. This increase was principally caused by the acquisition of a property (land and building) in which the Board's operations will be located. As of June 30, 2015 this property is under certain betterments and renovations.

Debt Administration

The Board is authorized to incur in long-term debt as described in Article 4, Clause (f) of December 22, 1994, as amended. As of June 30, 2015, the Board has no long-term debt other than the accrued compensated absences, voluntary termination benefits and obligation under capital lease reported in the financial statements.

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Adoption of GASB Statement No. 68

The new GASB Statement No. 68, Accounting and Financial Reporting for Pensions, an amendment to GASB Statement No. 27, was effective for the fiscal year ended June 30, 2015. This Statement requires participants of cost-sharing defined benefit pension plans that are administered through trusts that comply with certain criteria to recognize in their financial statements their proportionate share of the collective net pension liability, net pension expense and deferred outflows/inflows of resources related to pensions. The Board's pension plan is administered by the Employees Retirement System Administration (ESR). The ESR has not issued its audited financial statements for the fiscal year ended June 30, 2014 (the plan's measurement date), and as a result, the Board could not comply with the accounting and financial reporting requirements set forth in GASB Statement No. 68. Consequently, the Board's financial statements do not report or disclose the required information for its pension plan for the fiscal year 2014-15.

Contacting the Board Financial Management

This financial report is designed to provide a general overview of the 9-1-1 Service Government Board finances for all of telephone subscribers, Puerto Rico's citizens, customers, and creditors. This financial report seeks to demonstrate the Board's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to 9-1-1 Service Government Board, Finance Office, PO Box 270200, San Juan, P.R. 00927-0200.

Assets	
Current assets	
Accounts receivable:	
Trade	$ 2,211,714
Other	45,047
Prepaid expenses	13,750
Supplies inventory	32,292
Total current assets	2,302,803
Noncurrent assets:	
Restricted assets	
Cash restricted for current obligation	473,208
Other cash restricted	12,472,035
Total restricted assets	12,945,243
Capital assets:	
Depreciable assets	14,007,264
Less: accumulated depreciation and amortization	(6,901,363)
Total capital assets, net	7,105,901
Total assets	**$ 22,353,947**

Continues

Liabilities and Net Position	
Current liabilities:	
Liabilities from restricted assets:	
Due to emergency agencies	$ 101,339
Due to telephone companies	371,869
Total liabilities from restricted assets	473,208
Current portion of long-term obligations:	
Obligation under capital lease	66,665
Voluntary termination benefits	171,165
Compensated absences	777,007
Accounts payable	3,036,582
Accrued expenses	717,294
	4,768,713
Total current liabilities	5,241,921
Noncurrent liabilities:	
Obligation under capital lease, net of current portion	49,999
Voluntary termination benefits, net of current portion	396,928
Compensated absences, net of current portion	624,918
Total noncurrent liabilities	1,071,845
Total liabilities	$ 6,313,766
Net position:	
Net investment in capital assets	$ 6,989,237
Restricted for:	
Contingencies	114,581
Expansion and equipment replacement	6,254,992
Telephone companies billing fees	613,994
Unrestricted	2,067,377
Total net position	**$ 16,040,181**

See accompanying notes to basic financial statements.

Operating revenues:	
Emergency telephone service charges	$ 21,225,570
Operating expenses:	
Personnel services	10,193,471
Administrative	1,762,515
Depreciation	835,883
Total operating expenses	12,791,869
Operating income	8,433,701
Non-operating revenues and expenses:	
Interest revenues	17,984
Other income from telephone service claims	298,382
Loss on disposition of capital assets	(130,856)
Other	71,016
Total non-operating revenues	256,526
Income before transfers	8,690,227
Transfers to the Commonwealth of Puerto Rico	(12,000,000)
Transfers to emergency management agencies and municipalities	(5,705,866)
Total transfers	(17,705,866)
Change in net position	(9,015,639)
Net position, beginning of year	25,055,820
Net position, end of year	**$ 16,040,181**

See accompanying notes to basic financial statements.

Cash flows from operating activities:	
Receipts from customers	$ 21,127,892
Payments to suppliers	(1,790,631)
Payments to employees	(8,453,776)
Payments to emergency management agencies and companies	(8,178,179)
Net cash provided by operating activities	2,705,306
Cash flows from capital and related financing activities:	
Redemption of deposit on purchase of property	190,000
Capital assets additions	(4,012,494)
Principal payments of obligations under capital leases	(83,331)
Transfers to Commonwealth of Puerto Rico	(12,000,000)
Transfers to emergency management agencies and municipalities	(5,705,866)
Net cash used in capital and related financing activities	(21,611,691)
Cash flows from investing activities:	
Interest receipts and other	387,381
Net cash provided by investing activities	387,381
Net decrease in cash	(18,519,004)
Cash at beginning of the year	31,464,247
Cash at end of the year	**$ 12,945,243**
For purposes of the statement of cash flows, cash includes:	
Unrestricted	$ -
Restricted	12,945,243
	$ 12,945,243

Continues

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 8,433,701
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	835,883
Changes in assets and liabilities:	
Accounts receivable – trade	(79,606)
Accounts receivable – other	(18,072)
Prepaid expenses	(12,851)
Supplies inventory	(2,098)
Accounts payable	1,881,772
Amounts due to emergency agencies and telephone companies	(8,178,179)
Compensated absences	(212,235)
Accrued voluntary termination benefits	(168,498)
Accrued expenses	225,489
Total adjustments	(5,728,395)
Net cash provided by operating activities	**$ 2,705,306**

See accompanying notes to basic financial statements.

Note 1 – Reporting entity

The 9-1-1 Service Government Board (the Board) is a component unit of the Commonwealth of Puerto Rico (The Commonwealth), created by Law No. 144 on December 22, 1994. The Board is appointed by the Commonwealth's Executive Branch and its budget is approved by the Commonwealth's Legislature. The Board is engaged in the operation of the 9-1-1 Public Safety Answering Point. The Board coordinates efforts of emergency services with the Municipal Offices for Emergency Management, the State Agency for Emergency Management, the Fire Department, the Police Department and the Family Department's Social Emergency Program. The Board is led by an Executive Director. During the fiscal year 2012, Law No. 144 was amended by Law No. 126 of July 12, 2011 to empower the Board to establish the 3-1-1 Government Service and Information Answering Center (3-1-1 Center). The 3-1-1 Center provides information related to services offered by 14 governmental agencies and attends claims and requests made by the citizens on such agencies.

Note 2 – Summary of significant accounting policies

The accounting and reporting policies of the Board conform to the accounting rules prescribed by the Governmental Accounting Standards Board (GASB). The Board functions as an enterprise fund and maintains its accounting records on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The following describes the most significant accounting policies followed by the Board.

a) Financial statement presentation

The financial statements are presented as an enterprise fund and conform to the provisions of Governmental Accounting Standards Board Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for the State and Local Governments" (GASB 34), as amended, which establishes standards for external financial reporting for all state and local governmental entities, which includes a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows.

b) Measure focus and basis of accounting

The Board's operations are accounted for using the economic resources measurement focus and the accrual basis of accounting. Under this method, all assets and liabilities associated with operations are included on the statement of net position, and revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Board's activities are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, or changes of net position is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Note 2 – Summary of significant accounting policies (Continued)

b) Measure focus and basis of accounting (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenue and expenses.

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

As a proprietary fund, the Board prepares the statement of net position, the statement of revenues expenses and changes in net position and the statement of cash flows using the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recorded when incurred.

c) Cash equivalents

The Board considers all highly liquid investments with a maturity of three (3) months or less when purchased to be cash equivalents.

d) Trade accounts receivable

Receivables are stated net of estimated allowances for uncollectible accounts, which are determined based upon past collection experience and current economic conditions, among other factors.

e) Capital assets

Capital assets are recorded at cost. The Board capitalizes its property and equipment with a unit cost of $500 or higher and with a useful life of more than one (1) year. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of capital assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of revenues, expenses and changes in net position.

Depreciation is provided over the estimated useful life of the respective assets using the straight-line method. Leasehold improvements, if any, are amortized on a straight-line basis over the shorter of the lease term or estimated life of the asset. The estimated useful life of all the capital assets is five (5) years.

Note 2 – Summary of significant accounting policies (Continued)

f) Accounting for compensated absences

The Board's policy allows employees to accumulate unused sick leave up to 90 days and vacation leave up to 60 days. In the event of employee resignation, the employee is paid for accumulated vacation days up to the maximum allowed. Separation from employment prior to use of all or part of the sick leave terminates all rights for compensation, except for employees with ten (10) years or more of service who are entitled to sick leave pay up to the maximum allowed. The Board is required to pay excess sick leave over 90 days on or before March 31 of the accumulated excess at December 31 of the previous year.

g) Pension benefits

The Board shall adopted the provisions of GASBS No. 68, Accounting and Reporting for Pensions – an amendment of GASBS No. 27, and GASBS No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, which amended GASBS No.68. The Board accounts for pension costs from the standpoint of a participant in a multi-employer cost-sharing plan. Accordingly, the net pension liability, pension expense and deferred outflows/inflows of resources recognized in the accompanying basic financial statements shall be equal to the Board's proportionate shares of the collective net pension liability, pension expense and collective deferred outflows/inflows of resources reported for the pension plans' trust by the plan's administrator as of the measurement date. In addition, if the Board's annual contributions are less than the statutorily required amounts, a liability is recorded for any unpaid balances.

For the purpose of applying the requirements of GASBS Nos. 68 and 71, the Commonwealth of Puerto Rico is considered to be the sponsor of the Employees' Retirement System of the Government of Puerto Rico and its Instrumentalities (ERS), a multi-employer hybrid defined contribution plan in which the employees of the Board participate. The Board is considered a participant, and not a sponsor, of this retirement system since the majority of the participants in the aforementioned pension trust fund are employees of the Commonwealth of Puerto Rico and the basic financial statements of such retirement system are part of the Commonwealth's financial reporting entity.

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the ESR plan and additions to/reductions from the ESR plan's fiduciary net position have been determined on the same basis as they are reported by the ESR. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Board's pension plan administrator has not provided the audited actuarial and financial information necessary for the proper recognition and reporting of its net pension liability as of June 30, 2015. As a result, the management has not complied with the accounting and financial reporting requirements for pensions that are provided to the employees of state and local governmental employers through pension plans trusts that comply with the criteria set forth in the GASB Statement No. 68.

Note 2 – Summary of significant accounting policies (Continued)

g. Pension benefits (Continued)

The Board's employees participate in the Retirement System of the Commonwealth of Puerto Rico, a multiemployer cost sharing plan. Accordingly pension costs recorded in the accompanying financial statements equals the statutory required contributions with a liability recorded for any unpaid required contributions.

h) Net position

Net position is the difference between assets and liabilities in governmental-wide financial statements. Net position is reported in three (3) categories:

1. **Net investment in capital assets –** consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any long-term debt that is attributable to the acquisition, construction or improvement of those assets.
2. **Restricted net position –** results when constraints placed on net position use are externally imposed by grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
3. **Unrestricted net position –** consists of net position, which does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

i) Risk management

The Board has acquired commercial insurance to mitigate its exposure to certain losses involving casualty, theft, tort claims, damages and injuries caused by automobile accidents and other losses. In the past, settlement claims have not exceeded insurance coverage. Worker's compensation insurance coverage is provided by the State Insurance Fund Corporation, a component unit of the Commonwealth of Puerto Rico, which provides compensation to both public and private employees.

j) Use of estimates

Management of the Board has made a number of estimates and assumptions relating to the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amount of revenue and expenses during the period. Actual results could differ from those estimates

k) Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

Note 2 – Summary of significant accounting policies (Continued)

k) Deferred outflows/inflows of resources (Continued)

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board has two (2) items that may qualify for reporting in this category:

- **Government-mandated or voluntary non-exchange transactions received before the time requirements have been met** – Federal and state grants received before the beginning of the fiscal year to which they pertain are recognized as deferred inflows of resources on the Statement of Net Position. The amounts deferred would be recognized as an inflow of resources (revenue) in the period in which the time requirements are fulfilled.

- **Deferred outflows/inflows of resources related to pensions -** Amounts reported for changes in calculation of the net pension liability that result from: a) differences between expected and actual experience; b) changes of assumptions; c) net difference between projected and actual earnings on pension plan investments; d) changes in proportion and difference between the Board's contributions and proportionate share contributions; and e) Board's contributions subsequent to the measurement date.

Note 3 – Cash

Deposits include cash placed in the Government Development Bank of Puerto Rico. The carrying amount of deposits in the Government Development Bank of Puerto Rico as of June 30, 2015 consisted of the following:

Deposits in governmental bank:	Carrying Amount	Bank Balance
Restricted	$ 12,945,243	$ 13,086,471

Custodial credit risk related to deposits

Pursuant to the laws of the Commonwealth of Puerto Rico, the Board's cash is required to be held only in banks designated as depository institutions of public funds by the Commonwealth's Secretary of the Treasury. The Commonwealth requires that public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of federal depository insurance. All securities pledged as collateral are held by the Secretary of the Treasury of the Commonwealth. Custodial credit risk is the risk that, in the event of a bank failure, the Board's deposit might not be recovered. Deposits maintained at Government Development Bank for Puerto Rico (GDB) are exempt from the collateral requirements established by the Commonwealth and thus represent a custodial credit risk that in the event of GDB's failure; the Board may not be able to recover these deposits. GDB is a component unit of the Commonwealth. The Board was exposed to custodial credit risk arising from the balance of deposits of **$13,086,471** maintained at GDB as of June 30, 2015, which are uninsured and uncollateralized.

Note 4 – Capital assets

Capital assets' activity of the Board for fiscal year ended June 30, 2015 was as follows:

	Balance as of July 1, 2014	Additions	Retirements	Balance as of June 30, 2015
Capital assets, not being depreciated:				
Land	$ -	$ 489,610	$ -	$ 489,610
Building under renovations	-	3,282,412	-	3,282,412
Total capital assets, not being depreciated	-	3,772,022	-	3,772,022
Capital assets, being depreciated:				
Leasehold improvements	1,841,019	1,412	-	1,842,431
Equipment	7,533,824	111,615	(525,355)	7,120,084
Equipment under capital lease	199,995	-	-	199,995
Furniture and fixtures	939,000	36,421	(65,375)	910,046
Vehicles	101,795	91,025	(30,133)	162,687
Total capital assets, being depreciated	10,615,633	240,473	(620,863)	10,235,243
Less accumulated depreciation and amortization:				
Leasehold Improvements	(1,245,544)	(149,950)	-	(1,395,494)
Equipment	(4,643,970)	(605,463)	418,847	(4,830,586)
Equipment under capital lease	(8,500)	(33,999)	-	(42,499)
Furniture and fixtures	(575,564)	(38,442)	41,027	(572,979)
Vehicles	(81,910)	(8,029)	30,133	(59,806)
Total accumulated depreciation and amortization	(6,555,488)	(835,883)	490,007	(6,901,364)
Total capital assets, being depreciated, net	4,060,145	(595,410)	(130,856)	3,333,879
Total capital assets, net	**$ 4,060,145**	**$ 3,176,612**	**$ (130,856)**	**$ 7,105,901**

The Board follows the provisions of GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, an amendment of GASB Statement No. 34. This statement establishes guidance for accounting and reporting for impairment of capital assets and insurance recoveries. The Board did not recognize any impairment loss during the fiscal year ended June 30, 2015.

Note 5 – Building under renovations

On December 22, 2014, the Board acquired a building to relocate its administrative offices and the 9-1-1 and 3-1-1 call centers for a purchase price of **$3,300,000**. The property is located on a land lot of 2,090.572 square meters located at No. 1547 Ponce de León Avenue, south corner with Gambia street, in El Cinco Sector of San Juan Puerto Rico. This property consist of a six (6) story office building facility with 57,725 square feet of space area and a multilevel parking garage with capacity for 177 automobiles. As of June 30, 2015, the Board is performing certain betterments and renovations to these facilities in order to relocate its operations. Accordingly, no depreciation expense attributable to this asset was recognized on the statement of activities for fiscal year 2015.

Note 6 – Obligations under capital lease

The Board entered into a capital lease agreement with HP Financial Services Corp. for the acquisition of computer equipment. At the end of the lease, the Board has the option to purchase the equipment at one dollar ($1.00) "as is". The lease is payable in 36 monthly installments of $**5,555**. The balance due as of June 30, 2015 amounted to **$116,664**.

The following is a schedule of future minimum lease payments for the next three years:

Year ending June 30,	
2016	$ 66,665
2017	49,999
Total minimum lease payments	**$ 116,664**

Note 7 - Due to emergency agencies

The operations of the Board are intended to recover almost all of their costs through the imposition of monthly emergency telephone service charge of $0.50 for residential and cellular telephone accounts, and $1.00 for commercial accounts. The charges are billed and collected by telephone companies, which at the end of each month reimburse the amounts collected to the Board. Law 144 of December 22, 1994, as amended, obligates the Board to transfer no less than 40% of the funds collected from the telephone subscribers to the agencies that provide response to 9-1-1 calls (Fire Department, Police Department, Municipal Offices for Emergency Management, State Agency for Emergency Management Agency and Department of Family's Social Emergencies Program). Those funds are distributed to the agencies in two installments of 40% and 60%, respectively, of the funds to be transferred. The fund allocated to each agency is made proportionally based on the ratio of transferred calls from the agency to total calls transferred from the service during the current fiscal year. During the fiscal year 2015, the Board did not make any distribution of funds to the emergency agencies. As of June 30, 2015, there is a balance payable to the emergency agencies of **$101,339** related to the distribution of the fiscal year ended June 30, 2014.

Note 8 – Accrued compensated absences

The vested compensated absences liability balance at June 30, 2015 consists of the following activity:

	Balance as of June 30, 2014	Net Change	Balance as of June 30, 2015	Due within One year
Accrued vacations and sick leave	$ 1,614,160	$ (212,235)	$ 1,401,925	$ 777,007

Note 9 – Voluntary Termination Benefits

On July 2, 2010, the Commonwealth enacted Act No. 70 to establish a program that provides benefits for early retirement or economic incentives for voluntary employment termination to eligible employees, as defined, including employees of the Board. Act No. 70 established that early retirement benefits would be provided to eligible employees that had completed between 15 to 29 years of credited service in the Retirement System and consisted of biweekly benefits ranging from 37.5% to 50% of each employee salary, as defined. In this early retirement benefit program, the Board will make the employer contributions to the Retirement System and pay the corresponding pension until the employee complies with the requirements of age and 30 years of credited service.

Economic incentives were available to eligible employees who had less than 15 years of credited service or who had at least 30 years of credited service and the age for retirement; or who had the age for retirement. Economic incentives consisted of a lump-sum payment ranging from one-month to six-month salary based on employment years. Additionally, eligible employees that chose the economic incentive and had less than 15 years of credited service were eligible to receive health plan coverage for up to 12 months in a health plan selected by management of the Board.

The financial impact resulting for the benefits granted to participants on this program is the recognition within the Board's financial statements of a liability of **$568,093** in the statement of net position as of June 30, 2015 and a charge of **$26,727** in the statement of activities for the year then ended. As of June 30, 2015, the unpaid long-term benefits granted on this program were discounted at 1.15%.

	Balance as of June 30, 2014	Net change	Balances of June 30, 2015	Due within One year
Accrued termination Benefits	$ 736,591	$ (168,498)	$ 568,093	$ 171,165

Note 10 – Pension plan benefits

General Information about the Pension Plan

As of June 30, 2015, regular employees of the Board contribute to a cost-sharing multiple employer hybrid defined benefit and defined contribution retirement plan administered by the Employee's Retirement System of the Government of Puerto Rico and its Instrumentalities (ERS). ERS covers all regular full-time public employees working for the central government, the municipalities of Puerto Rico and certain public corporations not having their own retirement systems. The system provides retirement pensions, death, and disability benefits. Retirement benefits depend upon age at retirement and number of years of credited service. Benefits vest after ten years of plan participation. The pension plan operates under Act No. 447 of May 15, 1951, as amended, Act No. 305 of September 24, 1999 (System 2000 Reform) and Act No. 3 of April 4, 2013.

Under Act 447, retirement benefits were determined by the application of stipulated benefit ratios to the member's average compensation. Average compensation was computed based on the highest 36 months of compensation recognized by ERS. The annuity, for which a plan member was eligible, was limited to a minimum of $200 per month and a maximum of 75% of the average compensation. For active participants of the contributory defined benefit programs under Act No. 447, all retirement benefits accrued through June 30, 2013 were frozen. Thereafter, all future benefits will accrue under the hybrid pension plan established by Act No. 3. Participants will receive a pension at retirement age equivalent to what they had accrued under Act 447 up to June 30, 2013, and a supplemental annuity corresponding to contributions made after July 1, 2013.

Participants under the defined contribution plan established by Reform System 2000 will receive a lifetime annuity calculated at retirement based on a factor that will incorporate the individual's life expectancy and a rate of return. New participants under the hybrid plan established by Act No. 3 will receive a lifetime annuity based on the accumulated balance of their individual accounts (employees' contributions plus a return on investment). The minimum monthly pension for current retirees is $500.

Disability benefits previously provided by Act No. 447 and Reform System 2000 were eliminated by Act No. 3 and substituted for a mandatory disability insurance policy. Beginning July 1, 2013, each employee must contribute to this insurance plan .25% of his or her monthly salary, up to a monthly maximum of $5,000. Therefore, the maximum monthly employee contribution will be $12.50 ($5,000 x .25%).

Beginning July 1, 2013, all employers must contribute 12.275% of employee contribution with an additional 1% annually up to June 30, 2016; after July 1, 2016, an additional 1.25% annually for each of the five years thereafter, reaching an aggregate contribution rate of 20.525% effective July 1, 2020. For the fiscal year ended June 30, 2015, the employer contribution rate was 13.275%. For the fiscal year ended June 30, 2015, total required annual contributions amounted to **$1,311,969**.

Note 10 – Pension plan benefits (Continued)

As required by Act 32 of June 25, 2015, the Additional Uniform Contribution (AUC) was established for the purpose of solving the cash flow deficit of the System. For each fiscal year, beginning on July 1, 2013, the ERS will: 1) determine the portion of the AUC attributable to each participating employer based on the percentage each employer's contributions represent of the total employer contributions established for that fiscal year; and 2) send to the director of the P.R. Office of Management and Budget (OMB) and to each public corporation and municipality whose employees are covered by this Act, a certification of the AUC owed by each employer. The Board's AUC for the fiscal year 2014-15, amounted to **$133,710**.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

As stated in the provisions of the GASB Statements No. 67 and 68, the ESR is required, as the pension plan's administrator, to provide to each of its participating employers audited actuarial and financial information used in the calculation of their proportionate share of the plan's net pension liability, pension expense and deferred outflows/inflows of resources related to pensions as of the measurement date. For the fiscal year ended June 30, 2015, the measurement date is June 30, 2014. In addition, the ESR has to provide all the required actuarial and historical data to be reported in the notes to the financial statements of the Board and as Required Supplementary Information (RSI).

However, the ESR has not provided to the Board the required audited actuarial and financial information necessary for the proper recognition and reporting of its net pension liability as of June 30, 2015. As a result, management has not complied with the accounting and financial reporting requirements for pensions that are provided to the employees of state and local governmental employers through pension plans trusts that comply with the criteria set forth in the GASB Statement No. 68. The ESR has informed its participating employers that the audited actuarial and financial data will be available in a future date during the calendar year 2016. The effects of this departure from U.S. generally accepted accounting principles in the assets, liabilities, deferred outflows/inflows of resources and net position of the Board's governmental activities cannot be determined at this time.

Note 11 – Postemployment benefits

In addition to the pension benefits described in Note 10, the Board is required to cover annually the 3% increase in the retirement plan of its retired employees, as required by Commonwealth's laws. Also, the Board is required to finance costs related to the application of certain laws issued by the Commonwealth Government. Those laws granted increases in pensions and other benefits to retired employees of the Board such as medicines bonus, Christmas and summer bonuses and death benefits. However, beginning July 1, 2013, Act 3 of 2013 eliminated certain laws benefits to future retirees.

For the year ended June 30, 2015, the cost related to these post-employment benefits amounted to **$2,400**. These benefits are recorded as expenses in the statement of activities for the year then ended.

Note 12 – Contingencies

Litigation and claims

The Board has been named as a defendant in various legal claims, arising from the ordinary course of business. As of June 30, 2015, Board's management believes it has meritorious defenses against these legal actions and is contesting them vigorously. In addition, the Board considers that those claims in excess of insurance coverage are filed in amounts far greater than those that can be reasonable expected to be agreed on with claimants or awarded by a court. The accompanying financial statements have an accrual for legal claims of **$142,000** as of June 30, 2015, included within accrued expenses in the accompanying statement of net position.

Transfer of funds Act No. 78

On July 1, 2014, became effective the Act No. 78 of 2014. This Act created the "Legal Liability Fund", which has the purpose of obtaining funds from different public corporations to pay off government legal and judicial liabilities. The Article 6 of the Law 144 was amended to order the Board the transfer of **$12,000,000** to this fund five (5) days after the Act approval. The Board issued a payment for the requested amount on July 24, 2014.

Note 13 – Commitments

Operating leases

The Board renewed its facilities operating lease agreement for a period of five (5) years commencing on July 2012. Monthly rental payments under this agreement amount to **$27,494** during the first year, **$30,388** during the second and third year and **$32,559** during the last two years of that contract. The lease agreement is renewable in periods of five years.

On December 2011, the Board entered into an operating lease agreement with a third party for the lease of 3-1-1 Center facilities for a period of five (5) years commencing on May 2012. The lease contract is renewable in periods of five (5) years. On August 1, 2014, the agreement was amended to extend the period of the contract until May 2021, under the same monthly rental payment established for the first year.

Future minimum non-cancellable lease payments for the next five (5) years are as follow:

Year ending June 30,	Amount
2016	$ 594,371
2017	594,371
2018	203,658
2019	203,658
2020	186,687
	$ 1,782,745

Rent expense for fiscal year ended June 30, 2015 amounted to **$760,367.**

Note 14 – Statement of cash flows

The Board prepares its statement of cash flows using the direct method. For the purpose of this statement, the Board includes as cash equivalent all unrestricted and restricted highly liquid debt instruments with original maturities of three months or less at time of purchase.

Note 15 – Future adoption of accounting pronouncements

The Governmental Accounting Standards Board has issued the following accounting standards that have effective dates after June 30, 2015:

- **GASB Statement No. 72, Fair Value Measurement and Application:** The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value applications guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concept Statements No. 6, Measurement Elements of Financial Statements, and other relevant literature. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

- **GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68 and Amendments to Certain Provisions of GASB Statements Nos. 67 and 68:** The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement established requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016.

- **GASB No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans:** The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.

  It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Notes Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016.

Note 15 – Future adoption of accounting pronouncements (Continued)

- **GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions:** The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about the financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and Statement 57, OPEB Measurements by Agent Employers and Agent Multi-Employers Plans, for OPEB. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017.

- **GASB No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments:** The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy consists of the sources of accounting principles used to prepare the financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within the authoritative of GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

- **GASB No. 77, Tax Abatement Disclosures:** Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bonds analysts, and others with information they need to evaluate the financial health of governments, makes decisions, and assess accountability. Accordingly, financial statement users need information about certain limitations on government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development.

  For financial reporting purposes, this Statement defines tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

  This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Note 15 – Future adoption of accounting pronouncements (Continued)

Also, tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated.

The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015.

The impact of the implementation of these pronouncements on the Board's financial statements, if any, has not yet been determined.

Note 16 – Subsequent events

Subsequent events were evaluated through January 15, 2016, the date the financial statements were available to be issued. Certain significant events that should have been recorded or disclosed in the financial statements were noted, and are described in the following paragraphs.

Puerto Rico Fiscal and Economic Growth Plan

On September 9, 2015, the Working Group for the Fiscal and Economic Recovery of Puerto Rico established by the Governor Alejandro García Padilla by executive order EO 2015-022 submitted the Fiscal and Economic Growth Plan (FEGP), setting forth economic development, structural, fiscal and institutional reform measures intended to meaningfully reduce the Commonwealth's projected financing gaps. In order to ensure compliance with the FEGP measures, the Working Group proposes the implementation of a Control Board and new budgetary regulations, pursuant to proposed legislations known as the Fiscal Responsibility and Economic Revitalization Act (FRERA). The reform measures proposed by the FEGP, including the creation of the Control Board, have been submitted to the Commonwealth Legislature for review and final approval.

Application of Chapter 9 of the Federal Bankruptcy Law to the Commonwealth of Puerto Rico and its Instrumentalities

A law project has been submitted to the Congress of the United States of America requesting the application of Chapter 9 of the Federal Bankruptcy Law to the Commonwealth of Puerto Rico and its instrumentalities. The benefits available under Chapter 9 would permit the Commonwealth to restructure its debt with its bondholders, with the purpose of decreasing the interest costs and debt service requirements that consume a significant part of the Commonwealth's operating budget. During the past months, the Governor and Resident Commissioner of Puerto Rico have been persistently lobbying for the approval of this law project, including various public hearings in Congress, arguing that the Commonwealth will incur in a default of its debt service requirements for the fiscal year 2015-16 citing that both the Governmental Development Bank of Puerto Rico and the Puerto Rico Treasury Department are suffering from severe cash flow shortfalls that put in jeopardy the fulfillment of their debt obligations The continuing economic and fiscal crisis of the island will seriously affect the amount and quality of services provided to the citizenry and the amount of subsidies and funds provided by the state to the municipalities.