

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

**BASIC FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

YEAR ENDED JUNE 30, 2013

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

YEAR ENDED JUNE 30, 2013

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Member of:

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

INDEPENDENT AUDITORS' REPORT

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)**, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the **9-1-1 Service Government Board's** statement of net position, statements of revenues, expenses and changes in net position and cash flows.

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.

Auditor's 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibility (Continued)

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **9-1-1 Service Government Board** as of June 30, 2013 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages **4** through **12** 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 AUDITOR'S REPORT (CONTINUED)

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2013, on our consideration of **9-1-1 Service Government Board's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering **9-1-1 Service Government Board's** internal control over financial reporting and compliance.


LOPEZ VEGA, CPA, PSC

San Juan, Puerto Rico
December 12, 2013
Stamp No. 2675767 of the
Puerto Rico Society of Certified
Public Accountants was affixed to
the record copy of this report.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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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, 2013. Please read it in conjunction with the financial statements, which follows this section.

June 30, 2013 Financial Highlights

- The **Board's** net position decreased from **\$40.80** million to **\$27.70** million or **31.48%**, as a result of the increase in operating costs by **\$3.82** million, and the increase in transfers to emergency agencies and municipalities by **\$6.47** million.
- Net operating revenues increased by **\$0.43** million or **4.36%**, as a result of a decrease of distribution to emergency agencies by **\$0.31** million.
- Operating expenses increased by **\$3.82** million or **35.97%** mainly due to an increase in personnel services by **\$2.90** million and depreciation expense by **\$0.56** million.
- Transfers to emergency agencies and municipalities increased by **\$6.47** million from **\$3.03** million during 2012 to **\$9.50** million during 2013.

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 the 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**.

**9-1-1 SERVICE GOVERNMENT BOARD
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**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2013**

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Overview of the Financial Statements (Continued)

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 revenue, 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, obligates 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-Social Emergency Program, State Medical Emergency, Municipalities Medical Emergency and State Emergency Management Agency).

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

**9-1-1 SERVICE GOVERNMENT BOARD
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**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2013**

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Financial Analysis of the Board (Continued)

Restricted net position result 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.

Designated net position is unrestricted net position that has constraints imposed by the **Board's** management that can be removed or modified. The designation indicates that management does not consider those resources available for general operations. The **Board** has the following designated 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. The balance designated by the **Board** for the Mechanization fund amounted to **\$512,000** as of June 30, 2013.

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 citizenship about the use of the 9-1-1 Service. The balance designated by the **Board** for the Public Education Fund amounted to **\$575,081** as of June 30, 2013.

**9-1-1 SERVICE GOVERNMENT BOARD
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**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2013**

Financial Analysis of the Board (Continued)

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 9-1-1 Service. As of June 30, 2013 the **Board** did not designate 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. The balance designated by the **Board** of the Voluntary Termination Benefits Fund amounted to **\$38,070** as of June 30, 2013.

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. The balance designated by the **Board** for the 3-1-1 Center Fund amounted to **\$113,207** as of June 30, 2013.

The following table provides a summary for the **Board's** statements of net position as of June 30, 2013 and 2012 (millions omitted):

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Current assets	\$ 15.05	\$ 21.73	\$ (6.68)
Other assets	20.02	24.26	(4.24)
Capital assets	<u>4.92</u>	<u>4.25</u>	<u>0.67</u>
Total assets	<u>39.99</u>	<u>50.24</u>	<u>(10.25)</u>
Current liabilities	10.61	7.96	2.65
Non-current liabilities	<u>1.68</u>	<u>1.48</u>	<u>0.20</u>
Total liabilities	<u>12.29</u>	<u>9.44</u>	<u>2.85</u>
Invested in capital assets	4.27	4.25	0.02
Restricted	9.99	15.75	(5.76)
Unrestricted	<u>13.44</u>	<u>20.80</u>	<u>(7.36)</u>
Total net position	<u>\$ 27.70</u>	<u>\$ 40.80</u>	<u>\$ (13.10)</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2013**

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Net Position

June 30, 2013 and 2012

The **Board's** net position as of June 30, 2013 amounted to **\$27.70** million, resulting in a net decrease of **\$13.10** million from net position as of June 30, 2012 amounting to **\$40.80** million, as restated. Total assets decreased by **\$10.25** million during the fiscal year ended June 30, 2013. This decrease is a result of the net effect of (1) a decrease in restricted cash of **\$3.17** million (2) a decrease in unrestricted cash of **\$5.28** million (3) a decrease in accounts receivable of **\$1.39** million (4) a decrease of certificate of deposits of **\$1.065** million and (5) an increase in capital assets of **\$0.67** million.

The net decrease in unrestricted cash and restricted cash amounted to **\$4.09** million for the fiscal year ended June 30, 2013. This decrease was mainly caused by the net effect of cash used by operating activities and capital and related financing activities amounting to **\$0.36** million and **\$10.12** million, respectively and cash provided by investing activities amounting to **\$6.39** million.

Capital assets increased principally due to **\$1.40** million incurred for the acquisition of equipment and furniture and for the completion of leasehold improvements.

Total liabilities increased by **\$2.48** mainly due to the net effect of an increase in due to emergency agencies and accrued voluntary termination benefits of **\$1.19** million and **\$1.12** million, respectively, and an increase in accounts payable and accrued compensated absences of **\$0.84** million and **\$0.25** million, respectively.

Statement of Revenues and Expenses

The following table provides a summary of the **Board's** changes in net position for the year ended June 30, 2013 and 2012 (million omitted):

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2013

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Statement of Revenues and Expenses (Continued)

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Operating revenues:			
Emergency telephone service charges, net	\$ <u>10.29</u>	\$ <u>9.86</u>	\$ <u>0.43</u>
Operating expenses:			
Personnel Services	11.52	8.62	2.90
Administrative	2.01	1.67	0.34
Depreciation	0.89	0.33	0.56
Provision for bad debts	<u>0.02</u>	<u>0.00</u>	<u>0.02</u>
Total operating expenses	<u>14.44</u>	<u>10.62</u>	<u>3.82</u>
Operating loss	(4.15)	(0.76)	(3.39)
Non-operation revenues	<u>0.55</u>	<u>1.90</u>	<u>(1.35)</u>
Income (loss) before transfers	(3.60)	1.14	(4.74)
Transfers to emergency agencies and municipalities	<u>(9.50)</u>	<u>(3.03)</u>	<u>(6.47)</u>
Decrease in net position	\$ (13.10)	\$ (1.89)	\$ (11.21)
Net position, beginning of the year, as restated	<u>40.80</u>	<u>42.69</u>	<u>(1.89)</u>
Net position, end of the year	<u>\$ 27.70</u>	<u>\$ 40.80</u>	<u>\$ (13.10)</u>

Analysis of Changes in Net Position

Net position decreased by **\$13.10** million, from **\$40.80** million in 2012 to **\$27.70** million in 2013 due to the result of current year operation, as follows:

Net operating revenue increased by **\$.43** million, mainly due to the decrease of distribution to emergency agencies amounting to **.32** million, as follows:

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Revenues	\$ 20.57	\$ 20.46	\$ 0.11
Distributions to agencies	<u>(10.28)</u>	<u>(10.60)</u>	<u>0.32</u>
Net revenues	<u>\$ 10.29</u>	<u>\$ 9.86</u>	<u>\$ 0.43</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2013**

Analysis of Changes in Net Position (Continued)

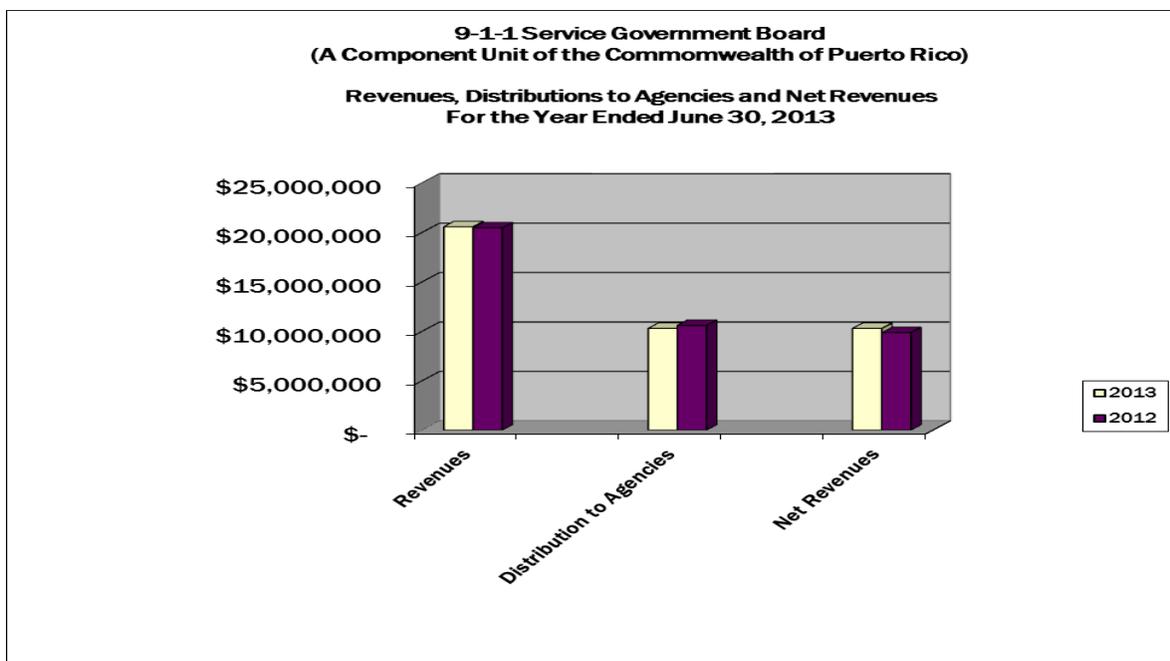
Operating expenses increased by **\$3.82** million or **35.97%**, due to the net effect of an increase in personnel services and depreciation expense of **\$2.90** million and **\$.56** million respectively, and an increase in administrative expenses of **\$.34** million.

Non-operating revenues decreased by **\$1.35** million, principally due to the effect of the collection of **\$1.70** million related to a claim against telephone companies as a result of examination made by the Audit and Procedures Department to the fiscal operations of such telephone companies relating to the emergency telephone service charges.

Transfers to emergency agencies increased by **\$6.47** million. Transfer to emergency agencies includes vehicles and ambulances donated to agencies and municipalities and are based on the agencies needs and the approval by the **Board**.

The Board as a Whole

The following chart presents a comparison of revenues, distributions to agencies and net revenues of the **Board** activities for the years ended June 30, 2013 and 2012:

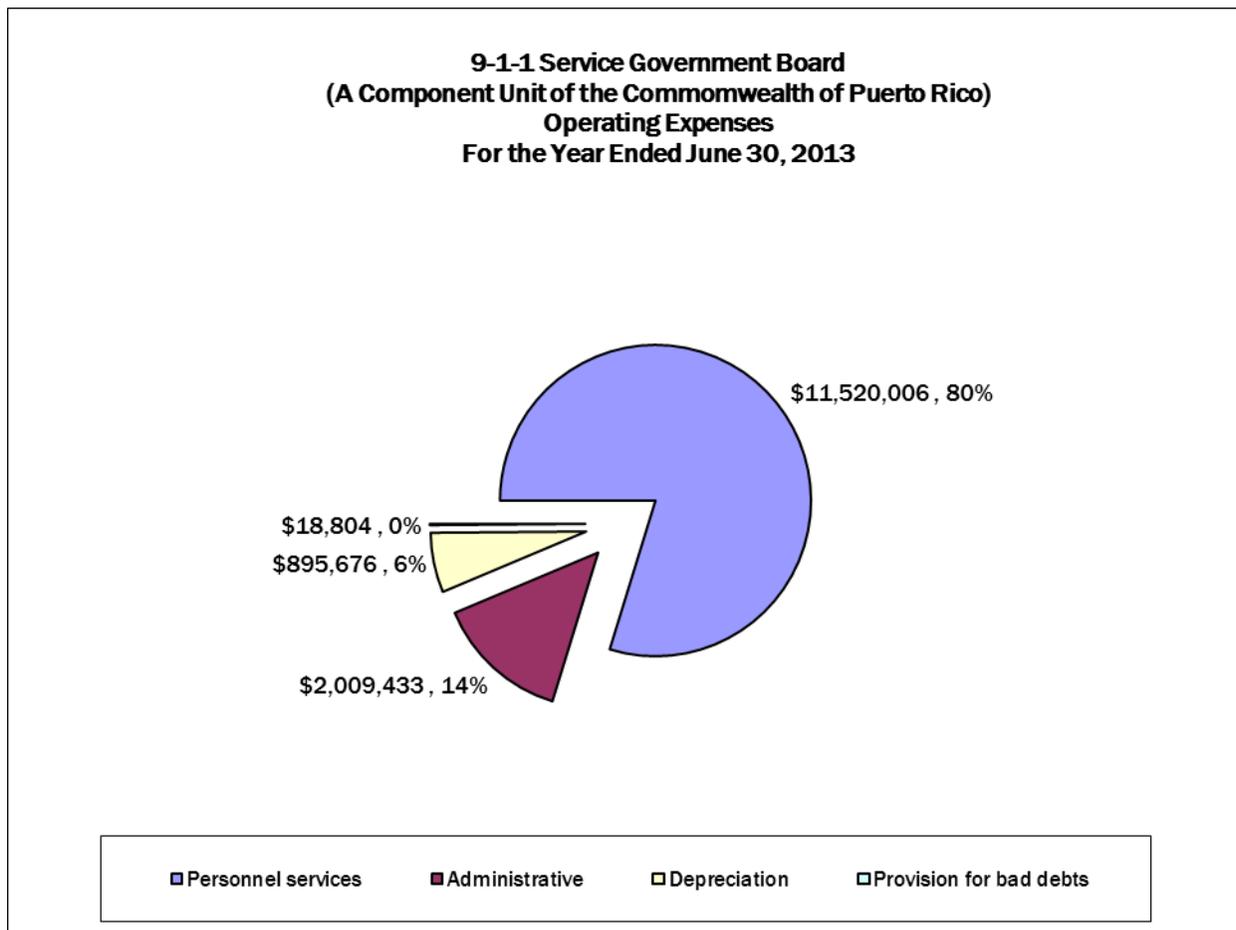


9-1-1 SERVICE GOVERNMENT BOARD
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2013

The Board as a Whole (Continued)

The following chart presents the composition of operating expenses of the **Board** for the year ended June 30, 2013:



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2013**

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Capital Assets

At the end of June 30, 2013, the **Board** had **\$4.92** million invested in equipment, furniture, and motor vehicles (net of depreciation). The following table summarizes the amounts invested in capital assets as of June 30, 2013:

**Capital Assets at Year-End
(Net of Accumulated Depreciation, in Millions)**

Leasehold improvements	\$ 1,840,012
Equipment	8,330,017
Furniture and fixtures	943,429
Vehicles	<u>101,795</u>
Total depreciable assets	11,215,253
Less accumulated depreciation and amortization	<u>(6,299,662)</u>
Total capital assets, net	<u>\$ 4,915,591</u>

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, 2013 and 2012 the **Board** has no long-term debt other than the accrued compensated absences and voluntary termination benefits reported in the financial statements.

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.

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

STATEMENT OF NET POSITION
JUNE 30, 2013

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Assets	
Current Assets	
Cash	\$ 12,762,949
Accounts receivable:	
Trade	2,241,741
Other	7,899
Prepaid expenses	1,374
Supplies inventory	<u>37,562</u>
Total current assets	<u>15,051,525</u>
Non-current restricted assets:	
Cash	7,847,719
Certificate of deposits	<u>9,135,983</u>
Total noncurrent restricted assets	<u>16,983,702</u>
Certificate of deposits	<u>3,043,805</u>
Capital assets:	
Depreciable assets	11,215,253
Less: accumulated depreciation and amortization	<u>(6,299,662)</u>
Total capital assets, net	<u>4,915,591</u>
Total assets	<u>\$ 39,994,623</u>

Continues

9-1-1 SERVICE GOVERNMENT BOARD
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STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2013

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Liabilities and Net Position

Current Liabilities:

Liabilities from restricted assets:	
Due to emergency agencies	\$ 7,603,794
Due to telephone companies	<u>243,925</u>

Total liabilities from restricted assets 7,847,719

Accounts payable – trade	1,283,734
Accrued expenses	587,019
Accrued voluntary termination benefits	183,090
Compensated absences	<u>710,669</u>

Total current liabilities 2,764,512

Noncurrent liabilities:

Voluntary termination benefits	714,943
Compensated absences	<u>962,130</u>

Total noncurrent liabilities 1,677,073

Total liabilities \$ 12,289,304

Net position:

Net investment in capital assets	\$ 4,274,467
Restricted for:	
Contingencies	273,494
Expansion and equipment replacement	9,233,639
Telephone companies billing fees	486,050
Unrestricted	<u>13,437,669</u>

Total net position \$ 27,705,319

See accompanying notes to basic financial statements.

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION
YEAR ENDED JUNE 30, 2013

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Operating revenue:	
Emergency telephone service charges	\$ 20,573,037
Distribution to emergency agencies	<u>(10,286,519)</u>
Net operating revenues	<u>10,286,518</u>
Operating expenses:	
Personnel services	11,520,006
Administrative	2,009,433
Depreciation	895,676
Provision for bad debts	<u>18,804</u>
Total operating expenses	<u>14,443,919</u>
Operating loss	<u>(4,157,401)</u>
Non-operating revenues and expenses:	
Interest revenues	269,594
Other income from telephone service claims	194,146
Loss on disposition of capital assets	(413,210)
Other	<u>500,000</u>
Total non-operating revenues	<u>550,530</u>
Loss before transfers	(3,606,871)
Transfers to emergency agencies and municipalities	<u>(9,496,560)</u>
Change in net position	(13,103,431)
Net position, beginning of year	40,437,929
Prior period adjustment,	<u>370,821</u>
Net position, end of year	<u>\$ 27,705,319</u>

See accompanying notes to basic financial statements.

9-1-1 SERVICE GOVERNMENT BOARD
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STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2013

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Cash flows from operating activities:

Receipts from customers	\$ 20,243,458
Receipts from other claims	1,700,000
Payments to suppliers	(4,058,254)
Payments to employees	(9,147,597)
Payments to emergency agencies and companies	<u>(9,094,718)</u>
Net cash used by operating activities	<u>(357,111)</u>

Cash flows from capital and related financing activities:

Net capital expenditures	(625,444)
Transfers to emergency agencies and municipalities	<u>(9,496,560)</u>
Net cash used in capital and related financing activities	<u>(10,122,004)</u>

Cash flows from investing activities:

Interest receipts and other	963,740
Maturity of certificates of deposit	<u>5,425,683</u>
Net cash provided by investing activities	<u>6,389,423</u>

Net decrease in cash (4,089,692)

Cash at beginning of the year 24,700,360

Cash at end of the year **\$ 20,610,668**

For purposes of the statement of cash flows, cash include:

Unrestricted	\$ 12,762,949
Restricted	<u>7,847,719</u>
	<u>\$ 20,610,668</u>

Continues

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

STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2013

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Reconciliation of operating loss to net cash
used by operating activities:

Operating loss \$ (4,157,401)

Adjustment to reconcile operating loss
to net cash used by operating activities:

Depreciation expense 895,676
Provision for bad debts 18,804

Changes in assets and liabilities:

Accounts receivable – trade (329,579)
Accounts receivable – other 1,703,651
Prepaid expenses 3,037
Supplies inventory 4,974
Accounts payable – trade (135,977)
Amounts due to emergency agencies and telephone companies 1,191,801
Compensated absences 252,247
Accrued voluntary termination benefits 119,355
Accrued expenses 76,301

Total adjustments 3,800,290

Net cash used by operating activities \$ (357,111)

See accompanying notes to basic financial statements.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

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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 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 State and Municipal Medical Emergencies, the State Emergency Management Agency, the Fire Department, the Police Department and the Family Department Social Emergency Program. The **Board** is led by an Executive Director. During 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 maintain 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) **Basis 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, 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 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 balance sheet, 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013

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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 purchase 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 which unit cost is **\$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.

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

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013

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Note 2 – Summary of Significant Accounting Policies (Continued)

e) Capital Assets (Continued)

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.

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's** employee participate in the Commonwealth of Puerto Rico Employee Retirement system (the Plan), a cost-sharing multiple employer plan. The **Board** recognizes annual pension expense equal to its required contribution to the Plan. The Commonwealth funds any past or future unfunded liability related to the **Board's** employees.

h) Net position

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

1. Net investment in capital assets - these consist of capital assets, net of accumulated depreciation.
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.

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

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013

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Note 2 – Summary of Significant Accounting Policies (Continued)

3. Unrestricted Net Position (Deficit) – these consist of net position, which do not meet the definition of the two preceding categories. Unrestricted net position (deficit) often has constraints on resources that are imposed by management, but can be removed or modified.

i) New Accounting Standards Adopted

In fiscal year 2013, the **Board** adopted the new accounting standards as follows:

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements (GASB 62), incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance included in FASB pronouncements, which does not conflict with or contradict GASB pronouncements, and eliminates the criteria to apply post -November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements.

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (GASB 63), establishes a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statements requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The financial reporting impact resulting from the implementation of GASB 63 in the **Board's** financial statements was the renaming of "Net Assets" to "Net Position", including changing the name of the financial statement from "Statement of Net Assets" to "Statement of Net Position".

j) 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.

k) 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013

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Note 3 – Cash and investments

Deposits include cash and nonnegotiable certificates of deposit placed with financial institutions. The carrying amount of deposits with financial institutions as of June 30, 2013 consisted of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Unrestricted:		
Deposits in governmental bank	\$12,762,949	\$ 15,639,622
Certificate of deposits	3,043,805	3,043,805
Restricted:		
Deposits in governmental bank	7,847,719	7,847,719
Certificate of deposits	<u>9,135,983</u>	<u>9,135,983</u>
	<u>\$32,790,456</u>	<u>\$ 35,667,129</u>

Custodial Credit Risk Related to Deposits

Pursuant to the laws 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 **\$35,667,129** maintained at GDB as of June 30, 2013, which are uninsured and uncollateralized.

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

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013**

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Note 4 – Capital Assets

Capital assets' activity of the Board for fiscal year ended June 30, 2013 was as follows:

	<u>Balance as of July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclassification</u>	<u>Balance as of June 30, 2013</u>
Depreciable assets:					
Leasehold improvements	\$ 1,086,922	\$ 196,046	\$ -	\$ 557,044	\$ 1,840,012
Equipment	8,066,181	1,029,155	(2,692,139)	1,926,820	8,330,017
Furniture and Fixtures	759,856	177,735	(72,270)	78,108	943,429
Vehicles	<u>102,045</u>	<u>-</u>	<u>(250)</u>	<u>-</u>	<u>101,795</u>
Total depreciable assets	<u>10,015,004</u>	<u>1,402,936</u>	<u>(2,764,659)</u>	<u>2,561,972</u>	<u>11,215,253</u>
Less accumulated depreciation and amortization:					
Leasehold Improvements	(918,591)	(24,007)		(917)	(943,515)
Equipment	(6,310,741)	(800,808)	2,340,906	(36,478)	(4,807,121)
Furniture and Fixtures	(452,623)	(60,360)	42,544	(3,408)	(473,847)
Vehicles	<u>(63,622)</u>	<u>(10,501)</u>	<u>250</u>	<u>(1,306)</u>	<u>(75,179)</u>
Total accumulated depreciation and amortization	<u>(7,745,577)</u>	<u>(895,676)</u>	<u>2,383,700</u>	<u>(42,109)</u>	<u>(6,299,662)</u>
Total depreciable assets, net	2,269,427	507,260	(380,959)	2,519,863	4,915,591
Non-depreciable assets:					
Construction in progress	<u>1,980,249</u>	<u>539,614</u>	<u>-</u>	<u>(2,519,863)</u>	<u>-</u>
Total capital assets, net	<u>\$4,249,676</u>	<u>\$1,046,874</u>	<u>\$ (380,959)</u>	<u>\$ -</u>	<u>\$ 4,915,591</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013**

Note 5 – Due to Emergency Agencies

The operations of the Board are intended to recover all of a significant portion 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 changes are billed and collatered 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, Family Department, State Medical Emergency Department, Municipalities Medical Emergency, State Emergency Management Agency and Department of Family 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. The first installment of the distribution of the fiscal year 2013 amounted to **\$4,340,000**, for which **\$2,682,725** was paid before June 30, 2013. The remaining **\$1,657,276** will be paid, together with the second installment of the distribution of the fiscal year 2013 amounting to **\$5,946,518**, after the issuance of the audited financial statements for the fiscal year ended as of June 30, 2013. The total amount payable as of June 30, 2013 amounted to **\$7,603,794**.

Note 6 – Accrued compensated absences

The vested compensated absences liability balance at June 30, 2013 consists of the following activity:

	<u>Balance as of June 30, 2012</u>	<u>Net Change</u>	<u>Balance as of June 30, 2013</u>	<u>Due within One year</u>
Accrued vacations and sick leave	\$ 1,420,552	\$ 252,247	\$ 1,672,799	\$710,669

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

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013**

Note 7 – 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 will be provided to eligible employees that have completed between 15 to 29 years of credited service in the Retirement System and will consist 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 in the Retirement System. Economic incentives are available to eligible employees who have less than 15 years of credited service in the Retirement System or who have at least 30 years of credited service in the Retirement System and the age for retirement or who have the age for retirement. Economic incentives will consist of a lump-sum payment ranging from one-month to six-month salary based on employment years. Additionally, eligible employees that choose to participate in the early retirement benefit program or that choose the economic incentive and have less than 15 years of credited service in the Retirement System are 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 was the recognition within the **Board's** financial statements of a liability of **\$898,033** in the statement of net position as of June 30, 2013 and a charge of **\$119,355** in the statement of activities for the year ended June 30, 2013. At June 30, 2013, unpaid long-term benefits granted on this program were discounted at 1.5%.

	<u>Balance as of June 30, 2012</u>	<u>Net change</u>	<u>Balances of June 30, 2013</u>	<u>Due within One year</u>
Accrued termination Benefits	<u>\$778,678</u>	<u>\$ 119,355</u>	<u>\$898,033</u>	<u>\$183,090</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013**

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Note 8 – Contingencies

Defined benefit plan

The Employees' Retirement System of the Commonwealth and its instrumentalities (the "Retirement System"), created pursuant to Act No. 447 of May 15, 1951, as amended, is a cost-sharing multiple-employer defined benefit pension plan sponsored by, and reported as a component unit of the Commonwealth of Puerto Rico. All regular employees of **Board** hired before January 1, 2001 and less than 55 years of age at the date of employment became participants of the Retirement System as a condition to their employment.

Commonwealth legislation requires employees to contribute **5.775%** of the first **\$550** of their monthly gross salary and **8.275%** of the excess over **\$550** of monthly gross salary. The **Board** is required by the same statute to contribute **10.275%** of the participant's gross salary. As required by Act. No. 116 of July 6, 2011, the employer's contribution will increase annually by **1.00%** until June 30, 2016. Effective July 1, 2016, the employer's contribution will increase by **1.25%** annually, until reaching **20.525%**.

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

However, a member must have at least ten years of service to receive non-occupational disability benefits.

Participants who have attained at least 55 years of age and have completed at least 25 years of creditable service or members who have attained 58 years of age and have completed ten years of creditable service are entitled to an annual benefit, payable monthly for life. The amount of the annuity shall be one and one-half percent of the average compensation, as defined, multiplied by the number of years of creditable service up to twenty years, plus two percent of the average compensation, as defined, multiplied by the number of years of creditable service in excess of 20 years. In no case will the annuity be less de **\$200** per month.

Participants who have completed at least 30 years of creditable service are entitled to receive a Merit Annuity. Participants who have not attained 55 years of age will receive **65%** of the average compensation, as defined. Otherwise, they will receive **75%** of the average compensation, as defined.

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

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013

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Note 8 – Contingencies (Continued)

Defined benefit plan (Continued)

No benefits are payable if the participants receives a refund of his/her accumulated contributions upon termination.

The Legislature of the Commonwealth of Puerto Rico enacted Act No. 305 on September 24, 1999, which amends Act No. 447, to establish among other provisions, a defined contribution savings plan program (the “Program”) to be administered by the Retirement System. All regular employees hired for the first time on or after January 1, 2001 and former employees who participated in the defined benefit pension plan, received a refund of their contributions and employee who are rehired on or after January 1, 2001 become members of the Program as a condition to their employment. In addition, employees who at December 31, 1999 were participants of the defined benefit pension plan, had the option, up to March 31, 2000, to irrevocably transfer their prior contributions to the defined benefit pension plan plus interest thereon to the Program.

The following actuarial assumptions were used:

Interest rate	6.4% a year
Salary increases	3% a year
Actuarial frequency	Annual
Inflation	3% every third year

Employees must contribute an **8.275%** of their monthly gross salary to the Program and may elect to increase their contribution up to **10%**. Employee contributions are credited to his/her individual account established under the program. Participants may direct their contributions to three different investments options. Investment income is credited to the participant’s account semiannually.

The **Board** is required to contribute **10.275%** of the participant’s gross salary. The Retirement System will use these contributions to increase its assets level to reduce the unfunded status of the defined pension plan. As required by Act. No. 116 of July 6, 2011, the employer’s contribution will increase annually by **1.00%** until June 30, 2016. Effective July 1, 2016, the employer’s contribution will increase by **1.25%** annually, until reaching **20.525%**.

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

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013

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Note 8 – Contingencies (Continued)

Defined benefit plan (Continued)

Upon retirement, the balance of the participant's account will be used to purchase an annuity contract, which will provide for a monthly benefit payable to the participant during his/her life, and upon death of the participant 50% of such benefit to the participant's beneficiary. Participants with a balance of \$10,000 or less at retirement will receive a lump-sum payment. In case of death, this lump-sum payment will be made to his/her beneficiaries. Participants have the option of a lump-sum or purchasing an annuity contract in case of permanent disability. The annual employer contribution for the year ended June 30, 2013 amounted to approximately \$689,110. Total payroll covered was approximately \$6,988,800.

Additional information on the Administration for the Retirement System of the Commonwealth of Puerto Rico is provided in its financial statements for the year ended June 30, 2013, a copy of which can be obtained directly from the Administration of Retirement Systems of the Commonwealth of Puerto Rico.

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, 2013, 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 \$150,000 as of June 30, 2013, included within accrued expenses in the accompanying statement of net position.

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

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013

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Note 9 – Commitments

Construction Commitments

During fiscal year 2011, the **Board** began the development of three Public Safety Answering Point centers. Also, the **Board** approved \$3.8 million for the development and establishment of the 3-1-1 Center. As of June 30, 2012, cost incurred related to unfinished projects amounted to **\$1,980,249** were presented as part of construction in progress within capital assets in the accompanying statement of net position (see Note 4). In addition, during fiscal year ended on June 30, 2013, cost incurred related to unfinished projects amounted to **\$539,614** (see Note 4). During fiscal year ended June 30, 2013, all projects were finished and total costs incurred amounting to **\$2,519,863** were reclassify from construction in progress.

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 amounts **\$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. Future minimum non-cancellable lease payments are as follow:

<u>Year ending June 30,</u>	<u>Amount</u>
2014	568,323
2015	568,323
2016	594,371
2017	<u>577,399</u>
	<u>\$ 2,308,416</u>

Rent expense for fiscal year ended June 30, 2013 amounted to **\$680,757**.

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

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013**

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Note 10 – Statement of Cash Flows

The Board prepares its statements 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 11 – Future adoption of accounting pronouncements

The Governmental Accounting Standards Board has issued the following accounting standards that have effective dates after June 30, 2013:

- a. GASB Statement No. 65, Items Previously Reported as Assets and Liabilities). The requirements of this statement are effective for periods beginning after December 15, 2012.
- b. GASB Statement No. 66, Technical corrections-2012 -an amendment of GASB Statements No. 10 and No. 62. The requirements of this statement are effective for periods beginning after December 15, 2012.
- c. GASB Statement No. 67, Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25. The requirements of this statement are effective for periods beginning after June 15, 2013.
- d. GASB Statement No. 68 Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27. The requirements of this statement are effective for periods beginning after June 15, 2014.

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

Note 12 – Prior period adjustment

The balance of net position at the beginning of fiscal year 2013 has been adjusted to correct the balance of distributions payable. The effect of this adjustment is a reduction on distribution payable and distributions expense by **\$370,821** as of June 30, 2012 and for fiscal year then ended.

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

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013**

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Note 13 - Subsequent events

Subsequent events were evaluated through December 12, 2013, the date the financial statements were available to be issued. No significant events that should have been recorded or disclosed in the financial statements were noted.



López-Vega, CPA, PSC

Certified Public Accountants / Management Advisors

Member of:

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

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

**9-1-1 Service Government Board
(A Component Unit of The Commonwealth of Puerto Rico)
San Juan, Puerto Rico**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of **9-1-1 Service Government Board (A Component Unit of the Commonwealth of Puerto Rico)**, which comprise the statement of net position as of June 30, 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Board's** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Board's** internal control. Accordingly, we do not express an opinion on the effectiveness of the **Board's** internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency*, is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (CONTINUED)

Compliance and Other Matters

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

We noted certain matters that we reported to management of the **Board** in a separate letter dated December 12, 2013.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the **Board's** internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the **Board's** internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


LOPEZ-VEGA, CPA, PSC

San Juan, Puerto Rico
December 12, 2013
Stamp No. 2675768 of the
Puerto Rico Society of Certified
Public Accountants was affixed to
the record copy of this report.

