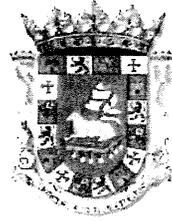


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# **FIDEICOMISO DE LOS NIÑOS**



**Informe Anual para el Año Fiscal 2014- 2015  
a la Asamblea Legislativa  
y al Contralor de Puerto Rico**



## **Fideicomiso de los Niños**

**Informe a la Asamblea Legislativa y al Contralor de Puerto Rico,  
Según Requerido por la Ley Núm. 173 del 30 de julio de 1999, Según Enmendada  
Año Fiscal 2015**

### **Introducción**

El Artículo 18 de la Ley Núm. 173 del 30 de julio de 1999, según enmendada, requiere que luego del 31 de marzo de cada año, el Fideicomiso de los Niños rinda un informe a la Asamblea Legislativa y al Contralor de Puerto Rico relacionado con el año fiscal anterior. Dicho informe deberá incluir:

1. Un estado financiero auditado por una compañía reconocida e informe completo de las actividades del Fideicomiso para el año fiscal anterior;
2. Una relación completa y detallada de todos los contratos y transacciones durante el año fiscal a que corresponda el informe;
3. Información sobre la situación y progreso de los financiamientos y actividades hasta la fecha del último informe.

Se rinde éste, el cuadragésimo informe del Fideicomiso de los Niños a la Asamblea Legislativa y al Contralor de Puerto Rico, de acuerdo con los términos de Ley.

# Fideicomiso de los Niños

## Año Fiscal 2015

### I. Estado Financiero Auditado

Se incluyen, como Anejo I, los estados financieros auditados por la firma RSM para el año fiscal terminado el 30 de junio de 2015.

### II. Informe de Actividades

Entidad Líder	Fecha Firma Contrato o Transacciones	Cantidad Aprobada
<b><u>Año Fiscal 2015</u></b>		
Corporación del Proyecto ENLACE - Caño Martín Peña	16-jul-2014	\$4,664,250
Departamento de Estado - Actividad Día de Reyes 2015	2-dic-2014	\$750,000
Universidad de Puerto Rico	30-abr-2015	\$1,122,062

### III. Situación de Progreso de los Financiamientos y Actividades del Año Fiscal 2015

El Fideicomiso desembolsó \$1,713,190.16 por concepto de Servicios de Ayuda durante el año fiscal que terminó el 30 de junio de 2015. A continuación un detalle de los desembolsos para el año fiscal:

<b>Entidad Líder</b>	<b>Cantidad Aprobada</b>	<b>Total Desembolsado 2014-2015</b>
FUNDESCO	\$1,286,994.00	\$27,605
Corporación del Proyecto ENLACE	4,664,250.13	17,700
Departamento de la Familia - Consejo de la Niñez	150,000.00	9,333
Instituto Especial para el Desarrollo, IDIIFCO	641,200.00	2,483
Niños Escuchas de América	7,477,000.00	717,363
San Agustín del Coquí	3,294,660.00	209,916
Departamento de Educación (OMEP)	29,000,000.00	94,675
Departamento de Estado (Tres Reyes 2013)	925,000.00	3,315
Departamento de Estado (Tres Reyes 2014)	925,000.00	10,132
Departamento de Estado (Tres Reyes 2015)	750,000.00	620,670
		<b>\$1,713,190</b>

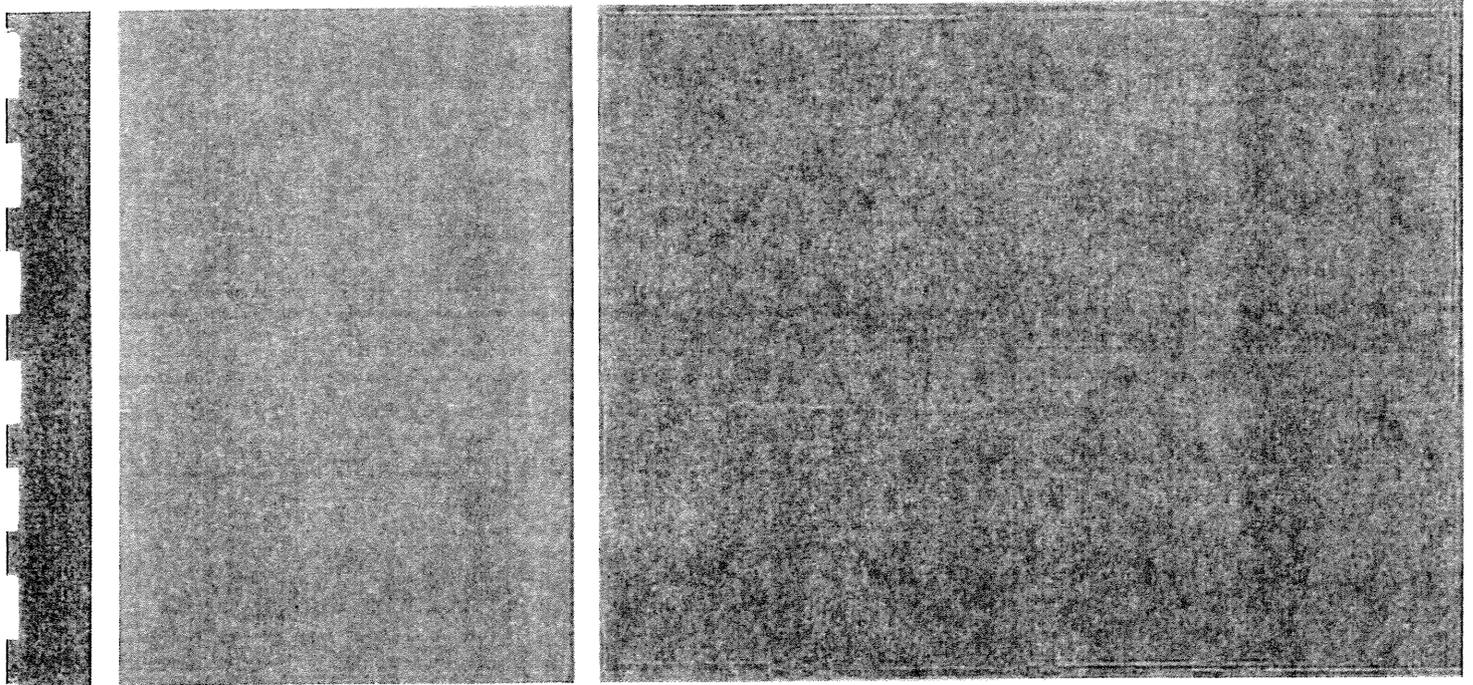
El total acumulado de desembolsos por año fiscal se detalla de la siguiente manera:

- Año Fiscal 2001 - \$ 75,211,960.35
- Año Fiscal 2002 - \$171,690,102.13
- Año Fiscal 2003 - \$483,762,894.97
- Año Fiscal 2004 - \$149,142,073.47
- Año Fiscal 2005 - \$182,975,610.14
- Año Fiscal 2006 - \$ 44,250,818.76
- Año Fiscal 2007 - \$ 96,800,748.97
- Año Fiscal 2008 - \$112,855,926.94
- Año Fiscal 2009 - \$ 11,236,966.30
- Año Fiscal 2010 - \$ 5,851,868.88
- Año Fiscal 2011 - \$ 8,443,371.59
- Año Fiscal 2012 - \$ 3,944,976.19
- Año Fiscal 2013 - \$ 6,366,296.85
- Año Fiscal 2014 - \$ 2,760,148.97
- Año Fiscal 2015 - \$ 1,713,190.16

## **Anejo I**

### **Fideicomiso de los Niños**

**Estados Auditados al 30 de junio de 2015**



## The Children's Trust

(A Component Unit of the Commonwealth of Puerto Rico)

Basic Financial Statements and Required Supplementary Information  
as of and for the Year Ended June 30, 2015, and Independent Auditors'  
Report

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## INDEPENDENT AUDITORS' REPORT

To: The Members of the Board of Directors of  
The Children's Trust

We have audited the accompanying financial statements of the governmental activities and each major fund of The Children's Trust, a Component Unit of the Commonwealth of Puerto Rico, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the entity'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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 opinions.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of The Children's Trust as of June 30, 2015, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.



**Other Matter**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 5 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 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 the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

San Juan, Puerto Rico  
February 24, 2016.

A handwritten signature in black ink, appearing to read "RSM Puerto Rico".

Stamp No. E211223 was affixed to  
the original of this report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2015**

---

As management of the Children's Trust (the "Trust"), we offer readers of the Trust's financial statements this narrative overview and analysis of the Trust's financial performance during the fiscal year ended June 30, 2015. Please read it in conjunction with the Trust's basic financial statements including the notes thereto, which follow this section.

**1. FINANCIAL HIGHLIGHTS**

- Government-wide net position (deficit) deteriorated by approximately \$23.8 million to approximately \$1,209 million as of June 30, 2015, or approximately 2.0%, from approximately \$1,186 million as of June 30, 2014.
- Government-wide revenues from the Global Settlement Agreement for the fiscal year 2015 amounted to approximately \$66.2 million, a decrease of approximately \$5.8 million, or approximately 8.1%, from fiscal year 2014 of approximately \$72 million.
- Operating expenses consist of payments for programs and activities permitted by the enabling legislation. Funds granted during 2015 accounted in the government-wide financials, totaled approximately \$950 thousand, a decrease of approximately \$1.7 million, or approximately 61.5%, from approximately \$2.6 million granted during 2014.

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements include the management's discussion and analysis section, the independent auditors' report, and the basic financial statements of the Trust. The basic financial statements also include notes that explain in more detail some of the information in the basic financial statements.

**3. REQUIRED FINANCIAL STATEMENTS**

*Government-Wide Financial Statements* — The statement of net deficit and the statement of activities report information on all activities of the Trust. Only governmental activities are presented in the Trust's financial statements. Governmental activities generally are financed through nonexchange revenues. Following is a description of the Trust's government-wide financial statements.

- The statement of net position (deficit) presents the Trust's assets and deferred outflows of resources and the liabilities and deferred inflows of resources, with the difference reported as net position (deficit).
- The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include: (1) interest income on investments and interest-bearing deposits and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function. Other items not meeting the definition of program revenues are reported as general revenues.

*Fund Financial Statements* — Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures, as appropriate. The financial activities of the Trust reported in the accompanying basic financial statements were classified in two governmental funds. All funds of the Trust are major funds.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2015**

**4. FINANCIAL ANALYSIS**

The statement of net position (deficit) and the statement of activities report information about the Trust's activities in a way that will help understand whether the Trust as a whole is better or worse as a result of this year activities. These two statements report the net deficit of the Trust and the changes in net deficit for the year.

The Trust's net position (deficit) (the difference between assets and the deferred outflows of resources, and liabilities and the deferred inflows of resources) — is one way to measure the Trust's financial health or financial position. Over time, increases or decreases in the Trust's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors on tobacco and general industries, as are changes in economic conditions and government legislations need to be considered.

**5. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The government-wide financial statements are designed so that the user could determine whether the Trust is in a better or worse financial position when compared to the prior year. The following is a condensed summary of net deficit of the Trust compared with prior year (in thousands):

	As of June 30,		Change	
	2015	2014	Amount	Percent
<b>Assets:</b>				
Current assets	\$ 32,256	\$ 33,791	\$ (1,535)	(4.5%)
Non-current restricted assets	145,541	151,270	(5,729)	(3.8%)
Total assets	177,797	185,061	(7,264)	(3.9%)
Deferred outflows of resources	21,563	24,527	(2,964)	(12.1%)
<b>Liabilities:</b>				
Current liabilities	6,230	6,753	(523)	(7.7%)
Non-current liability	1,402,549	1,388,428	14,121	1%
Total liabilities	1,408,779	1,395,181	13,598	1%
Net deficit	\$ (1,209,419)	\$ (1,185,593)	\$ (23,826)	2.0%

As noted, the Trust's net deficit increased by approximately \$23.8 million, from a deficit of approximately \$1,186 million in 2014, to a deficit of approximately \$1,209 million in 2015. This deterioration results from the net effect of:

- Decrease in total assets of approximately \$7.3 million, which were used to pay grants and debt
- Decrease in deferred outflows of resources of approximately \$2.9 million, mainly from the amortization of deferred loss on bonds refunding
- Net increase in total liabilities of approximately \$13.6 million, mainly due to the net effect of interest capitalization for fiscal year 2015 of approximately \$38.7 million
- The payment of principal on bonds of approximately \$25.8 million



**THE CHILDREN'S TRUST**  
 (A Component Unit of the Commonwealth of Puerto Rico)

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2015**

Condensed program activities and change in net deficit are presented below (in thousands):

Function/Program	For the Year Ended June 30,		Change	
	2015	2014	Amount	Percent
Expenses of governmental activities:				
Education	\$ -	\$ 10	\$ (10)	(100.0%)
Health	109	303	(194)	(64.0%)
Recreation	779	2,179	(1,400)	(64.2%)
Intergovernmental grants	62	147	(85)	(57.8%)
Interest on long term debt and other - net	89,088	87,552	1,536	1.8%
<b>Total</b>	<b>90,038</b>	<b>90,191</b>	<b>(153)</b>	<b>(0.2%)</b>
Revenues of governmental activities:				
Investment earnings	21	23	(2)	(8.7%)
Global Settlement Agreement	66,192	72,012	(5,820)	(8.1%)
<b>Total</b>	<b>66,213</b>	<b>72,035</b>	<b>(5,822)</b>	<b>(8.1%)</b>
<b>Change in net deficit</b>	<b>\$ (23,825)</b>	<b>\$ (18,156)</b>	<b>\$ (5,669)</b>	<b>31.2%</b>

While comparative statements of net position (deficit) show the changes in financial position, the statement of activities provides answers as to the nature and source of these changes. The increase in net deficit of approximately \$5.7 million is mainly related to: (1) a decrease on revenues of approximately \$5.8 million, net of (2) a decrease on expenses related to governmental activities of approximately \$153 thousands.

The decrease on total revenues of approximately \$5.8 million was mainly due to the decrease of the Global Settlement Agreement contribution. The total amount to be received under the Global Settlement Agreement depends on the actual shipment of cigarettes.

The net decrease in expenses of approximately \$153 thousands on governmental activities was mainly due to a decrease of \$1.4 million in recreation grants netted by an increase of \$1.5 million on interest on long-term debt and other-net. Interest are recorded as incurred, based on the bonds payment schedule.

**6. GOVERNMENTAL FUND FINANCIAL ANALYSIS**

The Trust's governmental funds reported fund balances of approximately \$140.7 million as of June 30, 2015, which is approximately \$1.6 million less than in prior year. The decrease in fund balance in the governmental funds is mainly due to grants disbursements of approximately \$950.2 thousands during fiscal year 2015, and \$331.8 thousands paid from the Trust's resources to complete the debt service payment, since total revenues of approximately \$74.9 was insufficient to cover the principal and interest payment of approximately \$75.2 million.

**THE CHILDREN'S TRUST**  
 (A Component Unit of the Commonwealth of Puerto Rico)



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2015**

The following is a rounded summary of fund balances of the Trust compared with prior year (in thousands) in the government funds:

	As of June 30,		Change	
	2015	2014	Amount	Percent
Assets	\$ 177,797	\$ 185,061	\$ (7,264)	(3.9%)
Liabilities and deferred inflows of resources	\$ 37,101	\$ 42,764	\$ (5,663)	(13.2%)
Fund balances	140,696	142,297	(1,601)	(1.1%)
Total liabilities, deferred inflows of resources and fund balances	\$ 177,797	\$ 185,061	\$ (7,264)	(3.9%)

**7. DEBT ADMINISTRATION**

During the year ended June 30, 2015, principal payments on bonds payable amounted to approximately \$25.8 million. As of June 30, 2015, the remaining balance on bonds was approximately \$1,403 million, net of approximately \$19.4 million of non-accreted bond discount, due through year 2057.

**8. REQUEST FOR INFORMATION**

This financial report is designed to provide those interested with a general overview of the Trust's finances and to enhance the Trust's accountability for the funds it receives. Questions about this report or requests for additional information should be addressed to the Trust, PO Box 42001, San Juan, Puerto Rico, 00940-2001.

**THE CHILDREN'S TRUST**  
(A Component Unit of the Commonwealth of Puerto Rico)



**STATEMENT OF NET POSITION (DEFICIT)**  
**JUNE 30, 2015**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS:</b>	
Interest-bearing deposits with Government	
Development Bank for Puerto Rico	\$ 17,260,796
Certificate of deposit	66,832
Investments and investment contracts	14,926,747
Accrued interest receivable	1,419
Total current assets	32,255,794
<b>NONCURRENT RESTRICTED ASSETS:</b>	
Investments and investment contracts	108,227,870
Accrued interest receivable	442,226
Receivable from Global Settlement Agreement	35,870,843
Total noncurrent restricted assets	145,540,939
Total assets	177,796,733
<b>DEFERRED OUTFLOWS OF RESOURCES —</b>	
Deferred loss on bonds defeasance	21,563,105
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES:</b>	
Accounts payable	229,918
Liabilities payable from restricted assets-	
Accrued interest payable	5,999,659
Total current liabilities	6,229,577
<b>NONCURRENT LIABILITY — Bonds payable - due in more than one year</b>	1,402,549,085
Total liabilities	1,408,778,662
<b>NET POSITION (DEFICIT)</b>	
Restricted	139,541,280
Unrestricted	(1,348,960,104)
Total net deficit	\$ (1,209,418,824)

See notes to basic financial statements.

**THE CHILDREN'S TRUST**  
 (A Component Unit of the Commonwealth of Puerto Rico)



**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues		Net Revenues/(Expenses) and Changes in Net Deficit
		Investment Earnings	Operating Contributions	
<b>GOVERNMENTAL ACTIVITIES:</b>				
Health	\$ 108,913	\$ -	\$ -	\$ (108,913)
Recreation	779,247	-	-	(779,247)
Intergovernmental grants	62,041	-	-	(62,041)
Debt service and other	<u>92,472,315</u>	<u>3,384,519</u>	<u>66,191,784</u>	<u>(22,896,012)</u>
Total governmental activities	\$ <u>93,422,516</u>	\$ <u>3,384,519</u>	\$ <u>66,191,784</u>	(23,846,213)
<b>GENERAL REVENUES — Investment earnings</b>				<u>21,000</u>
<b>CHANGE IN NET DEFICIT</b>				(23,825,213)
<b>NET DEFICIT — Beginning of year</b>				<u>(1,185,593,611)</u>
<b>NET DEFICIT — End of year</b>				\$ <u>(1,209,418,824)</u>

See notes to basic financial statements.

**THE CHILDREN'S TRUST**  
(A Component Unit of the Commonwealth of Puerto Rico)



**BALANCE SHEET — GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Interest-bearing deposits with Government			
Development Bank for Puerto Rico	\$ 17,260,796	\$ -	\$ 17,260,796
Certificate of deposit	66,832	-	66,832
Restricted assets:			
Investments and investment contracts	14,926,747	108,227,870	123,154,617
Accrued interest receivable	1,419	442,226	443,645
Receivable from Global Settlement Agreement	-	36,870,843	36,870,843
Total assets	<u>\$ 32,255,794</u>	<u>\$ 145,540,939</u>	<u>\$ 177,796,733</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
LIABILITIES — accounts payable	<u>\$ 229,918</u>	<u>\$ -</u>	<u>\$ 229,918</u>
DEFERRED INFLOWS OF RESOURCES —			
Deferred revenue	<u>-</u>	<u>36,870,843</u>	<u>36,870,843</u>
FUND BALANCES:			
Restricted	-	108,670,096	108,670,096
Committed	25,486,852	-	25,486,852
Assigned	2,851,324	-	2,851,324
Unassigned	3,687,700	-	3,687,700
Total fund balances	<u>32,025,876</u>	<u>108,670,096</u>	<u>140,695,972</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 32,255,794</u>	<u>\$ 145,540,939</u>	<u>\$ 177,796,733</u>

See notes to basic financial statements.

**THE CHILDREN'S TRUST**  
(A Component Unit of the Commonwealth of Puerto Rico)



**RECONCILIATION OF BALANCE SHEET- GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET DEFICIT  
JUNE 30, 2015**

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**FUND BALANCES OF GOVERNMENTAL FUNDS** \$ 140,695,972

**AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES ARE  
DIFFERENT IN THE STATEMENT OF NET DEFICIT BECAUSE:**

Receivable from Global Settlement Agreement to be applied to debt service will not be received in the current period and, therefore, is reported as deferred inflows of resources in the fund financial statements. 36,870,843

Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the fund financial statements. (5,999,659)

Bonds payable are not due and payable in the current period and, therefore, are not reported in the fund financial statements. (1,421,983,108)

Discount on bonds issued is reported as an other financing use in the governmental funds financial statements; however, such discount is deferred and accreted over the life of the bonds and is included within bonds payable in the statement of net deficit. 19,434,023

Unamortized loss on bonds refunding is not reported as an expenditure in the governmental fund financial statements; however, such loss is deferred and amortized over the life of the bonds and is presented as deferred outflows of resources in the statement of net deficit. 21,563,105

**NET DEFICIT OF GOVERNMENTAL ACTIVITIES** \$ (1,209,418,824)

See notes to basic financial statements.

**THE CHILDREN'S TRUST**

(A Component Unit of the Commonwealth of Puerto Rico)


**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES — GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>			
Investment earnings	\$ 21,000	\$ 3,384,519	\$ 3,405,519
Revenue from Global Settlement Agreement	-	71,513,923	71,513,923
Total revenues	<u>21,000</u>	<u>74,898,442</u>	<u>74,919,442</u>
<b>EXPENDITURES:</b>			
Health	108,913	-	108,913
Recreation	779,247	-	779,247
Intergovernmental	62,041	-	62,041
Other	339,761	-	339,761
Debt service:			
Principal	-	25,790,000	25,790,000
Interest	-	49,440,211	49,440,211
Total expenditures	<u>1,289,962</u>	<u>75,230,211</u>	<u>76,520,173</u>
<b>OTHER FINANCING SOURCES/(USES) —</b>			
Transfers in/(out)	<u>8,000</u>	<u>(8,000)</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(1,280,962)</b>	<b>(339,769)</b>	<b>(1,600,731)</b>
<b>FUND BALANCES — Beginning of year</b>	<u>33,286,838</u>	<u>109,009,865</u>	<u>142,296,703</u>
<b>FUND BALANCES — End of year</b>	<u>\$ 32,025,876</u>	<u>\$ 108,670,096</u>	<u>\$ 140,695,972</u>

See notes to basic financial statements.

**THE CHILDREN'S TRUST**

(A Component Unit of the Commonwealth of Puerto Rico)



**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

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**NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS** \$ (1,600,731)

**AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES ARE  
DIFFERENT IN THE STATEMENT OF ACTIVITIES BECAUSE:**

Net change in receivable from Global Settlement Agreement is reported as revenue in the statement of activities, but is not reported in the fund financial statement since it does not provide current financial resources. (5,322,140)

Net change in interest payable reported in the statement of activities that does not require the use of current financial resources and, therefore, are not reported as an expenditure in the governmental funds. 182,765

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces bonds payable in the statement of net position; this is the amount of redemption on bond principal during the year. 25,790,000

Interest capitalization on the 2005 and 2008 Series of the Tobacco Settlement Asset-Backed Bonds do not require the use of current financial resources and, therefore, are not reported as expenditure in governmental funds. (38,686,681)

The amortization of deferred loss on bonds refunded and the accretion of bonds discount do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds-

    Accretion of bond discount (1,224,426)  
    Amortization of loss on refunding (2,964,000)

**CHANGE IN NET DEFICIT OF GOVERNMENTAL ACTIVITIES** \$ (23,825,213)

See notes to basic financial statements.

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2015**

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**1. REPORTING ENTITY**

The Children's Trust (the "Trust") is a Component Unit of the Commonwealth of Puerto Rico (the "Commonwealth") created by Act 173 of the Legislature of the Commonwealth on July 30, 1999, as amended, (the "Act 173"), and an affiliate of the Government Development Bank for Puerto Rico (the "Bank"), a component unit of the Commonwealth. The Trust was created for the purpose of developing programs aimed at promoting a better quality of life and the well-being of families, children, and youth in Puerto Rico, especially in the areas of education, recreation and health. These programs are financed with moneys received by the Commonwealth from the Global Settlement Agreement dated November 23, 1998 (the "Agreement") between certain tobacco companies and certain states, territories, and other jurisdictions of the United States of America, including the Commonwealth. Pursuant to the Act 173, the Commonwealth assigned and is transferring to the Trust the contributions, which the Commonwealth is entitled to receive under the Agreement. The Agreement calls for annual payments through the year 2025, which will vary due to inflationary and volume adjustments. After 2025, the tobacco companies shall continue making contributions in perpetuity. Currently, all of the proceeds received from the Agreement are pledged for debt service.

The Act 173 provides that the Bank will act as the trustee of the Trust. Pursuant to the Act 173, the Trust is exempt from taxation in Puerto Rico.

**2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of the Trust conform to Accounting Principles Generally Accepted in the United States of America ("GAAP") for governments, as prescribed by the Governmental Accounting Standards Board ("GASB").

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of changes in net position (deficit), and activities during the reporting period. Actual results could differ from those estimates.

Following is a description of the Trust's most significant accounting policies:

**Government-Wide and Fund Financial Statements**

*Government-Wide Financial Statements* — The statement of net position (deficit) and the statement of activities report information on all balances and activities of the Trust. The effect of interfund balances has been removed from both statements. Governmental activities are financed through revenues from the Agreement, intergovernmental revenues, and investment earnings.

The statement of net position (deficit) presents the Trust's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position (deficit).

Net position (deficit) is reported in three categories:

- Net investment in capital assets — consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets, if any. The Trust has no investment in capital assets.

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- **Restricted** – results when constraints placed on net position use are either externally imposed by creditors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the Trust's policy to use restricted resources first and the unrestricted resources when they are needed.
- **Unrestricted** – consists of net position (deficit) that does not meet the definition of the two preceding categories. Unrestricted net position often is designated to indicate that management does not consider it to be available for general operations. Unrestricted net position often has constraints on resources, which are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include earnings on investments. Other items not meeting the definition of program revenues are reported as general revenues.

*Fund's Financial Statements* — Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. All of the financial activities of the Trust are reported in the accompanying basic financial statements and have been classified as governmental. All funds of the Trust are major funds.

Fund balances for each governmental fund are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- **Nonspendable** — amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- **Restricted** — amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.
- **Committed** — amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority.
- **Assigned** — amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
- **Unassigned** — amounts that are available for any purpose.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

*Government-Wide Financial Statements* — The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all of the eligibility requirements imposed by the provider have been met.

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*Governmental Fund's Financial Statements* — The governmental fund's financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Trust considers revenues to be available if they are to be collected within 120 days after the end of the current fiscal year-end. Expenditures are recorded when the related liability is incurred. An exception to this general rule includes principal and interest on general long-term debt, which is recognized when due.

The financial activities of the Trust that are reported in the accompanying basic financial statements have been classified into the following major governmental funds:

- *General Fund* — The general fund is used to account for grants awarded to promote a better quality of life and the well-being of families, children, and youth in Puerto Rico. During the year ended June 30, 2015, grants were awarded for health, and recreational activities.
- *Debt Service Fund* — This debt service fund is used to account for proceeds from the Agreement and for the payment of interest and principal on long-term obligations.

*Budgetary Accounting* — The Trust is not required by the Act 173 to submit a budget for approval by the Legislature of the Commonwealth; consequently, no formal budgetary accounting procedures are followed.

*Use of Estimates* — The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Cash Equivalents* — Cash equivalents are defined as highly liquid investments with original maturities at the date of purchase of three months or less.

*Investments and Investment Contracts* — Investments and investment contracts are carried at fair value, except for money market investments and participating investment contracts with a remaining maturity at the time of purchase of one year or less, and non-participating investment contracts, carried at cost, which approximate fair value. Fair value is determined based on quoted market prices, and quotations received from independent broker/dealers or pricing services organizations.

*Bond Issue Costs and Bond Discounts* — In the government-wide financial statements and the governmental funds financial statements, the bond issue costs are recorded as expenditures when paid. Discount on bonds is accreted over the life of the debt using the effective interest method in the government-wide financial statements. Discount on bonds is accounted for in the governmental funds as expenditures when paid.

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**Refunding** — Refunding involves the issuance of new debt whose proceeds are used to repay immediately (current refunding) or at a future time (advance refunding) previously issued debt. The difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense in the statement of activities, over the remaining life of the old debt or the life of the new debt, whichever is shorter. The deferred amount is reported on the statement of net deficit as deferred outflows of resources.

**Deferred Revenue** — Deferred revenue at the governmental fund level arises when potential revenue does not meet the "available" criteria for revenue recognition in the current period. Deferred revenue also arises when resources are received before the Trust has a legal claim to them, as when grant moneys are received prior to incurring the qualifying expenditures. In subsequent periods, when the revenue recognition criteria is met, or when the Trust has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet, and the revenue is recognized. Deferred revenue at the government wide level arises only when the Trust receives resources before it has a legal claim to them. The deferred revenue is reported on the governmental funds balance sheet as deferred inflows of resources.

**Tobacco Settlement** — The Trust follows the GASB Technical Bulletin No. 2004-1, *Tobacco Settlement Recognition and Financial Reporting Entity Issue*, as amended by GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* (the "GASB 48"), which provides accounting guidance for entities created to obtain the rights to all or a portion of future tobacco settlement resources and for the governments that create such entities.

GASB 48 indicates that the entity created to obtain the rights, which is called the Tobacco Settlement Authority ("TSA"), should be considered a component unit of the government that created it and that the component unit should be accounted for as a blended component unit. GASB 48 also states that the government receiving the payments from the tobacco companies under the Agreement, which is called the settling government, should recognize a receivable and revenue for tobacco settlement resources when an event occurs. The event that results in the recognition of an asset and revenue by a settling government is the domestic shipment of cigarettes. GASB 48 indicates that accruals should be made by the settling government and TSA for estimated shipments from January 1 to their respective fiscal year-ends, since the annual payments are based on a calendar year. However, under the modified-accrual basis of accounting at the fund level, revenue should be recognized only to the extent that resources are available.

GASB 48 addresses the question of how the settling governments should report the receipt of the resources provided by the TSA's remittances of the proceeds of the bonds sold. Since the TSA should be reported as a blended component unit, GASB 48 indicates these remittances should be reported as transfers into the fund receiving the proceeds and transfers out in the fund that accounts for the activities of the TSA. Since the Trust has no contractual obligation, under its enabling legislation or elsewhere, to remit all bond proceeds or assets related to the Agreement to the settling government (the Commonwealth), the Trust recognizes as expenses amounts that are disbursed for grants to its settling government (including its instrumentalities) or third parties.

GASB has issued the following accounting pronouncements that have effective date after June 30, 2015:

- (a) GASB Statement No. 72, *Fair Value Measurement and Application* which is effective for financial statements for periods beginning after June 15, 2015.

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- (b) GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which is effective for fiscal years beginning after June 15, 2015, except those provisions that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016.
- (c) GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is effective for fiscal years beginning after June 15, 2016.
- (d) GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is effective for fiscal years beginning after June 15, 2017.
- (e) GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is effective for period beginning after June 15, 2015.
- (f) GASB Statement No. 77, *Tax Abatement Disclosures*, which is effective for periods beginning after December 15, 2015.

Management is evaluating the impact that these statements will have, if any, on the Trust's basic financial statements.

**3. CUSTODIAL CREDIT RISK**

Custodial credit risk is the risk that in the event of a bank failure, the Trust's deposits may not be returned. The Trust does not have a deposit policy for custodial credit risk. As of June 30, 2015, all of the Trust's depository bank balance, aggregating approximately \$17,262,000, was exposed to custodial credit risk since such deposits, all of which are maintained at the Bank, are uninsured and uncollateralized.

**4. SERVICE AGREEMENT**

The Trust has an agreement with the Bank whereby the Bank provides managerial, administrative and financial services to the Trust. Pursuant to this agreement, the Trust was charged \$200,000 during fiscal year ended June 30, 2015. Such amount was included in accounts payable as of June 30, 2015.

**5. INVESTMENTS AND INVESTMENT CONTRACTS**

The Trust follows the investment guidelines promulgated by the Bank under the authority provided by Act No. 113 of August 3, 1995 and Executive Order 1995-50A, which detail which investments categories may be purchased or entered by the Trust. The Bank's investment policies establish limitations and other guidelines on maturities and amounts to be invested in the aforementioned investment categories and by issuer/counterparty and on exposure by country.

**NOTES TO BASIC FINANCIAL STATEMENTS**  
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Therefore, the Bank's investment policies allow management to purchase or enter into the following investment instruments:

- U.S. government and agencies obligations
- Certificates of deposit and time deposits
- Bankers' acceptances
- Obligations of the Commonwealth of Puerto Rico, its agencies, municipalities, public corporations, and instrumentalities
- Federal funds sold
- Securities purchased under agreements to resell
- World Bank securities
- Mortgage-backed and asset-backed securities
- Corporate debt, including investment contracts
- External investment pools
- Stock of corporations created under the laws of the United States of America or the Commonwealth of Puerto Rico
- Options, futures, and interest-rate swap agreements for hedging and risk control purposes, as well as for the creation of synthetic products which qualify under any of the foregoing investment categories
- Open-end mutual funds with acceptable underlying assets and rated AAA by Standard & Poor's or its equivalent by Moody's Investors Service.

The service agreement with the Bank provides that the Bank's Asset Liability Management Committee ("ALCO") is responsible for implementing and monitoring the interest rate risk policies and strategies. The ALCO meets on a monthly basis to coordinate and monitor the interest rate risk management of interest sensitive assets and interest sensitive liabilities, including matching of their anticipated level and maturities, consistent with the Trust's liquidity, capital adequacy, risk, and profitability goals set by the Trust's board of directors.

As of June 30, 2015, the Trust maintains approximately \$108.2 million in investments and investments contracts which are held as debt service reserves in trusted accounts that are governed by the applicable bond indenture. All of the funds used for debt services are held by the trustee in the name of the Trust with the exception of \$83.7 million of nonparticipating investments contracts.

**NOTES TO BASIC FINANCIAL STATEMENTS**  
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The following table summarizes the type and maturities of investments at fair value held by the Trust at June 30, 2015. Based on concentration credit risk, investments by type in any one issuer representing 5% or more of total investments have been separately disclosed.

Investment Type	Within One Year	After One to Five Years	After Five to Ten Years	After Ten Years	Total
Internal investment pools- fixed income securities:					
Puerto Rico Government Investment Trust Fund	\$ 14,926,747	\$ -	\$ -	\$ -	\$ 14,926,747
External investment pools- fixed income securities:					
U.S. Bank-Money Market	-	-	-	24,543,636	24,543,636
Nonparticipating investment contracts-					
UniCredit Bank AG-Guaranteed Investment Contract	-	-	-	83,684,235	83,684,235
	\$ 14,926,747	\$ -	\$ -	\$ 108,227,870	\$ 123,154,817
Reconciliation to the government-wide statement of net deficit:					
Unrestricted investments and investment contracts					\$ 14,926,747
Restricted investments and investment contracts					108,227,870
Total					\$ 123,154,817

The credit quality ratings for investments and investment contracts as of June 30, 2015, are as follows:

Counter Party	Credit Risk Rating	
	Standard & Poor's	Moody's
Puerto Rico Government Investment Trust Fund	AAAm	-
US Bank	A+/A-1	A-1/P-1
UniCredit Bank AG	BBB-/A-3	Baa1/P-2

**6. BONDS PAYABLE**

On October 10, 2002, the Trust refunded its then outstanding \$390,170,000 Tobacco Settlement Asset Backed Bonds, Series 2000 dated as of October 1, 2000, with new 2002 Series bonds (the "Series 2002 Bonds") in the amount of \$1,171,200,000. As of June 30, 2015, the outstanding balance of these bonds consist of single rated term bonds (the "Term Bonds") maturing from May 15, 2025 to 2033 (\$265,340,000 at 5.375%), from May 15, 2034 to 2039 (\$310,380,000 at 5.5%) and from May 15, 2040 to 2043 (\$296,255,000 at 5.625%).

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The Term Bonds are subject to mandatory redemption in whole or in part prior to their respective stated maturity dates from the Agreement collections in excess of the minimum amount required to pay the scheduled annual debt service and administrative expenses may be used to redeem bonds at the redemption price of 100% of the principal amount thereof together with interest accrued thereon to the date fixed for redemption.

On June 30, 2005, the Trust issued a new series of Tobacco Settlement Asset-Backed Bonds, Series 2005A and 2005B (the "Series 2005A and 2005B Bonds"), for \$108,209,446. The Series 2005A and 2005B consist of capital appreciation bonds maturing on May 15, 2050 (\$74,523,430 at 6.50% plus accreted interest) and capital appreciation bonds maturing on May 15, 2055 (\$33,686,016 at 7.25% plus accreted interest), respectively. As of June 30, 2015, the outstanding balances of Series 2005A and 2005B consist of \$141,297,965 and \$68,674,016, respectively.

On April 30, 2008, the Trust issued a new series of Tobacco Settlement Asset-Backed Bonds, Series 2008A and 2008B (the "Series 2008A and 2008B Bonds"), for \$195,878,970. The Series 2008A and 2008B consist of capital appreciation bonds maturing on May 15, 2057 (\$139,003,082 at 7.625% plus accreted interest) and capital appreciation bonds maturing on May 15, 2057 (\$56,875,888 at 8.375% plus accreted interest), respectively. As of June 30, 2015, the outstanding balances of Series 2008A and 2008B consist of \$237,649,991 and \$102,386,136 respectively.

The Series 2008A and 2008B Bonds are subordinated and are not entitled to receive any payments until the date when the Series 2005A and 2005B Bonds are no longer outstanding. The Series 2005A and 2005B Bonds are subordinated and are not entitled to receive any payments until the date when the Series 2002 Bonds are no longer outstanding.

In addition, the Series 2008B and 2005B Bonds are subordinated to the Series 2008A and 2005A Bonds, respectively, and are not entitled to receive any payments until the date when the Series 2008A or 2005A Bonds are no longer outstanding. All bonds are secured by 100% of the annual payments received under the Agreement.

Changes in bonds payable for the year ended June 30, 2015, are summarized as follow (in thousands):

	Balance at July 1, 2014	Additions	Debt Paid	Other Increases	Balance at June 30, 2015	Due Within One Year
Bonds payable	\$ 1,409,037	\$ -	\$ (25,790)	\$ 38,686	\$ 1,421,963	\$ -
Less:						
Unaccreted discount	(20,659)	-	-	1,225	(19,434)	-
Bonds payable	\$ 1,388,428	\$ -	\$ (25,790)	\$ 39,911	\$ 1,402,549	\$ -

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Changes in deferred outflows of resources during the year ended June 30, 2015, are summarized as follow (in thousands):

	Balance at July 1, 2014	Accretion	Balance at June 30, 2015
Deferred loss on refunding	\$ (24,527)	\$ 2,984	\$ (21,583)

As of June 30, 2015, debt service requirements for bonds outstanding were as follow (in thousands):

Year Ending June 30,	Principal	Interest	Total
2016	\$ -	\$ 47,998	\$ 47,998
2017	-	47,998	47,998
2018	-	47,998	47,998
2019	-	47,998	47,998
2020	-	47,998	47,998
2021-2025	297,831	287,984	585,815
2026-2030	285,386	222,052	507,438
2031-2035	197,405	178,353	375,758
2036-2040	288,650	115,004	403,654
2041-2045	229,725	26,400	256,125
2046-2050	-	-	-
2051-2055	-	-	-
2056-2060	8,634,580	-	8,634,580
	9,933,577	\$ 1,069,783	\$ 11,003,360
Less:			
Unaccreted discount	(19,434)		
Unaccreted interest	(8,511,594)		
Total Bonds payable	\$ 1,402,549		

**7. COMMITMENTS**

At June 30, 2015, the Trust had approved commitments to provide assistance to several entities through twenty-four contracts with balances amounting to approximately \$17,584,000 for educational, health, and recreational activities.



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**8. GLOBAL SETTLEMENT AGREEMENT**

On November 23, 1998, the Agreement was entered into by and between certain tobacco companies and certain states, territories, and other jurisdictions of the United States of America, including the Commonwealth. The Agreement calls for annual payments through the year 2025, which will vary due to inflationary and volume adjustments. After 2025, the tobacco companies shall continue making contributions in perpetuity.

Following is a summary of projected collections amounts in the official statement that should be received by the Trust through the year ending June 30, 2025 (unaudited, in thousands):

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 83,588
2017	84,617
2018	95,824
2019	96,937
2020-2025	<u>606,288</u>
Amount to be collected through the year ending June 30, 2025	<u>\$ 967,254</u>

Actual collections from the Agreement will fluctuate due to future cigarette consumption, which could be affected by factors such as inflation, demographics, cigarette prices, disposable income, employment, advertising expenditures, and regulations, among others. During 2015, actual collections were \$71,513,923 or 13% less than the projected amount in the official statement for the year 2015.

All of the revenue received under the Agreement and investment earnings on certain accounts under the bond indentures are pledged as collateral for all bond issuances.

Amounts received under the bond issuances are used to finance programs aimed at promoting a better quality of life and the well-being of families, children, and youth in Puerto Rico, especially in the areas of education, recreation, and health in form of grants. Part of the proceeds from the Series 2008A and 2008B Bonds were used to pay certain operating expenses of the Commonwealth.

During the year ended June 30, 2015, pledged revenues amounted to \$71,513,923, which were used to pay for \$75,230,211 of related principal and interest of the bond issuances.

**9. INTERGOVERNMENTAL GRANTS**

The Trust has established intergovernmental agreements in order to disburse funds assigned by the Board of Directors of the Trust. The intergovernmental grant of approximately \$95,000 incurred during the year ended on June 30, 2015, was paid to the Office for the Improvement of Public Schools.

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Below is a summary of each intergovernmental agreement that provide a basis and legal context for disbursing the funds. The Trust has reserved its rights to amend any of the intergovernmental agreements in consultation with the corresponding governmental entities in order to take into consideration changes in the specific projects or redirecting the funds to other projects:

*Public Building Authority ("PBA")*

On December 27, 2005, the Trust signed an agreement with the Department of Education ("DE") for the assignment of \$10 million, to perform structural improvements on six (6) schools for the amount of \$6.3 million and the construction of ramps and improvements to the wastewater disposal system for \$3.7 million.

On October 6, 2008, the DE signed an agreement with the Puerto Rico Infrastructure Financing Authority ("PRIFA") in which DE agreed to transfer \$3.7 million to PRIFA for the construction of ramps and improvements to the wastewater disposal system in schools. As of June 30, 2015, the Trust has disbursed \$2.6 million from the assigned funds. All projects were completed. The remaining \$1.1 million is available to be used in other projects of the DE.

*Office of the Improvement of Public Schools*

Effective on November 5, 2002, the Trust entered into an agreement with the Office for the Improvements of Public Schools ("OMEP", by its Spanish acronym) for the assignment of \$29 million. From this amount, \$8 million were assigned for the construction and structural improvements of schools located in designated special communities, \$5.2 million for schools requiring immediate improvements under the project one thousand, \$3 million for rehabilitation of schools to comply with the code of seismic resistant, \$6.5 million for the project of vocational schools, \$4 million for schools under a special project called school renovation, and \$2.8 million for the purchase of trucks to support brigades employed in activities related with the improvements, and routine maintenance of public schools. As of June 30, 2015, a total of \$28.7 million were disbursed, therefore, \$324 thousand are available for the completion of those projects.

**10. SUBSEQUENT EVENTS**

Subsequent events were evaluated through February 24, 2016, the date the basic financial statements were available to be issued, to determine if any such events should either be recognized or disclosed in the June 30, 2015 financial statements.