



1250 Ponce de León Ave. ♦ Suite 801 ♦ San Juan, PR 00907-3912
tels. 787.993.4360 ♦ 787.993.4364
info@gtcpapr.com ♦ www.gtcpapr.com

**BUREAU OF EMERGENCY SYSTEM 9-1-1
A DIVISION OF THE PUERTO RICO PUBLIC SECURITY DEPARTMENT
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

BUREAU OF EMERGENCY SYSTEM 9-1-1
Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Puerto Rico Public Security Department
To the Bureau of Emergency System 9-1-1
San Juan, Puerto Rico

We have audited the accompanying financial statements of Bureau of Emergency System 9-1-1 (A Division of the Puerto Rico Public Security Department), (the Bureau), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Bureau's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

Basis for Qualified Opinion

The financial statements included a balance of capital assets of \$5,655,135, net of accumulated depreciation. However, this balance does not reconcile with the subsidiary records in the amount of \$973,846. Management was unable to identify such differences. We were unable to satisfy ourselves about such balances or applying alternate audit procedures. Also, we were unable to satisfy about the amounts presented for accumulated depreciation and expense. The generally accepted accounting principles in the United States of America established that long live assets should be recognized at the historical cost of the asset and the cost be spread over the expected useful life of the asset. The amounts by which this departure would affect the assets and expenses of the Bureau has not been determined.

In addition, the financial statements do not include the amount due for the current period to the emergency agencies for the distribution of funds as required by Law 20 of 2017, as amended, Law of the Puerto Rico Public Security Department. The financial statements do not include the amount of liability corresponding to the current year. The Law 20 of 2017, as amended, requires that the Bureau recognize the amount due to the emergency agencies for the distribution of corresponding funds.

Also, the amount presented in the financial statements for accounts payable did not reconcile with subsidiary records by \$608,297. Management was unable to identify such differences. We were unable to satisfy ourselves about such balance through alternate procedures.

The Bureau adopted with certain departures the requirements of 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 No. 67 and 68" and Statement No. 75 "Accounting and Financial Reporting Postemployment Benefits Other Than Pensions" with the unaudited actuarial report of the Employee's Retirement System of the Commonwealth of Puerto Rico as of June 30, 2019 (measurement year July 1, 2017 to June 30, 2018). However, the GASB No. 73 and 75 requires that the total pension liability and other postemployment benefits liability (OPEB) should be determined by an actuarial valuation as of the measurement date (pension liability that is measured as of a date no earlier than the end of its prior fiscal year, June 30, 2020) or the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year end. The Bureau did not apply the required procedures to roll forward the pension liability and OPEB liability and other amounts in the financial statements to present updated information as of June 30, 2020.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Accounting principles generally accepted in the United States of America require that pension related liability, deferred outflow of resources, deferred inflow of resources, as applicable, be recognized in accordance with the parameters established by Statement No. 73 and 75, as well as the effect of current period changes of the aforementioned amounts that must be recognized in pension expense during the current period. The amounts by which this departure would affect liabilities, deferred outflow of resources, deferred inflow of resources, deficit, and expenses of the governmental activities has not been determined.

The accompanying notes to the basic financial statements do not disclose the pension cost information required by Statement No. 73 and 75. Disclosure of this information is required by accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the effects of the matters described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Bureau, as of June 30, 2020, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information Omitted

The Bureau has omitted the GASB No. 73 and 75 required information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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.

San Juan, Puerto Rico
February 18, 2022

The stamp number 2779127
was affixed to the original report

González Torres & Co., CPA, PSC

GONZÁLEZ TORRES & CO., CPA, PSC
License #96
Expires December 1, 2023



BUREAU OF EMERGENCY SYSTEM 9-1-1

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

As Management of Emergency System 9-1-1 (the Bureau), we offer readers the following discussion and analysis of the Bureau's financial activities reported in the accompanying basic financial statements for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the accompanying basic financial statements.

Entity Reorganization

The Bureau of Emergency System 9-1-1 (the Bureau), is a division of the Puerto Rico Public Security Department, created by Law No. 20 "Law of the Puerto Rico Public Security Department" (Law No. 20), on April 10, 2017. Initially the 9-1-1 Service Government Board was created by Law No. 144 on December 22, 1994. The Puerto Rico Public Security Department is an umbrella agency in charge of others Bureaus.

The Law No. 20 established the follow Bureaus: Emergency System 9-1-1, Police, Fire Body, Forensic Sciences, Emergency and Disaster Administration, Medical Emergency Body and Special Crime Investigation.

The Bureau manage the operations of the following: 1) the call center 9-1-1 for public safety and emergencies, and 2) the 3-1-1 call center that provides information related to services offered by governmental agencies and attend claims and request made by citizens on such agencies. Also, is responsible for the distribution of said calls to the Bureaus of the Public Security Department, other agencies or instrumentalities, other emergency service providers or any other that are authorized by the Department for their effective attention. The Secretary of the Public Security Department of the Commonwealth of Puerto Rico is responsible for the administration and direct supervision of the Bureau. The Law No. 20 created the position of Commissioner for the Bureau, which is in charge of the daily operations of the Bureau. The Commissioner is appointed by the Governor with the advice and consent of the Senate of Puerto Rico.

The Law No. 20 established an Executive Committee to design, implement, establish, and manage the fiscal and operating procedures for the Bureaus to achieve the objectives of the Law.

Previous to the Law No. 20 mentioned before, the Bureau was operated by a Board of Directors in accordance with previous Law No. 144 of December 22, 1994, which was superseded by the Law No. 20. Thus, the previous Board was disposed with the new Law and the Bureau (previously the 9-1-1 Service Government Board) is a division of the Puerto Rico Public Security Department.

BUREAU OF EMERGENCY SYSTEM 9-1-1

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Financial Highlights

The following comments about the financial condition and results of operations as reflected in the financial statements prepared for the fiscal year 2020 deserve special mention:

- The Bureau's net deficit decreased from \$(20,242,420) to \$31,251,058, a change of \$51,493,478, when compared with the 2019 fiscal year, as restated.
- Total operating revenues increased by \$300,841 or 1.47%. Cellphone companies had higher revenues compared to the prior year.
- Operating expenses decreased by \$2,802,499 or 15.61%. This reduction was mainly due to a decreases in donations.

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 Bureau. The basic financial statements include notes that explain in more detail the information contained in the basic financial statements.

The financial statements of the Bureau report information using accounting methods similar to those used by private sector companies. The statements offer short-term and long-term financial information about its activities. The statement of net position (deficit) is the first required statement; it includes all of the Bureau'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 Bureau and assessing the liquidity and financial flexibility of the Bureau.

All of the current revenues and expenses are accounted for in the statement of revenues, expenses and changes in net position (deficit), which is the second required financial statement. This statement measures the profitability of the Bureau's operations over the current year and can be used to determine whether the Bureau 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 Bureau'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.

BUREAU OF EMERGENCY SYSTEM 9-1-1

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Financial Analysis of the Bureau

The statement of revenues, expenses and changes in net position (deficit) provides a broad view of the Bureau's operations in a manner similar to a private business sector, while the statement of net position (deficit) provides both short-term and long-term information about the Bureau's financial position, which assists in assessing the Bureau'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 (deficit) presents all of the Bureau's assets and liabilities, with the difference between the two reported as "net position (deficit)". Over time, increase or decrease in the Bureau's net position (deficit) may serve as a useful indicator of whether the financial position of the Bureau is improving or deteriorating.

The operations of the Bureau 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 Bureau. Law No. 20 of April 10, 2017, obligate the Bureau to transfer the part of the funds collected from the provider companies to those agencies that provide the emergency services (Fire Department, Police Department, Family Department's Social Emergency Program, Municipal Offices for Emergency Management and State Agency for Emergency Management). On May 25, 2018, the circular letter MCNSE911-18-0024 was issued which amends this procedure indicating that the Bureau must obligate the budgeted part for the distribution of funds to the emergency agencies.

The net position (deficit) reported in the financial statements by the Bureau show categories of restricted and unrestricted net position.

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

BUREAU OF EMERGENCY SYSTEM 9-1-1

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

The following table provides a summary for the Bureau's statements of net position (deficit) as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Current assets	\$ 40,195,603	\$ 24,055,293	\$ 16,140,310
Capital assets, net	<u>5,655,135</u>	<u>5,649,160</u>	<u>5,975</u>
Total assets	<u>45,850,738</u>	<u>29,704,453</u>	<u>16,146,285</u>
Deferred outflows of resources	<u>139,701</u>	<u>16,458,586</u>	<u>(16,318,885)</u>
Current liabilities	11,218,730	13,504,334	(2,285,604)
Noncurrent liabilities	<u>3,352,147</u>	<u>51,937,689</u>	<u>(48,585,542)</u>
Total liabilities	<u>14,570,877</u>	<u>65,442,023</u>	<u>(50,871,146)</u>
Deferred inflows of resources	<u>168,504</u>	<u>963,436</u>	<u>(794,932)</u>
Net investment in capital assets	5,655,135	5,649,160	5,975
Restricted	6,268,999	6,267,520	1,479
Unrestricted	<u>19,326,924</u>	<u>(32,159,100)</u>	<u>(51,486,024)</u>
Total net position (deficit)	<u>\$ 31,251,058</u>	<u>\$ (20,242,420)</u>	<u>\$ (51,493,478)</u>

Statement of Net Position (Deficit)

The Bureau's net position as of June 30, 2020 amounted to \$31,251,058, resulting in a net change of \$51,493,478 from its net deficit as of June 30, 2019 amounting to \$(20,242,420). Total assets increased by \$16,146,285 during the fiscal year ended June 30, 2020. This increase is mainly due to the net effect of an increase in cash and deposits of \$16,153,454 because compared to the prior year, the Bureau received funds that were deposited in the GDB reserved as uncollectible account in previous years.

Total liabilities decreased by \$(50,871,146), mainly due to the obligation of funds to be transferred to emergency agencies by \$8,078,478 and pension liability adjustment for \$48,658,914.

BUREAU OF EMERGENCY SYSTEM 9-1-1
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

Statement of Revenues, Expenses and Changes in Net Position (Deficit)

The following table provides a summary of the Bureau's changes in net position (deficit) for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Operating revenues:			
Emergency telephone service charges	\$ <u>20,785,762</u>	\$ <u>20,484,921</u>	\$ <u>300,841</u>
Operating expenses:			
Personnel services	8,944,139	7,915,107	1,029,032
Administrative	3,474,657	2,008,896	1,465,761
Depreciation	16,880	297,687	(280,807)
Transfers to emergency management agencies and municipalities	<u>2,710,986</u>	<u>7,727,471</u>	<u>(5,016,485)</u>
Total operating expenses	<u>15,146,662</u>	<u>17,949,161</u>	<u>(2,802,499)</u>
Operating income (loss)	5,639,100	2,535,760	3,103,340
Non-operating revenues and expenses	<u>12,544,881</u>	<u>665,416</u>	<u>11,879,465</u>
Increase in net position	18,183,981	3,201,176	14,982,805
Net deficit, beginning of the year	(20,242,420)	(23,627,681)	(3,385,261)
Prior period adjustments	<u>33,309,497</u>	<u>184,085</u>	<u>33,125,412</u>
Net position (deficit), end of the year	\$ <u>31,251,058</u>	\$ <u>(20,242,420)</u>	\$ <u>(51,493,478)</u>

Analysis of Changes in Net Position (Deficit)

Net position (deficit) change by \$51,493,478, from \$(20,242,420) in 2019, to \$31,251,058 in 2020 due to the result of current year operation, as follows:

- Net operating revenue increased by \$300,841 mainly due to a increase because the companies reported a more number of active lines in average during the fiscal period.
- Operating expenses decreased by \$2,802,499 or 15.61% mainly due to a decrease in donations.

BUREAU OF EMERGENCY SYSTEM 9-1-1

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Capital Assets

At the end of June 30, 2020, the Bureau had \$5,655,135 invested in land, building, equipment, furniture, and motor vehicles (net of depreciation).

Contacting the Bureau Financial Management

This financial report is designed to provide a general overview of the Bureau finances for all of telephone subscribers, Puerto Rico's citizens, customers, and creditors. This financial report seeks to demonstrate the Bureau'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 Bureau of Emergency System 9-1-1, Finance Office, PO Box 270200, San Juan, P.R. 00927-0200.

BUREAU OF EMERGENCY SYSTEM 9-1-1
Statement of Net Position
June 30, 2020

Assets

Current assets

Cash	\$ 38,554,689
Accounts receivable:	
Trade, net of allowance	1,572,524
Other	58,256
Supplies inventory	<u>10,134</u>
Total current assets	<u>40,195,603</u>

Capital assets

Non-depreciable assets	489,610
Depreciable assets	12,497,726
Less: accumulated depreciation and amortization	<u>(7,332,201)</u>

Total capital assets, net 5,655,135

Total assets 45,850,738

Deferred outflows of resources related to pensions 139,701

Total assets and deferred outflows of resources **\$ 45,990,439**

BUREAU OF EMERGENCY SYSTEM 9-1-1
Statement of Net Position (Continued)
June 30, 2020

Liabilities and Net Position

Current liabilities

Due to emergency agencies	\$ 8,078,478
Due to telephone companies	502,162
Accounts payable	1,889,828
Accrued expenses	737,137
Voluntary termination benefits	<u>11,125</u>
Total current liabilities	<u>11,218,730</u>

Noncurrent liabilities

Compensated absences	679,057
Pension liability	<u>2,673,090</u>
Total noncurrent liabilities	<u>3,352,147</u>

Total liabilities	<u>14,570,877</u>
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Deferred inflows of resources	<u>168,504</u>
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Total liabilities and deferred inflows of resources	<u>14,739,381</u>
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Net position (deficit)

Net investment in capital assets	5,655,135
Restricted for:	
Contingencies	1,822,562
Expansion and equipment replacement	3,763,479
Telephone companies billing fees	682,958
Unrestricted	<u>19,326,924</u>

Total net position	<u>\$ 31,251,058</u>
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See accompanying notes to basic financial statements.

BUREAU OF EMERGENCY SYSTEM 9-1-1
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2020

Operating revenues

Emergency telephone service charges \$ 20,785,762

Operating expenses

Personnel services 8,944,139

Administrative 3,474,657

Depreciation 16,880

Transfers to emergency management agencies and municipalities 2,710,986

Total operating expenses 15,146,662

Operating income 5,639,100

Non-operating revenues and expenses:

Interest revenue 150,382

Other income from telephone service claims 3,585

Federal funds 219,023

Other revenues 12,244,069

Loss on disposal of assets (72,178)

Total non-operating revenues and expenses 12,544,881

Change in net position 18,183,981

Net deficit, beginning of year (20,242,420)

Prior period adjustments (Note 11) 33,309,497

Net position, end of year \$ 31,251,058

See accompanying notes to basic financial statements.

BUREAU OF EMERGENCY SYSTEM 9-1-1

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2020

Cash flows from operating activities

Receipts from customers	\$ 21,217,277
Payments to suppliers	(3,609,076)
Payments to employees and related expenses	(8,480,756)
Payments to emergency management agencies and companies	(4,619,229)
Payments for pension benefits to plan members	<u>(465,083)</u>

Net cash provided by operating activities 4,043,133

Cash flows from capital and related financing activities

Acquisition of capital assets, net	(434,560)
Loss on disposal of assets	<u>(72,178)</u>

Net cash used by financing activities (506,738)

Cash flows from investing activities

Interest receipts and other	<u>12,617,059</u>
Net cash provided by investing activities	<u>12,617,059</u>

Net increase in cash 16,153,454

Cash at beginning of the year 22,401,235

Cash at end of the year \$ 38,554,689

For purposes of the statement of cash flows, cash includes:
Unrestricted \$ 38,554,689

Total cash at year end \$ 38,554,689

See accompanying notes to basic financial statements.

BUREAU OF EMERGENCY SYSTEM 9-1-1
Statement of Cash Flows (Continued)
For the Fiscal Year Ended June 30, 2020

Reconciliation of operating loss to net cash provided by operating activities

Operating income	\$ <u>5,639,100</u>
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	16,880
Changes in assets and liabilities	
Accounts receivable – trade	434,065
Accounts receivable – other	(2,550)
Deferred outflows of resources	(465,084)
Supplies inventory	11,764
Accounts payable	193,041
Amounts due to emergency agencies and telephone companies	(1,908,243)
Compensated absences	(93,580)
Accrued voluntary termination benefits	(53,400)
Accrued expenses	<u>271,140</u>
Total adjustments	<u>(1,595,967)</u>
Net cash provided by operating activities	\$ <u>4,043,133</u>

See accompanying notes to basic financial statements.

BUREAU OF EMERGENCY SYSTEM 9-1-1

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

Note 1 – Reporting entity

Entity Reorganization

The Bureau of Emergency System 9-1-1 (the Bureau), is a division of the Puerto Rico Public Security Department, created by Law No. 20 "Law of the Puerto Rico Public Security Department" (Law No. 20), on April 10, 2017. Initially, the 9-1-1 Service Government Board was created by Law No. 144 on December 22, 1994. The Puerto Rico Public Security Department is an umbrella agency in charge of others Bureaus.

The Law No. 20 established the follow Bureaus: Emergency System 9-1-1, Police, Fire Body, Forensic Sciences, Emergency and Disaster Administration, Medical Emergency Body and Special Crime Investigation.

The Bureau manage the operations of the following: 1) the call center 9-1-1 for public safety and emergencies, and 2) the 3-1-1 call center that provides information related to services offered by governmental agencies and attends claims and request made by citizens on such agencies. Also, is responsible for the distribution of said calls to the Bureaus of the Public Security Department, other agencies or instrumentalities, other emergency service providers or any other that are authorized by the Department for their effective attention. The Secretary of the Public Security Department of the Commonwealth of Puerto Rico is responsible for the administration and direct supervision of the Bureau. The Law No. 20 created the position of Commissioner for the Bureau, which is in charge of the daily operations of the Bureau. The Commissioner is appointed by the Governor with the advice and consent of the Senate of Puerto Rico.

The Law No. 20 established an Executive Committee to design, implement, establish, and manage the fiscal and operating procedures for the Bureaus to achieve the objectives of the Law.

Previous to the Law No. 20 mentioned before, the Bureau was operated by a Board of Directors in accordance with previous Law No. 144 of December 22, 1994, which was superseded by the Law No. 20. Thus, the previous Board was disposed with the new Law and the Bureau is a division of the Puerto Rico Public Security Department.

Note 2 – Summary of significant accounting policies

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

BUREAU OF EMERGENCY SYSTEM 9-1-1

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

a) Financial statement presentation

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

b) Measure focus and basis of accounting

The Bureau’s operations are accounted for using the economic resources measurement focus and the accrual basis of accounting. Under this method, all assets and liabilities associated with operations are included on the statement of net position, and revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Bureau’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.

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 Bureau’s policy to use unrestricted resources first, and then restricted resources as they are needed.

As a proprietary fund, the Bureau 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 Bureau considers all highly liquid investments with a maturity of three (3) months or less when purchased to be cash equivalents.

BUREAU OF EMERGENCY SYSTEM 9-1-1

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

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. Accounts receivables represent amount due from telephone companies in accordance with the charges established in the Law No. 20. As of June 30, 2020, the allowance for uncollectible accounts amounted \$8,988,128.

e) Capital assets

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

Depreciation is provided over the estimated useful life of the respective assets using the straight line method. Leasehold improvements, if any, are amortized on a straight-line basis over the shorter of the lease term or estimated life of the asset. The estimated useful life of equipment is 5 years, improvements 10 years and building 50 years.

f) Accounting for compensated absences

The Bureau'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 according to the Article 2.11 of the Law No. 26 of April 29, 2017. The Article 2.10 of the Law No. 26 of April 29, 2017, established the prohibition to pay the excess sick leave or vacation leave. As of June 30, 2020 the compensated absences were \$679,057.

g) Pension benefits

The Bureau has evaluated the provisions of GASB Statement No. 73 "*Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68*" and Statement No. 75 "*Accounting and Financial Reporting Postemployment Benefits Other Than Pensions*".

The Bureau accounts for pension costs from the standpoint of a participant in a multi-employer cost-sharing plan.

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Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

Accordingly, the pension liability, pension expense and deferred outflows/inflows of resources recognized in the accompanying basic financial statements shall be equal to the Bureau's proportionate shares of the collective pension liability, pension expense and collective deferred outflows/inflows of resources reported for unadited actuarial valuation report as of June 30, 2019.

Prior to July 1, 2017, the retirement plans were administered as a trust and followed the guidance of GASB Statement No. 68. The establishment of the new pension system caused that participating employer of the ERS including the Municipality change their accounting for pensions from GASB Statement No. 68 to 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". In addition, if the Bureau's annual contributions are less than the statutorily required amounts, a liability is recorded for any unpaid balances.

h) Net position

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

1. Net investment in capital assets – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any long-term debt that is attributable to the acquisition, construction or improvement of those assets.

2. Restricted net position – results when constraints placed on net position use are externally imposed by grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

The restricted net position consists of the following reserves: Contingencies, Expansion and Equipment Replacement and Telephone Companies Billing Fees. These reserves were stated by the 9-1-1 Service Government Board and were transferred to the new Bureau under the Law No. 20. As of June 30, 2020, these restricted reserves amounted \$6,268,999.

3. Unrestricted net position – consists of net position, which does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

i) Risk management

The Bureau 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.

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Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

Worker's compensation insurance coverage is provided by the State Insurance Fund Corporation, a component unit of the Commonwealth of Puerto Rico, which provides compensation to both public and private employees.

j) Use of estimates

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

k) Deferred outflows/inflows of resources

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

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

- **Government-mandated or voluntary non-exchange transactions received before the time requirements have been met** - Federal and state grants received before the beginning of the fiscal year to which they pertain are recognized as deferred inflows of resources on the Statement of Net Position. The amounts deferred would be recognized as an inflow of resources (revenue) in the period in which the time requirements are fulfilled.
- **Deferred outflows/inflows of resources related to pensions** - Amounts reported for changes in calculation of the net pension liability that result from: a) differences between expected and actual experience; b) changes of assumptions; c) net difference between projected and actual earnings on pension plan investments; d) changes in proportion and difference between the Bureau's contributions and proportionate share contributions; and e) Bureau's contributions subsequent to the measurement date.

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Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

Note 3 – Cash

Deposits

The Bureau is authorized to deposit only in bank institutions approved by the Department of the Treasury of the Commonwealth of Puerto Rico. Such deposits should be kept in separate accounts in the name of the Bureau. Under the Commonwealth's statutes, public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of federal depository insurance.

Custodial credit risk

Custodial credit risk – deposits: is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Bureau maintains cash deposits in one commercial bank located in Puerto Rico. Under Commonwealth of Puerto Rico statutes, public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of insurance provided by the Federal Deposit Insurance Corporation (FDIC). All securities pledged as collateral by the Bureau are held by agents designated by the Puerto Rico Secretary of Treasury but not in the Bureau's name. The total deposits in commercial bank, at June 30, 2020, amounted to \$38,439,738. The Bureau has the depository accounts in one commercial bank. All deposits are carried at cost plus accrued interest, if any.

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Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

Note 4 – Capital assets

Capital assets' activity of the Bureau for fiscal year ended June 30, 2020 was as follows:

	Balance as of July 1, 2019	Additions	Retirements	Reclassifications and Other Adjustments	Balance as of June 30, 2020
Capital assets, not being depreciated:					
Land	\$ 489,610	\$ -	\$ -	\$ -	\$ 489,610
Total capital assets, not being depreciated	<u>489,610</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>489,610</u>
Capital assets, being depreciated:					
Building	3,341,742	-	-	-	3,341,742
Leasehold improvements	1,934,311	-	-	-	1,934,311
Equipment	6,248,465	-	(369,632)	-	5,878,833
Equipment under capital lease	199,995	-	-	-	199,995
Furniture and fixtures	905,594	-	(69,935)	-	835,659
Vehicles	307,186	-	-	-	307,186
Total capital assets, being depreciated	<u>12,937,293</u>	<u>-</u>	<u>(439,567)</u>	<u>-</u>	<u>12,497,726</u>
Less accumulated depreciation and amortization:					
Building	(255,474)	-	-	-	(255,474)
Leasehold improvements	(1,384,376)	-	-	-	(1,384,376)
Equipment	(5,188,120)	(16,649)	369,632	22,855	(4,812,282)
Equipment under capital lease	(169,653)	-	-	-	(169,653)
Furniture and fixtures	(636,437)	(231)	69,935	-	(566,733)
Vehicles	(143,683)	-	-	-	(143,683)
Total accumulated depreciation and amortization	<u>(7,777,743)</u>	<u>(16,880)</u>	<u>439,567</u>	<u>22,855</u>	<u>(7,332,201)</u>
Total capital assets, being depreciated, net	<u>5,159,550</u>	<u>(16,880)</u>	<u>-</u>	<u>22,855</u>	<u>5,165,525</u>
Total capital assets, net	<u>\$ 5,649,160</u>	<u>\$ (16,880)</u>	<u>\$ -</u>	<u>\$ 22,855</u>	<u>\$ 5,655,135</u>

The Bureau follows the provisions of GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", an amendment of GASB Statement No. 34. This Statement establishes guidance for accounting and reporting for impairment of capital assets and insurance recoveries. The Bureau did not recognize any impairment loss during the fiscal year ended June 30, 2020.

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Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

Note 5 - Due to emergency agencies and telephone companies

Emergency agencies

The operations of the Bureau are intended to recover almost all of their costs through the imposition of monthly emergency telephone service charge of \$0.50 for residential and cellular telephone accounts, and \$1.00 for commercial accounts. The charges are billed and collected by telephone companies, which at the end of each month reimburse the amounts collected to the Bureau. Law No. 20 of April 10, 2017, obligate the Bureau to transfer the a part of the funds collected from the provider companies to those agencies that provide the emergency services (Fire Department, Police Department, Family Department's Social Emergency Program, Municipal Offices for Emergency Management and State Agency for Emergency Management). On May 25, 2018, the circular letter MCNSE911-18-0024 was issued which amends this procedure indicating that the Bureau must obligate the budgeted part for the distribution of funds to the emergency agencies. The funds 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. As of June 30, 2020, there is a balance payable to the emergency agencies of \$8,078,478.

Telephone companies

According to Law No. 20 of April 10, 2017, telephone companies will be reimbursed for the net cost of billing and collection of charges, without exceeding the provisions of the Law. Based on the Department's regulation, they must not exceed .30% of the account receivable from each telephone company. As of June 30, 2020, the balance of the due to telephone companies was \$502,162.

Note 6 – 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 Bureau. Act No. 70 established that early retirement benefits would be provided to eligible employees that had completed between 15 to 29 years of credited service in the Retirement System and consisted of biweekly benefits ranging from 37.5% to 50% of each employee salary, as defined. In this early retirement benefit program, the Bureau will make the employer contributions to the Retirement System and pay the corresponding pension until the employee complies with the requirements of age and 30 years of credited service.

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

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Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

The financial impact resulting for the benefits granted to participants on this program is the recognition within the Bureau's financial statements of a liability of \$11,125 in the statement of net position as of June 30, 2020. As of June 30, 2020, the unpaid long-term benefits granted on this program were discounted at 1.80%.

	<u>Balance as of June 30, 2019</u>	<u>Net change</u>	<u>Balances of June 30, 2020</u>
Accrued termination benefits	\$ <u>64,525</u>	\$ <u>(53,400)</u>	\$ <u>11,125</u>

Note 7 – Pension plan benefits

General Information about the Pension Plan

Substantially, all full-time employees of the Municipality participate in the Employee's Retirement System of the Commonwealth of Puerto Rico and its instrumentalities (ERS). The Employee Retirement System is a statutory trust created by the Act No. 449 of May 15, 1951, as amended (Act 447).

On September 30, 2016, the Fiscal Oversight Board for Puerto Rico (the Board) designed to the Government of the Commonwealth of Puerto Rico, the Employees' Retirement System (ERS) and other 21 public corporations as covered entities subject to fiscal supervision, in accordance with the *Puerto Rico Oversight, Management, and Economic Stability Act* (PROMESA Act).

The Board projected that the liquid assets of the ERS would be consumed during the fiscal year 2018-2019. Due to this projected lack of liquidity in the ERS, the government of the Commonwealth, in an attempt to guarantee and safeguard the payment of pensions to retirees adopted a new defined contribution plan denominated as the "Pay-Go System" (Pay-Go).

Under Pay-Go, the Government of the Commonwealth of Puerto Rico becomes responsible for paying the pension benefits to retirees. The Puerto Rico Treasury Department perform monthly billings to all governmental entities adhered to the Commonwealth, the public corporations and the municipalities of Puerto Rico, to cover pension benefits to retirees. The Government of the Commonwealth of Puerto Rico determines and administers the monthly amounts required to be paid by each governmental entity. Amount billed is denominated as the "Pay-Go Charge". The payments of "Pay-Go Charges" must be remitted to applicable special bank accounts with one commercial bank in Puerto Rico. In addition, the employer contributions to the ERS are eliminated and the source for the payments of "Pay-Go Charge" is a payroll withholding from employees of all governmental entities that are a participant of the ERS.

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Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

The most recent audited financial statements of the ERS were as of June 30, 2017, where the ERS was severely underfunded with a net pension liability of approximately \$34.2 billion. The ERS has not issued its 2018, 2019 and 2020 basic financial statements, nor has it provided the Bureau with the required information to fully implement the requirements of GASB 68 as of June 30, 2019 and 2020. ERS has only provided the Bureau with its proportional share of the pension liability, deferred inflow of resources and deferred outflow of resources in the statement of net assets as of June 30, 2017. Therefore, the accompanying governmental activities financial statements have been adjusted to account for its proportionate share of the pension liability, deferred inflow of resources and deferred outflow of resources in the statement of net position, using pension information as of June 30, 2017. Also, additional disclosures required by GASB 68, as well as required supplementary information has been omitted from the financial statements as information has not been provided by the ERS.

Note 8 – Contingencies

Litigation and claims

The Bureau is a defendant in some arbitration cases presented to the Public Service Appellate Commission of the Commonwealth of Puerto Rico and the Equal Employment Opportunities Commission (EEOC). The most of these cases are dismissed. However, there are some cases pending for hearing and final resolution. Management has estimated that if any of the cases adversely affect the Bureau, it will not have a material impact to the financial position of the Bureau.

As of June 30, 2020, the Bureau maintained collection claims to companies related to amounts that are required to be paid by telephone companies to the Bureau in accordance with Law 20. From these claims, two of them were resolved between mutual agreement resulting in a payment of \$380,734 to the Bureau. This amount was collected during the current year. The remaining claim from one telephone company in the amount of \$10.4 million was referred to the Puerto Rico Department of Justice for collection procedures. This remaining claim is not recognized in the accompanying financial statements. The income will be recognized when the amount are collected.

Note 9 – Commitments

Operating leases

During June 2020, the Bureau make a into a space rental agreement in a two-floor to 3-1-1 center facilities concrete building with 68 car parking spaces. The total area of the two floors of the building is 17,365 pc. The term of this lease shall be for 60 months beginning July 1, 2020 through June 30, 2025. For accounting purposes, this agreement shall be deemed renewed at the end of each fiscal year, for a term of 5 fiscal years unless that the lessee notifies the unavailability of funds. Monthly rental payments will be \$32,559, and anual maximum of \$390,713.

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Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

The Bureau has a contract agreement for 60 months beginning on February 1, 2019 and ending on February 29, 2024 for the lease of 71 high-volume digital printing equipment, parts, toner and services. The bureau will make monthly payments of \$12,010 and annual payments of \$155,753.

For concepts of wireless telephony (Wireless Service) in the First Net network for contingency units as part of the Bureau's Emergency Operational Plan, which includes telephony service for 70 cell phones, 11 smartphones with data and hotspot. Its current from August 30, 2019 to June 30, 2021 and an amendment that extends until August 2022. The first part will pay up to a maximum of \$101,524.

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

Year ending June 30,	Amount
2021	\$ 992,448
2022	698,466
2023	536,577
2024	536,577
2025	<u>385,360</u>
	<u>\$ 3,149,428</u>

Rent expense for fiscal year ended June 30, 2020 amounted to \$781,244.

Note 10 – Statement of cash flows

The Bureau prepares its statement of cash flows using the direct method. For the purpose of this statement, the Bureau 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 – Prior period adjustment

During 2020, management performed corrections to the financial statements of 2019.

The following summarizes the prior period adjustments referred to 2019:

Balance of net deficit at June 30, 2019, as previously reported	\$ (20,242,420)
Prior period adjustments for:	
Accounts payable and accrued expenses	682,168
Pension liability	32,669,878
Pension liability OPEB	<u>(42,549)</u>
Balance of net position at June 30, 2019, as restated	<u>\$ 13,067,077</u>

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Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

Note 12 – Future adoption of accounting pronouncements

The Governmental Accounting Standards Bureau has issued the following accounting standards that have effective dates after June 30, 2020:

GASB Statement No. 87, Leases: The objective of this Statement is to better meet the information needs of financial statements users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for fiscal year 2022. Earlier application is encouraged.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period: The objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) simplify accounting for certain interest costs. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for fiscal year 2021. Earlier application is encouraged.

GASB Statement No. 91, Conduit Debt Obligations: The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for fiscal year 2022. Earlier application is encouraged.

GASB Statement No. 92, Omnibus 2020: The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for fiscal year 2022. Earlier application is encouraged.

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Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

GASB Statement No. 93, Replacement of Interbank Offered Rates: Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, Leases, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable. The requirements of this Statement are effective for fiscal year 2022. Earlier application is encouraged.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements: This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are effective for fiscal year 2023. Earlier application is encouraged.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32: The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for fiscal year 2022. Earlier application is encouraged.

GASB Statement No. 98, The Annual Comprehensive Financial Report: This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this Statement are effective for fiscal year 2022. Earlier application is encouraged.

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Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

Note 13 – Subsequent events

Subsequent events were evaluated through February 18, 2022, the date the financial statements were available to be issued. The following events were identified which management decided should be disclosed:

During April 2020, by official letter between the *Autoridad de Asesoría Financiera and Agencia Fiscal* (AAFAF) and the Bureau regarding to the claim of funds deposited in the Government Development Bank (GDB) at the time of its liquidation, the Office of Management and Budget of Puerto Rico approved the transfer for \$11.3 million. During March 2021, the Bureau recognized this transfer as other income during the fiscal year ended June 30, 2020 to eliminate the uncollectable reserve recognized at the date of GDB liquidation.

After the fiscal year ended June 30, 2020, the Employee Retirement System Administration submitted the unaudited actuarial valuation report as of June 30, 2019 (measurement year: July 1, 2017 to June 30, 2018). The Bureau disclosed the following information and amounts based on this report. At June 30, 2020, the Bureau reported a liability of \$2,673,090 for its proportionate share of the pension liability. The collective net pension liability which amounts to \$27,607,417,757 was measured as of June 30, 2019.

The Bureau evaluated additional subsequent events through February 18, 2022, which is the date the financial statements are available to be issued. No additional events are occurred subsequent to the statement of net position and the balance sheet date the financial statements were available to be issued, that would require additional adjustment to, or disclosure in the financial statements.