

**COMMONWEALTH OF PUERTO RICO
BUREAU OF EMERGENCY SYSTEM 9-1-1
(AN OPERATIONAL COMPONENT OF
THE DEPARTMENT OF PUBLIC
SAFETY AND SECURITY)**

FINANCIAL STATEMENTS

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2023**



TABLE OF CONTENTS

	PAGES
Independent Auditors' Report	1-3
Financial Statements:	
Management's Discussion and Analysis (Unaudited)	4-11
Statement of Net Position	12-13
Statement of Revenues, Expenses and Changes in Net Position	14
Statement of Cash Flows	15-16
Notes to Financial Statements	17-42
Required Supplementary Information:	
Schedule of Proportionate Share of Total Pension Liability	43
Schedule of Proportionate Share of Total Other Postemployment Benefits Liability	44
Notes to Schedule of Proportionate Share of Other Postemployment Benefits and Total Pension Liability	45



López-Vega, CPA, PSC

Certified Public Accountants / Management Advisors

Member of:

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

INDEPENDENT AUDITORS' REPORT

To the Commissioner of the
Commonwealth of Puerto Rico
Bureau of Emergency System 9-1-1
(An Operational Component of the
Department of Public Safety and Security)
San Juan, Puerto Rico

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the **Commonwealth of Puerto Rico Bureau of Emergency System 9-1-1 (An Operational Component of the Department of Public Safety and Security) (the Bureau)**, as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the **Bureau**, as of June 30, 2023, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the **Bureau**, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

Restatement of Prior Year Financial Statements

As discussed in **Note 14**, the 2022 financial statements have been restated to adjust the effect of the **Bureau's** adoption of Regulation No. 11 established by the Puerto Rico Treasury Department for the capitalization of assets and to correct the balance of accounts payable. Our opinion is not modified with respect to these matters.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Emphasis of a Matter (continued)

Adoption of New Accounting Standard

As described in **Notes 2, 4, 6** and **11**, during the fiscal year 2023 the **Bureau** adopted the provisions and requirements of GASB Statement No. 96 - "Subscription-Based Information Technology Arrangements". Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the **Bureau's** ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **Bureau's** internal control. Accordingly, no such opinion is expressed.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the **Bureau's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages **4** through **11**, the schedule of proportionate share of collective total pension liability and the schedule of proportionate share of OPEB liability on pages **43** through **45** be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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.



LOPEZ VEGA, CPA, PSC

San Juan, Puerto Rico

May 15, 2024

Stamp No. E537224 of the
Puerto Rico Society of Certified
Public Accountants was affixed to
the record copy of this report.



López-Vega, CPA, PSC
Certified Public Accountants / Management Advisors

The Management of the **Commonwealth of Puerto Rico Bureau of Emergency System 9-1-1 (An Operational Component of the Department of Public Safety and Security)** (the **Bureau**) provides this Management's Discussion and Analysis for the readers of the **Bureau's** financial statements. This narrative provides our analysis of the **Bureau's** financial performance during the fiscal year ended June 30, 2023. Please read it in conjunction with the financial statements, which follows this section.

Entity Reorganization

The **Bureau** is an operational component of the Department of Public Safety and Security, created by Law No. 20 "Law of the Puerto Rico Department of Public Safety and Security" (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 Department of Public Safety and Security is an umbrella agency in charge of others Bureaus.

The provisions of Law No. 20 established the following Bureaus: Emergency System 9-1-1, Police, Firefighters Corps, Forensic Sciences, Emergency Management and Disasters Administration, Medical Emergency Corps and Special Crime Investigation.

The **Bureau** manages the operations of the 9-1-1 call center for public safety and emergencies. Also, it 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 entity authorized by the Department for their effective attention.

The Secretary of the Department of Public Safety and Security of the Commonwealth of Puerto Rico is responsible for the administration and direct supervision of the **Bureau**. The Law No. 20 also 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, 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 an operational component of the Department of Public Safety and Security.

THIS SPACE IS LEFT INTENTIONALLY IN BLANK

Financial Highlights

The following comments about the financial condition and results of operations as reflected in the financial statements prepared for the fiscal year 2023 deserve special mention:

- Total assets and deferred outflows of resources increased by \$10,717,669 and total liabilities and deferred inflows of resources increased by \$6,684,872.
- The **Bureau's** net position as of June 30, 2023 amounted to \$47,375,378, an increase of \$4,032,797, when compared with the 2022 fiscal year, as restated.
- Total operating revenues increased by \$25,739 or 0.11%.
- Operating expenses increased by \$3,669,271 or 21.26%.
- Distributions to emergency agencies and municipalities increased by \$1,390,394, from \$5,787,366 during 2022, as restated to \$7,177,760 during 2023.

Overview of the Financial Statements

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

Financial Analysis of the Bureau

The statement of revenues, expenses and changes in net position provides a broad view of the **Bureau's** operations in a manner similar to a private business sector, while the statement of net position provides both short-term and long-term information about the **Bureau's** financial position, which helps 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 presents all of the **Bureau's** assets and liabilities, with the difference between the two reported as "net position". Over time, increase or decrease in the **Bureau's** net position 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, require the **Bureau** to transfer the part of the funds collected from the provider companies to those agencies that provide the emergency services (Bureau of Firefighters Corps, Bureau of Police, 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 to amend this procedure indicating that the **Bureau** must obligate the budgeted part for the distribution of funds to the emergency agencies.

The net position reported in the financial statements by the **Bureau** shows categories of restricted and unrestricted net position.

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

THIS SPACE IS LEFT INTENTIONALLY IN BLANK

Financial Analysis of the Bureau (continued)

The following table provides a summary for the **Bureau's** statements of net position as of June 30, 2023 and 2022, as restated:

	<u>2023</u>	<u>2022</u> <u>(as restated)</u>	<u>Change</u>
Assets:			
Current assets	\$ 59,945,132	\$ 54,325,768	\$ 5,619,364
Capital assets	<u>9,332,804</u>	<u>5,814,846</u>	<u>3,517,958</u>
Total assets	<u>69,277,936</u>	<u>60,140,614</u>	<u>9,137,322</u>
Deferred outflows of resources	<u>2,108,836</u>	<u>528,489</u>	<u>1,580,347</u>
Total assets and deferred outflows of resources	<u>71,386,772</u>	<u>60,669,103</u>	<u>10,717,669</u>
Liabilities:			
Current liabilities	11,192,134	10,896,666	295,468
Noncurrent liabilities	<u>12,329,804</u>	<u>6,305,315</u>	<u>6,024,489</u>
Total liabilities	<u>23,521,938</u>	<u>17,201,981</u>	<u>6,319,957</u>
Deferred inflows of resources	<u>489,456</u>	<u>124,541</u>	<u>364,915</u>
Total liabilities and deferred inflows of resources	<u>24,011,394</u>	<u>17,326,522</u>	<u>6,684,872</u>
Net position	<u>\$ 47,375,378</u>	<u>\$ 43,342,581</u>	<u>\$ 4,032,797</u>

Statement of Net Position

The **Bureau's** net position as of June 30, 2023, amounted to \$47,375,378 resulting in a net increase of \$4,032,797 from its net position as of June 30, 2022, amounting to \$43,342,581, as restated. Total assets and deferred outflows of resources increased by \$10,717,669 during the fiscal year ended June 30, 2023. This increase is mainly due to the net effect of (1) the increase in cash of \$5,854,716; (2) a decrease in accounts receivable of \$242,127; and (3) the increase of \$1,580,347 in deferred outflows of resources.

Also, the net capital assets balance increased by \$3,517,958. This increase resulted primarily from the net effect of the implementation of GASB Statement No. 96, "Subscription-based Information Technology Arrangements", and the net effect of depreciation and amortization recorded during the fiscal year 2023.

Total liabilities and deferred inflows of resources increased by \$6,684,872 mainly due to an increase in pension liability of \$1,907,667, an increase in accrued compensated absences of \$165,167 and a net increase in subscription liability of \$4,462,359.

Statement of Revenues, Expenses and Changes in Net Position

The following table provides a summary of the Bureau's changes in net position for the years ended June 30, 2023 and 2022, as restated:

	<u>2023</u>	<u>2022</u> <u>(as restated)</u>	<u>Change</u>
Operating revenues:			
Emergency telephone service charges, net	\$ 23,147,646	\$ 23,121,907	\$ 25,739
Operating expenses:			
Personnel services	9,744,841	8,697,522	1,047,319
Administrative	2,244,441	1,667,504	576,937
Depreciation and amortization	1,759,349	1,104,728	654,621
Distributions to emergency management agencies and municipalities	<u>7,177,760</u>	<u>5,787,366</u>	<u>1,390,394</u>
Total operating expenses	<u>20,926,391</u>	<u>17,257,120</u>	<u>3,669,271</u>
Operating income (loss)	<u>2,221,255</u>	<u>5,864,787</u>	<u>(3,643,532)</u>
Non-operation revenues (expenses)	<u>1,811,542</u>	<u>7,520</u>	<u>1,804,022</u>
Increase (decrease) in net position	<u>4,032,797</u>	<u>5,872,307</u>	<u>(1,839,510)</u>
Beginning net position, as restated	<u>43,342,581</u>	<u>37,470,274</u>	<u>5,872,307</u>
Ending net position	<u>\$ 47,375,378</u>	<u>\$ 43,342,581</u>	<u>\$ 4,032,797</u>

Analysis of Changes in Net Position

Net position increased by \$4,032,797, from \$43,342,581 in 2022 (as restated), to \$47,375,378 in 2023 due to the result of current year operation, as follows:

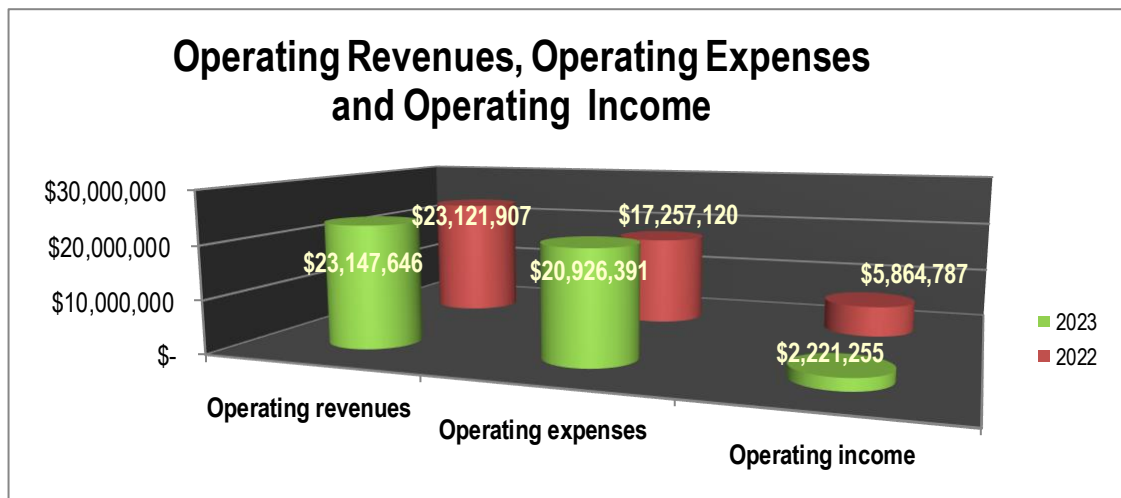
- Net operating revenue increased by \$25,739, from \$23,121,907 in 2022 to \$23,147,646 in 2023, an increase of 0.11%.

Analysis of Changes in Net Position (continued)

- Operating expenses increased by \$3,669,271 or 21.26%.
- Total distributions to emergency management agencies and municipalities increased by \$1,390,394, which represents an increase of 24.02% when compared with fiscal year 2022, as restated.
- Total non-operational revenues (expenses) increased by \$1,804,022. This increase was caused by the increase on interest revenues of \$1,325,955 and the increase on other revenues of \$786,718.

The Bureau as a Whole

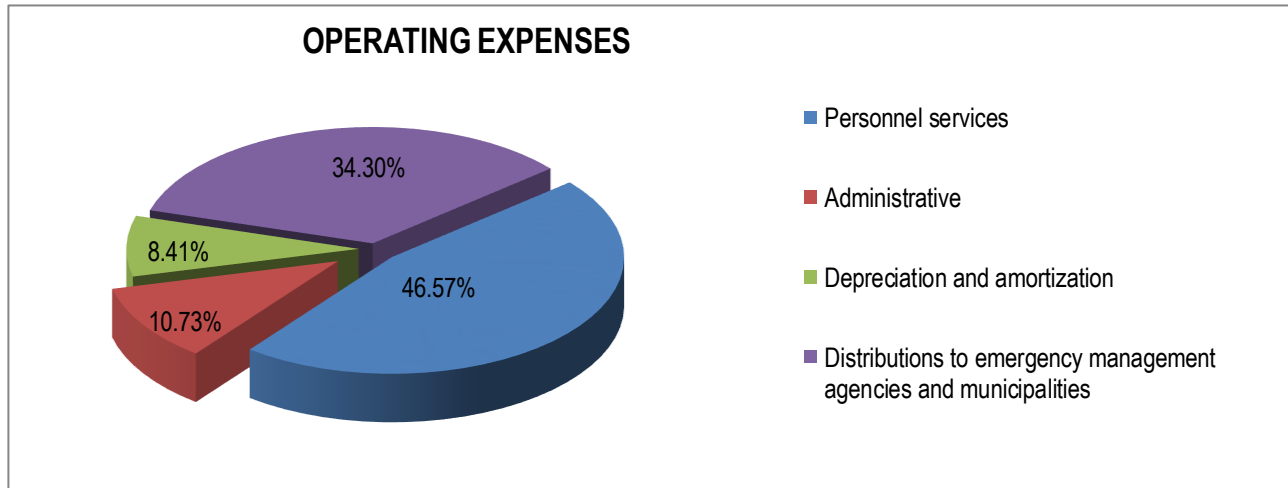
The following chart presents a comparison of operating revenues, operating expenses and operating income of the **Bureau's** activities for the years ended June 30, 2023 and 2022:



THIS SPACE IS LEFT INTENTIONALLY IN BLANK

The Bureau as a Whole (continued)

The following chart presents the composition of operating expenses of the **Bureau** for the year ended June 30, 2023:



Capital Assets and Debt Administration

The capital assets of the **Bureau** are those assets that are used in the performance of its functions. The investments in capital assets (net of accumulated depreciation) as of June 30, 2023 amounted to \$9,332,804. Additional information on the **Bureau's** capital assets can be found in the **Note 4** of the financial statements on page **24** of this report.

As of June 30, 2023, total long-term debt amounted to \$12,329,804 and includes the balance of pension liability, OPEB liability, accrued compensated absences, lease liability and subscription-based liability. Additional information on the **Bureau's** long-term liabilities can be found in the **Note 6** of the financial statements on page **26** of this report.

GASB Statements No. 73 and No. 75

The **Bureau** adopted 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 No. 68", which requires that governmental employers whose employees are provided with defined benefit pensions recognize a liability and pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions administered through a trust that does not meet the requirements of GASB Statement No. 73.

GASB Statements No. 73 and No. 75 (continued)

The **Bureau's** pension plan is administered by the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico and its Instrumentalities (ERS). The ERS has provided to the **Bureau** the financial and technical information necessary for the proper recognition and reporting of its total pension liability, deferred inflows of resources and deferred outflows of resources. Accordingly, the **Bureau** complies with the accounting and financial reporting requirements set forth in GASB Statement No. 73. Consequently, the **Bureau's** financial statements report and disclose the required information for its pension plan. As of June 30, 2023, total pension liability amounted to \$4,900,801.

In addition, the **Bureau's** pension plan administrator provided the **Bureau** with the audited schedules of employment allocations and OPEB amounts by employer as of June 30, 2022 (**Bureau's** measurement date), necessary to comply with the requirements of GASB No. 75 "Accounting and Financial Reporting for Postretirement Benefits Other Than Pensions", as of June 30, 2023. As a result, amounts to be reported as deferred outflows/inflows of resources related to OPEB, the total OPEB liability, applicable disclosures and required supplementary information have been presented in the accompanying financial statements. As of June 30, 2023, total other postemployment benefit (OPEB) liability amounted to \$82,474.

GASB Statement No. 87

During the fiscal year ended on June 30, 2022, the **Bureau's** management evaluated all of its lease agreements as a lessee to determine whether any of them met the requirements of Statement No. 87 of the Government Accounting Standards Board. As described on **Note 10**, the Bureau entered into long-term lease agreement as the lessee of two (2) facilities in which the Bureau maintains its operations. As a result of the implementation of the GASB Statement No. 87, "Leases", the **Bureau** now reports those as right-to-use lease asset and lease liability as stated in **Notes 2, 4 and 6**. The value of the right of use lease assets as of the end of the current fiscal year was \$2,474,780 and had accumulated amortization of \$1,127,926. Lease liability is adjusted for the lease payments made during the year. As of June 30, 2023, lease liability amounted to \$1,397,820.

GASB Statement No. 96

As of July 1, 2022, the Bureau adopted the provisions of GASB Statement No. 96. Accordingly, at that date, **Bureau's** management evaluated its subscription-based information technology arrangements. As a result of the evaluation performed, during the fiscal year the Bureau recognized a subscription asset and liability of \$5,398,453.

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 the **Bureau of Emergency System 9-1-1**, Finance Office, PO Box 270200, San Juan, Puerto Rico, 00927-0200.

Assets

Current assets:

Cash	\$ 57,422,866
Accounts receivable, net of allowance	2,501,653
Supplies inventory	<u>20,613</u>

Total current assets 59,945,132

Capital assets:

Depreciable assets	16,083,716
Less: accumulated depreciation and amortization	<u>(7,240,522)</u>

Total depreciable assets, net 8,843,194

Non-depreciable assets 489,610

Total capital assets, net 9,332,804

Total assets 69,277,936

Deferred outflows of resources:

Pension related	2,105,236
Other postemployment benefits related	<u>3,600</u>

Total deferred outflows of resources 2,108,836

Total assets and deferred outflows of resources \$ 71,386,772

Continues

Liabilities and Net Position

Current liabilities:

Due to emergency agencies	\$ 9,043,927
Due to telephone companies	605,844
Accounts payable	1,163,882
Accrued expenses	378,481
Accrued compensated absences	297,270
Pension liability	2,105,236
Other postemployment benefits liability	3,600
Lease liability	580,183
Subscription liability	<u>2,264,001</u>

Total current liabilities 16,442,424

Noncurrent liabilities:

Accrued compensated absences	1,189,080
Pension liability	2,795,565
Other postemployment benefits liability	78,874
Lease liability	817,637
Subscription liability	<u>2,198,358</u>

Total noncurrent liabilities 7,079,514

Total liabilities 23,521,938

Deferred inflows of resources:

Pension related	<u>489,456</u>
-----------------	----------------

Total liabilities and deferred inflows of resources 24,011,394

Net position:

Net investment in capital assets	3,472,625
Restricted for:	
Contingencies	1,822,562
Expansion and equipment replacement	3,763,479
Telephone companies billing fees	682,958
Unrestricted	<u>37,633,754</u>

Total net position \$ 47,375,378

The notes to the financial statements are an integral part of this statement.

Operating revenues:

Emergency telephone service charges \$ 23,147,646

Operating expenses:

Personnel services 9,744,841
 Administrative 2,244,441
 Depreciation and amortization 1,759,349
 Distributions to emergency management agencies and municipalities 7,177,760

Total operating expenses 20,926,391

Operating income 2,221,255

Non-operating revenues and expenses:

Interest revenue 1,342,132
 Other revenues 894,318
 Provision for bad debt (169,057)
 Loss on disposition of capital assets (121,146)
 Interest expense (134,705)

Total non-operating revenues and expenses 1,811,542

Change in net position 4,032,797

Net position, beginning of year, as restated 43,342,581

Net position, end of year \$ 47,375,378

Cash flows from operating activities:

Receipts from customers	\$ 23,220,716
Payments to suppliers	(2,864,987)
Payments to employees and related expenses	(7,745,539)
Payments to emergency management agencies and companies	<u>(7,369,202)</u>

Net cash provided by operating activities 5,240,988

Cash flows from capital and related financing activities:

Other funds received	894,318
Principal payments on lease liability	(551,923)
Interest payments on lease liability	(87,901)
Principal payments on subscription liability	(936,094)
Interest payments on subscription liability	<u>(46,804)</u>

Net cash used by capital and related financing activities (728,404)

Cash flows from investing activities:

Interest receipts	<u>1,342,132</u>
-------------------	------------------

Net cash provided by investing activities 1,342,132

Net increase in cash 5,854,716

Cash at beginning of the year 51,568,150

Cash at end of the year \$ 57,422,866

**Reconciliation of operating income to net cash
 provided by operating activities:**

Operating income	\$ <u>2,221,255</u>
------------------	---------------------

**Adjustment to reconcile operating income
 to net cash provided by operating activities:**

Depreciation and amortization	1,759,349
-------------------------------	-----------

Changes in assets and liabilities:

Accounts receivable	73,070
Deferred outflows of resources	(1,580,347)
Supplies inventory	(6,775)
Accounts payable	698,389
Amounts due to emergency agencies and telephone companies	(187,465)
Accrued compensated absences	165,167
Accrued expenses	(215,455)
Pension liability	1,907,667
Other postemployment benefits liability	41,218
Deferred inflows of resources	<u>364,915</u>

Total adjustments	<u>3,019,733</u>
--------------------------	------------------

Net cash provided by operating activities	<u>\$ <u>5,240,988</u></u>
--	----------------------------

Supplementary information of non-cash transactions:

- During the fiscal year the **Bureau** entered into a subscription-based information technology arrangement and adopted the provisions of GASB No. 96. Accordingly, the **Bureau** recognized a right-to-use subscription asset and liability of \$5,398,453.
- During the fiscal year the **Bureau** retired various capital assets and recognized a loss on disposition of capital assets of \$121,146.

The notes to the financial statements are an integral part of this statement.

Note 1 - Entity Reorganization

The **Commonwealth of Puerto Rico Bureau of Emergency System 9-1-1 (the Bureau)**, is an operational component of the Department of Public Safety and Security, created by Law No. 20 "Law of the Department of Public Safety and Security of Puerto Rico" (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 Department of Public Safety and Security is an umbrella agency in charge of others Bureaus.

The provisions of Law No. 20 established the follow Bureaus: Emergency System 9-1-1, Police, Firefighters Corps, Forensic Sciences, Emergency Management and Disasters Administration, Medical Emergency Corps and Special Crime Investigation.

The **Bureau** manages the operations of the 9-1-1 call center for public safety and emergencies. Also it is responsible for the distribution of said calls throughout the Bureaus of the Department of Public Safety and Security, other agencies or instrumentalities, other emergency service providers or any other entity authorized by the Department for their effective attention. The Secretary of the Department of Public Safety and Security of Puerto Rico is responsible for the administration and direct supervision of the **Bureau**. The Law No. 20 also created the position of Commissioner, 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, the **Bureau** was operated by a Board of Directors in accordance with the provisions 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 now an operational component of the Department Public Safety and Security.

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**.

Note 2 - Summary of significant accounting policies (continued)

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 "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 and statement of cash flows

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

Also, 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 2 - Summary of significant accounting policies (continued)

d) Trade accounts receivable

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

e) Capital assets

Capital assets are recorded at cost. The **Bureau** capitalizes its property and equipment with a unit cost of \$25,000 or higher and with a useful life of more than one (1) year. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of capital assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of revenues, expenses and changes in net position.

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

Right-to-use asset are recorded at the present value of future minimum lease payments or subscription payments, plus any payments made at or before the commencement date, and are amortized on a straight-line basis over the life of the related lease term of building or the related subscription-based arrangement term.

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.

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 No. 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.

Note 2 - Summary of significant accounting policies (continued)

g) Pension benefits (continued)

Accordingly, the pension liability, pension expense and deferred outflows/inflows of resources recognized in the accompanying 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 audited actuarial valuation report as of June 30, 2022 (**Bureau's** measurement date). 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 **Bureau** 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 No. 67 and No. 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) Leases

The **Bureau** adopted the provisions of GASB Statement No. 87, *"Leases"*. As a lessee, the **Bureau** should recognize a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. At the commencement of a lease, the **Bureau** initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to leases include how the government determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The **Bureau** uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the **Bureau** generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the government is reasonably certain to exercise.

The **Bureau** monitors changes in circumstances that would require a re-measurement of its leases and will re-measure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease assets and liabilities.

Note 2 - Summary of significant accounting policies (continued)

i) Subscription-based Information Technology Arrangements (GASB No. 96)

In May 2020, the Government Accounting Standards Board (GASB) issued Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). GASB Statement No. 96 (GASB No. 96) establishes uniform accounting and financial reporting requirements for SBITAs; improves the comparability of government's financial statements; and enhances the understandability, reliability, relevance, and consistency of information about SBITAs. GASB No. 96 applies to government agencies who are currently using information technology (IT) software as specified in their contracts. GASB No. 96 applies to all contracts meeting the definition of a SBITA, unless specifically excluded. As defined in GASB Statement No. 96, paragraph 6, a SBITA is a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (with underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. As of July 1, 2022, the Bureau adopted the provisions of GASB No. 96. Accordingly, at that date, the Bureau recognized a subscription liability and an intangible right-to-use subscription asset. The subscription liability is measured at the present value of future payments and the intangible right-to-use asset is equal to the liability, adjusted for payments made at the start of the subscription term. The liability is reduced by equal to the liability, adjusted for payment made at the start of the subscription term. The liability is reduced by the principal portion of payments made and the asset is amortized on a straight-line basis over the lease term. Subscription liabilities are included in lease and subscription liabilities and the intangible assets are reported with capital assets on the accompanying statement of net position.

j) 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, and any outstanding balance of lease liability and subscription liability.
- 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, 2023, these restricted reserves amounted \$6,268,999.

Note 2 - Summary of significant accounting policies (continued)

j) Net position (continued)

- 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.

k) 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. 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.

l) 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 Net 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 (2) items that may qualify for reporting in this category:

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

Note 2 - Summary of significant accounting policies (continued)

m) 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 financial statements and the reported amount of revenue and expenses during the period. Actual results could differ from those estimates.

n) Restatements and reclassification

During the fiscal year ended June 30, 2023, the **Bureau** made a restatement of its net position beginning balance to adjust capital assets for the effect of adopting the capitalization policy of the Treasury Department of Puerto Rico and to correct the balance of accounts payable (See **Note 14**)

Also, certain account in the prior year have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. This reclassification do not change the result of operations.

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. At June 30, 2023, total deposits in the commercial bank amounted to \$57,422,866. All deposits are carried at cost plus accrued interest, if any.

Note 4 - Capital assets

Capital asset activities of the **Bureau** for fiscal year ended June 30, 2023, were as follows:

	Balance as of July 1, 2022, as restated	Additions	Retirements	Balance as of June 30, 2023
Capital assets, not being depreciated:				
Land	\$ 489,610	\$ -	\$ -	\$ 489,610
Capital assets, being depreciated:				
Building	3,341,741	-	-	3,341,741
Leasehold improvements	1,792,772	-	(514,340)	1,278,432
Equipment	3,320,253	-	-	3,320,253
Furniture and fixtures	55,716	-	-	55,716
Vehicles	214,341	-	-	214,341
Right-to-use assets:				
Buildings	2,474,780	-	-	2,474,780
Subscription assets	-	5,398,453	-	5,398,453
	<u>11,199,603</u>	<u>5,398,453</u>	<u>(514,340)</u>	<u>16,083,716</u>
Less accumulated depreciation and amortization:				
Building	(501,261)	(66,834)	-	(568,095)
Leasehold improvements	(1,408,500)	(63,922)	393,194	(1,079,228)
Equipment	(3,190,440)	(50,250)	-	(3,240,690)
Furniture and fixtures	(55,716)	-	-	(55,716)
Vehicles	(154,487)	(24,664)	-	(179,151)
Right-to-use assets:				
Buildings	(563,963)	(563,963)	-	(1,127,926)
Subscription assets	-	(989,716)	-	(989,716)
	<u>(5,874,367)</u>	<u>(1,759,349)</u>	<u>393,194</u>	<u>(7,240,522)</u>
Capital assets, being depreciated, net	<u>5,325,236</u>	<u>3,639,104</u>	<u>(121,146)</u>	<u>8,843,194</u>
Total capital assets, net	<u>\$ 5,814,846</u>	<u>\$ 3,639,104</u>	<u>\$ (121,146)</u>	<u>\$ 9,332,804</u>

Note 4 - Capital assets (continued)

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, 2023.

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 shall reimburse the amounts collected to the **Bureau**. Law No. 20 of April 10, 2017, obligate the **Bureau** to make a distribution of a part of the funds collected from the telephone services companies to those agencies that provide the emergency services (Bureau of Firefighters Corps, Bureau of Police, Family Department’s Social Emergency Program, Municipal Offices for Emergency Management and the Bureau of Emergency Management and Disasters Administration).

On May 25, 2018, the circular letter MCNSE911-18-0024 was issued which amends this procedure indicating that the **Bureau** must obligate in the annual budget funds for its distribution 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, 2023, there is a balance payable to the emergency agencies of \$9,043,927.

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 **Bureau's** regulation, they must not exceed .30% of the account receivable from each telephone company. As of June 30, 2023, the balance of the due to telephone companies amounted to \$605,844.

THIS SPACE IS LEFT INTENTIONALLY IN BLANK

Note 6 - Long-term liabilities

Bureau's long-term liabilities balance at June 30, 2023, consists of the following:

	<u>Balance as of June 30, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance as of June 30, 2023</u>	<u>Current Portion</u>
Accrued compensated absences	\$ 1,321,183	\$ 165,167	\$ -	\$ 1,486,350	\$ 297,270
Pension liability	2,993,134	1,907,667	-	4,900,801	2,105,236
Other postemployment benefits liability	41,256	41,218	-	82,474	3,600
Lease liability	1,949,742	-	(551,922)	1,397,820	580,183
Subscription liability	<u>-</u>	<u>5,398,453</u>	<u>(936,094)</u>	<u>4,462,359</u>	<u>2,264,001</u>
Total	<u>\$ 6,305,315</u>	<u>\$ 7,512,505</u>	<u>\$(1,488,016)</u>	<u>\$12,329,804</u>	<u>\$ 5,250,290</u>

Note 7 - Pension plan benefits

On August 23, 2017, Act No. 106 was enacted, which is known as the "Law to Guarantee Payment to our Pensioners". Under this Act, effective July 1, 2017, the General Fund, through the system of "pay-as-you-go" (PayGo), assumes the payments of the three Retirement Systems (Employees Retirement System [ERS] of the Government of the Commonwealth, the Teachers' Retirement System and Judiciary Retirement System), because the retirement plan have depleted the assets set aside to pay benefits.

Under the provisions of Act No. 106, the **Bureau** assumed the proportional share of the pension benefits of the **Bureau's** retirees. Also, under Act No. 106, active employees are required to contribute a minimum of 10% of their compensation, into a defined contribution plan, with no employer matching. Contributions are deposited in a separate account for each employee and invested in accordance with certain guidelines. Upon retirement, employees will receive retirement benefits accumulated after the enactment of Act No. 106, with certain limitations, plus benefits accumulated until the enactment of Act No. 106, with certain limitations, including benefits accumulated under previous defined benefit, defined contribution and hybrid plans.

Benefits accumulated after the enactment of Act No. 106 include only those amounts contributed by the participant during that period and the yield from those deposits. Based on the investment instruments acquire by the participant there are investment risks that may impair the value of the participant account.

Note 7 - Pension plan benefits (continued)

As of June 30, 2023, the **Bureau** disclosed a liability of \$4,900,801 for its proportionate share of the total pension liability. This liability was determined as of June 30, 2022 (measurement date), based on the requirements of the GASB Statements No. 73. Accordingly, this total pension liability is recorded in the **Bureau's** accounting records as of June 30, 2023. The amount was measured as of June 30, 2022, and the total pension liability used to calculate the liability was determined by an actuarial valuation as of July 1, 2021, rolled forward to the measurement date of June 30, 2022.

The **Bureau's** share of the total pension liability was based on a projection of the **Bureau's** long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. On June 30, 2022, the **Bureau's** proportionate share was 0.02212%.

The pension expense incurred during fiscal year ended June 30, 2023 amounted to \$1,018,838.

Also, as of June 30, 2023, the reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 61,481	\$ 103,914
Change in assumptions	395,550	385,542
Change in proportions and difference between the employer's contributions and proportionate share of contributions	1,431,230	-
Benefits payments subsequent to measurement date	<u>216,975</u>	<u>-</u>
Total	<u>\$ 2,105,236</u>	<u>\$ 489,456</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions at June 30, 2023 will be recognized in pension expense (benefit) in future years as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2023	\$ 1,246,930
2024	<u>151,875</u>
Total	<u>\$ 1,398,805</u>

Note 7 - Pension plan benefits (continued)

Actuarial Methods and Assumptions

The actuarial valuation used the following actuarial methods and assumptions applied to all periods in the measurement:

Actuarial cost method	Entry age normal
Inflation rate	Not applicable
Compensation increases	3% per year. No compensation increases are assumed until July 1, 2022, as a result of Act No. 3-2017, four-year extension of Act No. 66-2014 and the current general economy.

The mortality tables used in the June 30, 2022, valuation were as follows:

Pre-Retirement Mortality: For general employees not covered under Act No. 127, PubG-2010 Employee Mortality Rates, adjusted by 100% for males and 110% for females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. For members covered under Act No. 127, the PubS-2010 Employee Mortality Rates are assumed for males and females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.

100% of deaths while in active service are assumed to be occupied only for members covered under Act No. 127-1958.

Post-Retirement Healthy Mortality: Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of a Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement.

The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for female, projected using MP-2021 on a generational basis. Prior to retiree's death, beneficiary mortality is assumed to be the same as the post-retirement healthy retiree mortality.

Post-Retirement Disabled Mortality: Rates which vary by gender are assumed for disabled retirees based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement.

The PubG2010 disabled retiree rates, adjusted by 80% for males and 100% for females. The base rates are projected using Mortality Improvement Scale MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Note 7 - Pension plan benefits (continued)

Actuarial Methods and Assumptions (continued)

Post-Retirement Beneficiary Mortality: Prior to retiree’s death, beneficiary mortality is assumed to be the same as the post-retirement mortality. For periods after the retiree’s death, the PubG-2010(B) contingent survivor rates, adjusted by 110% for males and 120% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Discount Rate

The discount rate was 3.54% on June 30, 2022. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of the Bureau’s total pension liability to changes in the discount rate

The following table presents the **Bureau’s** total pension liability calculated using the discount rate of 3.54 (2.54%), as well as what it would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher (4.54%) than the current rate:

	<u>1% Decrease</u>	<u>At Current Discount Rate</u>	<u>1% Increase</u>
	<u>2.54%</u>	<u>3.54%</u>	<u>4.54%</u>
Total pension liability	<u>\$ 5,484,149</u>	<u>\$ 4,900,801</u>	<u>\$ 4,415,871</u>

Note 8 - Other postemployment benefits (OPEB)

Plan description

The **Bureau** is a participating employer in the Employees’ Retirement System of the Government of Puerto Rico and its Instrumentalities Medical Insurance Plan Contribution (“ERS-MIPC”). ERS-MIPC is an unfunded, cost sharing, multi-employer defined benefit plan sponsored by the Commonwealth. Substantially all fulltime employees of the Commonwealth’s primary government, and certain municipalities of Puerto Rico and certain component units of the Commonwealth not having their own postemployment benefit plan, are covered by the OPEB.

Commonwealth employees became members upon their date of employment. Plan members were eligible for benefits upon reaching the pension benefits retirement ages.

Note 8 - Other postemployment benefits (OPEB) (continued)

Benefits provided

ERS-MIPC covers a payment of up to \$100 per month to the eligible medical insurance plan selected by the member provided the member retired prior to July 1, 2013 (Act No. 483, as amended by Act No. 3).

Benefits Payments

This OPEB plan is financed by the Commonwealth on a pay-as-you-go basis. The funding of the OPEB benefits is provided to the ERS through legislative appropriations each July 1 by the Commonwealth's General Fund for former government and certain public corporations without own treasuries employees, and by certain public corporations with own treasuries and municipalities for their former employees. The **Bureau's** benefits payments are financed through the monthly "PayGo" charge. There is no contribution requirement from the plan member during active employment. Retirees contribute the amount of the healthcare insurance premium not covered by the Commonwealth benefits payments.

As a result, these OPEB are 100% unfunded. The legislative appropriations are considered estimates of the payments to be made by the ERS for the healthcare benefits throughout the year.

Allocation Methodology

GASB Statement No. 75 requires that the primary government and its component units that provide OPEB benefits through the same defined benefit OPEB plan recognize their proportionate share of the total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense. The employer allocation percentage presented in the schedule of employer allocations and applied to amounts presented in the schedule of OPEB amounts by employer are based on the ratio of the **Bureau's** actual benefit payments to the total actual benefit payments paid by all participating entities during the year ending on the measurement date. Employer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer may result in immaterial differences.

Total OPEB Liability and Actuarial Information

As of June 30, 2023, the **Bureau** reported a liability of \$82,474 for its proportionate share of total collective OPEB liability. The total OPEB liability as of June 30, 2022, was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022 (measurement date). As of June 30, 2022, the **Bureau's** proportionate share was 0.01186%. Also, for the year ended June 30, 2023, the **Bureau** recognized an OPEB expense of \$44,719.

The actuarial valuation used the following actuarial assumptions applied to all periods in the measurement period.

Note 8 - Other postemployment benefits (OPEB) (continued)

Actuarial assumptions

Discount rate

The discount rate for June 30, 2022, was 3.54%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Post-retirement Healthy Mortality

Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubS-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Post-retirement Disabled Mortality

Rates which vary by gender are assumed for disabled retirees based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females. The base rates are projected using Mortality Improvement Scale MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the **Bureau** at June 30, 2022 (measurement date), calculated using the discount rate of 3.54%, as well as the Plan total OPEB liability if it were calculated using the discount rate of 1-percentage point lower (2.54%) or 1-percentage point higher (4.54%) than the current rate:

	<u>1% Decrease</u>	<u>At Current Discount Rate</u>	<u>1% Increase</u>
	<u>2.54%</u>	<u>3.54%</u>	<u>4.54%</u>
Total OPEB liability	<u>\$ 89,769</u>	<u>\$ 82,474</u>	<u>\$ 76,202</u>

Note 8 - Other postemployment benefits (OPEB) (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

GASB Statement No. 75 requires to determine deferred outflows of resources and deferred inflows of resources in order to be amortized and recognized in the annual OPEB expense. There are no deferred outflows or inflows of resources as changes in actuarial assumptions, economic or demographic gains and losses, and changes in proportionate share are recognized immediately during the measurement date. However, as of June 30, 2023, \$3,600 reported as deferred outflows of resources related to OPEB, resulting from the benefits paid subsequent to the measurement date, will be recognized as a reduction of total OPEB liability in the year ended June 30, 2023.

Note 9 - Contingencies

Litigation and claims

The **Bureau** is a defendant in some arbitration cases presented to the Public Service Appellate Bureau of the Commonwealth of Puerto Rico and the Equal Employment Opportunities Bureau (EEOC). 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 would not have a material impact to the financial position of the **Bureau**.

As of June 30, 2023, the **Bureau** maintained a collection claim related to amounts that are required to be paid by a telephone company to the **Bureau** in accordance with Law No. 20. The claim from the **Bureau** to the telephone company in the amount of \$10.4 million, was referred to the Puerto Rico Department of Justice for collection procedures. A formal complaint was filed by the Department of Justice on November 10, 2020 on the First Instance Court. This claim is not recognized in the accompanying financial statements. The income will be recognized in the fiscal year in which the amount is collected.

Note 10 - Leases

The **Bureau** entered into a lease agreement for a two (2) story building with 68 parking units located on San Juan, Puerto Rico. This lease agreement calls for monthly rental payments of \$32,559 for a period of 60 months and is due on June 30, 2025. Also, the Bureau entered into a lease agreement for an office space of 7,516 square feet located on San Juan, Puerto Rico. This lease agreement calls for monthly payments of \$20,659, approximately, which include the cost of certain expenses and utilities for a period of 60 months and is due on June 30, 2026. As of July 1, 2021, the **Bureau** management evaluated all of its lease agreements as a lessee to determine whether any of them met the requirements of Statement No. 87 of the Government Accounting Standards Board. As described above, the **Bureau** entered into long-term lease agreement as the lessee of two (2) facilities in which the **Bureau** maintains its operations. As a result of the implementation of the GASB Statement No. 87, "Leases", the **Bureau** now reports those as a lease assets and lease liability as stated in **Notes 2, 4 and 6**. The **Bureau** is required to make monthly principal and interest payments ranging from \$20,659 to \$32,559. The leases have interest rate of 5.0%. In addition, for the year ended June 30, 2023, the **Bureau** reported interest expense of \$87,901.

Note 10 - Leases (continued)

The future minimum principal and interest payments as of June 30, 2023, were as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 580,183	\$ 59,640	\$ 639,823
2025	609,889	29,932	639,821
2026	207,748	7,791	215,539
Total	\$ 1,397,820	\$ 97,363	\$ 1,495,183

Note 11 - Subscription-based Information Technology Arrangements (GASB No. 96)

Effective on July 1 2022, the **Bureau** adopted the provisions of GASB Statement No. 96. 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.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The subscription term includes the period during which a government has a non-cancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will not exercise that option).

GASB No. 96 also states that a short-term SBITA is a SBITA that, at the commencement of the subscription term, has a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. For a SBITA that is cancelable by either the government or the SBITA vendor, the maximum possible term is the amount of time either party is required to notify the other party of the cancellation (notice period). The government should recognize short-term subscription payments as outflows of resources (i.e., expenditures) based on the payment provisions of the SBITA contract.

Note 11 - Subscription-based Information Technology Arrangements (GASB No. 96) (continued)

Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, —which is when the subscription asset is placed into service.

The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government’s incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

The **Bureau** entered into SBITAs, whereby the **Bureau** has the right-to-use and control vendors’ information technology software, alone or in combination with other assets. The subscription liability was measured at the present value of future payments. For the fiscal year ended June 30, 2023, the **Bureau** reported a subscription liability of \$4,462,359, included in lease and subscription liability on the accompanying statement of net position. In addition, for the year ended June 30, 2023, the **Bureau** reported interest expenses of \$46,804.

The future minimum principal and interest payments for subscription liability as of June 30, 2023, are as follows (in thousands):

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 2,264,001	\$ 232,061	\$ 2,496,062
2025	768,815	121,185	890,000
2026	732,205	157,795	890,000
2027	<u>697,338</u>	<u>192,662</u>	<u>890,000</u>
	<u>\$ 4,462,359</u>	<u>\$ 703,703</u>	<u>\$ 5,166,062</u>

Note 12 - Adoption of new accounting pronouncements

Effective July 1, 2022, the **Bureau** adopted the provisions of the following GASB Statements:

- **GASB Statement No. 94, “Public-Private and Public-Public Partnerships and Availability Payment Arrangements”:** The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

- **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) provide 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. Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability.

A government should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term.

Note 12 - Adoption of new accounting pronouncements (continued)

- **GASB Statement No. 96, “*Subscription-Based Information Technology Arrangements*” (continued):**

Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government’s incremental borrowing rate if the interest rate is not readily determinable.

A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented.

Government are permitted, but not required, to include in the measurement of the subscription asset capitalizable outlay associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

- **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.

Note 12 - Adoption of new accounting pronouncements (continued)

- **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*” (continued):**

This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or another employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

This Statement supersedes the remaining provisions of Statement No. 32, “*Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*”, as amended, regarding investment valuation requirements for Section 457 plans. As a result, investments of *all* Section 457 plans should be measured as of the end of the plan’s reporting period in all circumstances. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021.

Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, “*Postponement of the Effective Dates of Certain Authoritative Guidance*”.

- **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.

Note 12 - Adoption of new accounting pronouncements (continued)

- **GASB Statement No. 98, “*The Annual Comprehensive Financial Report*” (continued):**

One of the principles guiding the Board’s setting of standards for accounting and financial reporting is the assessment of expected benefits and perceived costs. The Board strives to determine that its standards address significant user needs and that the costs incurred through the application of its standards, compared with possible alternatives, are justified when compared to the expected overall public benefit. Little direct cost will be incurred as a result of instituting the new term. Moreover, there will be no direct benefits in the form of new or improved information for making decisions or assessing accountability. However, establishing a new name for the financial report in response to the concerns of stakeholders benefits all stakeholders. The Board believes that those benefits are qualitative and justify the costs that will result from implementing the new term.

Unless otherwise specified, pronouncements of the GASB apply to financial reports of all state and local governmental entities, including general purpose governments; public benefit corporations and authorities; public employee retirement systems; and public utilities, hospitals and other healthcare providers, and colleges and universities.

The implementation of these statements has not significant impact in the **Bureau’s** financial statements for the fiscal year ended June 30, 2023, unless described on the notes to the financial statements.

Note 13 - Future adoption of accounting pronouncements

- **GASB Statement No. 99, “*Omnibus 2023*”:** The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:
 - Classification and reporting of derivative instruments within the scope of Statement No. 53, “*Accounting and Financial Reporting for Derivative Instruments*”, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
 - Clarification of provisions in Statement No. 87, “*Leases*”, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
 - Clarification of provisions in Statement No. 94, “*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*”, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.

Note 13 - Future adoption of accounting pronouncements (continued)

- **GASB Statement No. 99, “Omnibus 2023” (continued):**
 - Clarification of provisions in Statement No. 96, “*Subscription-Based Information Technology Arrangements*”, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
 - Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
 - Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
 - Disclosures related to nonmonetary transactions.
 - Pledges of future revenues when resources are not received by the pledging government.
 - Clarification of provisions in Statement No. 34, “*Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*”, as amended, related to the focus of the government-wide financial statements.
 - Terminology updates related to certain provisions of Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*”.
 - Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this Statement that is effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Note 13 - Future adoption of accounting pronouncements (continued)

- **GASB Statement No. 100, “Accounting Changes and Error Corrections - an amendment of GASB Statements No. 62”:** The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

Note 13 - Future adoption of accounting pronouncements (continued)

- **GASB Statement No. 100, “Accounting Changes and Error Corrections—an amendment of GASB Statements No. 62” (continued):**

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023 (FY 2023-2024), and all reporting periods thereafter. Earlier application is encouraged.

- **GASB Statement No. 101, “Compensated Absences”:** The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.
- **GASB Statement No. 102, “Certain Risk Disclosures”:** The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints.

This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government’s highest level of decision-making authority. Concentrations and constraints may limit a government’s ability to acquire resources or control spending.

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government’s vulnerability to the risk of a substantial impact.

Note 13 - Future adoption of accounting pronouncements (continued)

• ***GASB Statement No. 102, “Certain Risk Disclosures” (continued):***

The disclosure should include descriptions of the following:

- The concentration or constraint
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements
- Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

The impact of the implementation of these statements on the **Bureau’s** financial statements, if any, has not yet been determined.

Note 14 - Prior year adjustment

The net position beginning balance was restated to adjust the effect of the **Bureau’s** adoption of Regulation No. 11 of 2006 as established by the Puerto Rico Department of Treasury for capitalization of assets. Additionally, a restatement was made to correct prior year’s accounts payable balance. Accordingly, the net position beginning balance was adjusted as follows:

Net position, at beginning of fiscal year, as previously reported	<u>\$ 44,905,020</u>
Prior period adjustments:	
To adjust other accounts payable	(256,868)
To adjust capital assets	<u>(1,305,571)</u>
Total prior years adjustments	<u>(1,562,439)</u>
Net position, at beginning of fiscal year, as restated	<u>\$ 43,342,581</u>

Note 15 - Subsequent events

Subsequent events have been evaluated through May 15, 2024, which is the date the financial statement were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2023.

As of June 30,	2023	2022	2021	2020
Bureau's proportionate share of the total pension liability	<u>0.02212%</u>	<u>0.01101%</u>	<u>0.01099%</u>	<u>0.01098%</u>
Bureau's proportion of the total pension liability	<u>\$ 4,900,801</u>	<u>\$ 293,134</u>	<u>\$ 3,084,506</u>	<u>\$ 2,728,424</u>

Notes to Schedule:

* The amounts presented have a measurement date of the previous year end.

** Covered payroll is no longer applicable since contributions are no longer based on payroll and were eliminated pursuant to Act No. 106-2017.

Note: Fiscal year 2021 was the second year that the **Bureau** transitioned from GASB Statement No. 68 to GASB Statement No. 73 as a result of the PayGo implementation. This schedule is required to illustrate 10 years of information. However, until a 10-year trend has been completed, information is presented only for the years for which the required supplementary information is available.

As of June 30,	2023	2022	2021	2020
Bureau's proportionate share of the total OPEB liability	<u>0.01186%</u>	<u>0.00517%</u>	<u>0.00528%</u>	<u>0.00506%</u>
Bureau's proportion of the total OPEB liability	<u>\$ 82,474</u>	<u>\$ 41,256</u>	<u>\$ 46,183</u>	<u>\$ 42,141</u>

Notes to Schedule:

* The amounts presented have a measurement date of the previous year end.

** Covered payroll is no longer applicable since contributions are no longer based on payroll and were eliminated pursuant to Act No. 106-2017.

Note: Fiscal year 2021 was the second year that new requirements of GASB Statement No. 75 were implemented by the **Bureau**. This schedule is required to illustrate 10 years of information. However, until a 10-year trend has been completed, information is represented only for the years for which the required supplementary information is available.

1. The schedules are intended to show information for ten years. Additional years will be displayed as they become available. The information presented relates solely to the **Bureau** and not Employees' Retirement System of the Government of the Commonwealth of Puerto Rico as a whole.
2. The data provided in the schedules is based as of the measurement date of the total pension and total other postemployment benefits liabilities, which is as of the prior fiscal year ended June 30th.
3. On August 23, 2017, was enacted the Act No. 106, known as the "Act to Guarantee Payment to Our Retirees and Establish a New Plan for Defined Contributions for Public Employees". This Act determined and declared that the ERS, JRS and TRS are in a financial emergency. Also, by this Act is hereby created the Account for the Payment of Accumulated Pensions, a trust account, separated from the general assets and accounts of the Government, designated to pay the Accumulated Pensions by the ERS, JRS and TRS under the "Pay-As-You-Go" scheme, as established in Chapter 2 of this Act. Once Retirement Systems exhaust their assets, the Accumulated Pension Payment Account, which will be largely nourished by the General Fund, as provided in this Act, will assume and guarantee the payment of the Accumulated Pensions as established in this Act. However, the Municipalities, the Legislative Branch, the Public Corporations, the Government and the Administration of the Courts will be obliged to pay the PayGo Charge as appropriate to each one to nurture the Account for the Payment of the Accumulated Pensions.