

GOVERNMENT OF PUERTO RICO VOCATIONAL REHABILITATION ADMINISTRATION

(AN ORGANIZATIONAL COMPONENT OF THE PUERTO RICO DEPARTMENT OF LABOR AND HUMAN RESOURCES)



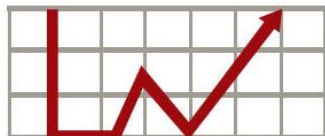
BASIC FINANCIAL STATEMENTS, SUPPLEMENTARY
INFORMATION WITH ADDITIONAL REPORTS AND
INFORMATION REQUIRED BY THE GOVERNMENT
AUDITING STANDARDS AND THE UNIFORM GUIDANCE

For the Fiscal Year Ended June 30, 2023

**GOVERNMENT OF PUERTO RICO
 VOCATIONAL REHABILITATION ADMINISTRATION**

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

INDEPENDENT AUDITORS' REPORT

**To the Administrator and Management
of the Government of Puerto Rico
Vocational Rehabilitation Administration
(an Organizational Component of Puerto Rico Department of
Labor and Human Resources)
San Juan, Puerto Rico**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the **Government of Puerto Rico – Vocational Rehabilitation Administration (an Organizational Component of Puerto Rico Department of Labor and Human Resources (the Administration))**, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the **Administration's** basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-type Activities	Unmodified
General Fund	Unmodified
Federal Programs Fund	Unmodified
Aggregate remaining fund information	Unmodified
Enterprise Fund	Unmodified

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the **Administration**, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 **Administration**, 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 opinions.

Emphasis of Matter

As discussed in **Note 1**, the basic financial statements of the **Administration** are intended to present the financial position, and the changes in financial position of only that portion of the governmental and business-type activities of the Puerto Rico Department of Labor and Human Resources (the Department) attributable to the transactions of the **Administration**. It does not intend to and does not present fairly the financial position and changes in financial position of the Department or the Government of Puerto Rico (the Government) in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in **Note 2** and **Note 16** the 2022 financial statements have been restated to recognize deferred outflows of resources, deferred inflows of resources, total pension liability and total OPEB liability. 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 **Administration’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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government 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 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 and *Government 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 **Administration's** internal control. Accordingly, no such opinion is expressed.
- 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 **Administration'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, budgetary comparison information, and the schedule of total pension and total OPEB liabilities and related ratios on **pages 5-10, 50, and 53 and 54** 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 basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Required Supplementary Information (continued)

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Administration's** basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

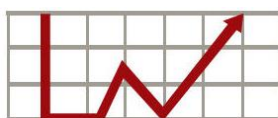
In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2024 on our consideration of the **Administration's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the **Administration's** internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Administration's** internal control over financial reporting and compliance.



LOPEZ-VEGA, CPA, PSC

San Juan, Puerto Rico
March 15, 2024

Stamp No. E537166 of the Puerto Rico
Society of Certified Public Accountants
was affixed to the record copy of this report.



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GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Our discussion and analysis of the Vocational Rehabilitation Administration's (the Administration) financial performance provides an overview of its financial activities for the year ended June 30, 2023. Please read it in conjunction with the financial statements and accompanying notes.

Financial Highlights

- The Administration's total assets and deferred outflows of resources amounted to approximately \$40.91 million, which represents an increase of approximately \$7.09 million as compared to the prior year, as restated.
- The Administration's total liabilities amounted to \$202.55 million, which represents a decrease of approximately \$22.46 million as compared to the prior year, as restated.
- The Administration's net position (deficit), on a government-wide basis, (total liabilities exceed total assets) by approximately \$161.64 million as of June 30, 2023.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Administration as a whole and present a longer-term view of the Administration's finances.

The fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Administration's operations in more detail than government-wide financial statements by providing information about the Administration's most significant funds.

Our financial analysis commences with the Statement of Net Position and Statement of Activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All current year's revenues and expenses are accounted for regardless of when cash is received or paid.

The two statements report the Administration's net position and changes in them. You can think of the Administration's net position (the difference between assets and liabilities) as one way to measure the Administration's financial health, or financial condition. Over the time, increases or decreases in the Administration's net position are one indicator of whether its financial health is improving or deteriorating.

Government-Wide Financial Statements

The Government-Wide Financial Statements are composed of the Statement of Net Position and the Statement of Activities are commonly divided into the following activities:

- Governmental activities – The Administration's basic services are reported here, including among others, the rehabilitation services, management and support and capital improvements. Federal grants and legislative appropriations finance most of these activities.

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Government-Wide Financial Statements (continued)

- Business-type activities – The Program for the Industry of Blind and Physical, Mental, and Development Disabilities Persons (the Program) is reported here. Sales of manufactured and purchased products and legislative appropriations finance this activity.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the Administration as a whole. Its major funds are the Federal Programs Funds and the General Fund. Other non-major funds, if any, are reported as Other Governmental Funds.

- Governmental funds – Most of the Administration's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide detailed short-term view of the Administration's general government's operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Administration's operations. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation shown in the fund financial statements.
- Proprietary fund – This fund is used to show the activity of the Program for the Industry of Blind and Physical, Mental, and Development Disabilities Persons (the Program) which operates more like a commercial enterprise. Because this fund charges for the products that sells, it is known as enterprise fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary funds financial statements use the full accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

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GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

The Administration as a Whole

The Administration's governmental activities net deficit amounted to \$161.64 million at June 30, 2023.

The Administration's business-type activities net deficit amounted to \$0.18 million at June 30, 2023.

The following table summarizes the statements of net position as of June 30, 2023 and 2022, as restated.

	Governmental Activities			Business-type Activities		
	2023	2022, as restated	Change	2023	2022	Change
Current and other assets	\$ 4.64	\$ 4.33	\$ 0.31	\$ 0.11	\$ (0.03)	\$ 0.14
Capital assets	6.19	8.89	(2.70)	-	-	-
Deferred outflows of resources	30.08	20.60	9.48	-	-	-
Total assets and deferred outflows of resources	40.91	33.82	7.09	0.11	(0.03)	0.14
Accounts payable and other current liabilities	4.73	3.88	0.85	0.28	0.05	0.23
Central government advances	-	0.67	(0.67)	-	-	-
Accrued compensated absences	3.06	2.86	0.20	0.01	0.01	-
Accrued termination benefit	1.15	1.51	(0.36)	-	-	-
Lease liability	6.11	8.51	(2.40)	-	-	-
OPEB liability	4.74	5.15	(0.41)	-	-	-
Pension liability	165.59	193.33	(27.74)	-	-	-
Deferred inflows of resources	17.17	9.15	8.02	-	-	-
Total liabilities and deferred inflows of resources	202.55	225.06	(22.51)	0.29	0.06	0.23
Net invested in capital	6.19	8.89	(2.70)	-	-	-
Unrestricted (deficit)	(167.83)	(200.08)	32.25	(0.18)	(0.09)	(0.09)
Total net position (deficit)	\$(161.64)	\$(191.19)	\$29.55	\$(0.18)	\$ (0.09)	\$(0.09)

Below are the major changes on the Administration's financial position:

- Total assets and deferred outflows of resources of the Administration's governmental activities increased by \$7.09 million. This increase is due mostly to the implementation of GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB 68, and amendments to Certain Provisions of GASB Statement No. 67 and 68.
- Total governmental activities liabilities and deferred inflows of resources decreased by \$22.46 million. This decrease is mostly due to a decrease in pension liability.
- Total governmental activities deficit decreased by \$29.55 million.

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

The Administration as a Whole (continued)

The following table summarizes the statement of activities for the fiscal years ended June 30, 2023 and 2022, as restated.

	Governmental Activities			Business-type Activities		
	2023	2022	Change	2023	2022	Change
Revenues:						
Charges for products	\$ -	\$ -	\$ -	\$ 0.02	\$ 0.02	\$ -
Legislative appropriations	29.83	25.02	4.81	-	-	-
Other income	0.04	-	0.04	-	-	-
Intergovernmental-federal government	56.60	42.34	14.26	-	-	-
Total revenues	86.47	67.36	19.11	0.02	0.02	-
Program Expenses:						
Management and support	41.18	45.13	(3.95)	-	-	-
Vocational rehabilitation services	24.70	21.00	3.70	-	-	-
Older blind program	0.30	0.33	(0.03)	-	-	-
Independent life program	0.18	0.24	(0.06)	-	-	-
Program for the industry of blind and physical, mental and development disabilities persons	-	-	-	0.30	(0.28)	0.58
Total expenses	66.36	66.70	(0.34)	0.30	(0.28)	0.58
Transfers	-	(0.23)	0.23	0.19	0.23	(0.04)
Increase (decrease) in Net Position	\$ 20.11	\$ 0.43	\$ 19.68	\$ (0.09)	\$ 0.53	\$ (0.62)

During the year ended June 30, 2023, the Administration received \$56.60 million from Federal Assistance Programs, representing 65% of total governmental activities funds received.

Also, the Administration expended \$65.88 million for management and support and vocational rehabilitation services, representing 99% of total expenses during the year ended June 30, 2023.

Capital Assets

At the end of June 30, 2023, the Administration had \$6.19 million invested in equipment, furniture, right to use and vehicles, (net of depreciation) in governmental activities). The Administration' capital assets consist mostly of right to use certain real estate.

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

General Fund Budgetary Highlights

The 2022-2023 General Fund Budget amounted to \$23,733,000.

For the year ending June 30, 2023, the General Fund Budget assigned to the Administration represents an increase of \$1,025,692 as compared with fiscal year ended June 30, 2022.

	2023	2022	Increase
General Fund	\$23,733,000	\$22,707,308	\$1,025,692

Approval of Government’s Plan of Adjustment

Prior to March 15, 2022, the Government and many of its component units suffered a fiscal, economic and liquidity crisis, the culmination of many years of significant governmental deficits, an economic recession that persisted since 2006, prior liquidity challenges, a high unemployment rate, population decline, and high levels of debt and pension obligations. As the Government’s tax base shrunk and its revenues were affected by prevailing economic conditions, an increasing portion of the Government’s special revenue fund budget consisted of health care and pension-related costs and debt service requirements through fiscal year 2019, resulting in reduced funding for other essential services. The Government’s historical liquidity constraints, among other factors, adversely affected its credit ratings and its ability to obtain financing at reasonable interest rates.

On June 30, 2016, the United States Congress enacted the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) to address these problems, which included the establishment of the Financial Oversight and Management Board for Puerto Rico (the Oversight Board), an in-court restructuring process under Title III of PROMESA, and an out-of-court restructuring process under Title VI of PROMESA. Thereafter, the Government and other governmental entities, including the Puerto Rico Sales Tax Financing Corporation (COFINA), the Employees Retirement System of the Government of Puerto Rico (ERS), the Puerto Rico Highways and Transportation Authority (HTA), the Puerto Rico Electric Power Authority (PREPA), and the Public Building Authority (PBA) initiated proceedings under Title III, and the GDB, the Puerto Rico Infrastructure Financing Authority (PRIFA), and CCDA initiated proceedings under Title VI, each at the request of the Governor to restructure or adjust their existing debt.

On July 30, 2021, the Oversight Board—as representative to the Government, ERS, and PBA in their respective Title III cases—filed its Seventh Amended Title III Joint Plan of Adjustment of the Government of Puerto Rico, et al. [ECF No. 17629] (the Seventh Amended Plan) and a corrected disclosure statement related thereto [ECF No. 17628], which was approved by the United States District Court for the District of Puerto Rico (the Title III Court).

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Approval of Government's Plan of Adjustment (Continued)

On October 26, 2021, the Governor signed into law Act No. 53 of 2021 (Act 53), known as the "Law to End the Bankruptcy of Puerto Rico", which provided legislative approval for the bond transactions contemplated in the Seventh Amended Plan conditioned on the elimination of its monthly pension cut provisions in an amended version of that plan.

On November 3, 2021, the Oversight Board filed its Modified Eighth Amended Title III Joint Plan of Adjustment of the Government of Puerto Rico, et al. [ECF No. 19053] (the Eighth Amended Plan), which further revised the Seventh Amended Plan to eliminate its monthly pension cut provisions consistent with Act 53, among other things. The hearing to consider confirmation of the Eighth Amended Plan commenced on November 8, 2021, and concluded on November 23, 2021. The final modified version of the Eighth Amended Plan was filed on January 14, 2022 [ECF No. 19813-1] (as confirmed, the Government Plan of Adjustment).

On January 18, 2022, the Title III Court entered its findings of fact and conclusions of law in connection with the Eighth Amended Plan [ECF No. 19812] (the Findings of Fact) and an order confirming the Eighth Amended Plan [ECF No. 19813] (the Government Confirmation Order). In both the Government Confirmation Order and Findings of Fact, the Title III Court found that Act 53 properly authorized the issuance of new bonds and provided adequate means for implementation of the Government Plan of Adjustment.

Between January 28, 2022, and February 17, 2022, six appeals of the Confirmation Order were filed in the First Circuit. On March 8, 2022, the First Circuit entered an order dismissing the appeal by the Judge's Association [Case No. 22-1098] following a motion to voluntarily dismiss. By March 11, 2022, the First Circuit denied all parties' motions for a stay pending appeal, which allowed the Government Plan of Adjustment to become effective despite the appeals. On April 26, 2022, the First Circuit affirmed the Government Plan of Adjustment with respect to the appeal filed by the teachers' associations. See Case No. 22-1080. Oral argument on the merits of the remaining four appeals [Case Nos. 22-1079, 22-1092, 22-1119 and 22-1120] was held on April 28, 2022, but a final determination on those appeals remains pending.

On March 15, 2022 (the effective date), the conditions precedent to the effective date of the Government Plan of Adjustment were satisfied and/or waived by the Oversight Board, and the plan became effective. Accordingly, the Government Plan of Adjustment has been confirmed and is currently effective as of the date hereof.

Request for Financial Information

This annual financial report is intended to provide the public with an overview of the Administration financial operations and condition for the fiscal year ended June 30, 2023. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Director of Finance, Vocational Rehabilitation Administration, PO Box 91118, San Juan, Puerto Rico 00919-1118.

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
STATEMENT OF NET POSITION (DEFICIT)
JUNE 30, 2023

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash in commercial banks and resources with fiscal agent	\$ -	\$ 7,268	\$ 7,268
Receivables, net	-	843	843
Due from other government	4,001,841	-	4,001,841
Due from Central Government	283,309	-	283,309
Inventories	-	100,204	100,204
Prepaid expenses	205,392	90	205,482
Internal balances	151,123	(151,123)	-
Capital assets, net	6,189,911	-	6,189,911
Total assets	10,831,576	(42,718)	10,788,858
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	30,083,076	-	30,083,076
Total deferred outflows of resources	30,083,076	-	30,083,076
LIABILITIES			
Accounts payable and accrued expenses	4,731,581	131,094	4,862,675
Liabilities payable within one year:			
Compensated absences	2,479,232	11,509	2,490,741
Voluntary termination benefits	203,273	-	203,273
Lease liability	2,457,589	-	2,457,589
OPEB liability	410,300	-	410,300
Pension liability	9,980,925	-	9,980,925
Liabilities payable over one year:			
Compensated absences	581,549	-	581,549
Voluntary termination benefits	953,650	-	953,650
Lease liability	3,649,540	-	3,649,540
OPEB liability	4,330,274	-	4,330,274
Pension liability	155,614,680	-	155,614,680
Total liabilities	185,392,593	142,603	185,535,196
DEFERRED INFLOWS OF RESOURCES			
Pension related	17,166,787	-	17,166,787
Total deferred intflows of resources	17,166,787	-	17,166,787
NET POSITION			
Invested in capital assets	6,189,911	-	6,189,911
Unrestricted (deficit)	(167,834,639)	(185,321)	(168,019,960)
Total net position (deficit)	\$ (161,644,728)	\$ (185,321)	\$ (161,830,049)

See accompanying notes to basic financial statements.

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenue		Net (Expenses) Revenue and Changes in Net Position		
		Operating Grants and Contributions	Charge for Services	Primary Government		Total
				Governmental Activities	Business-Type Activities	
Governmental activities:						
Management and Support	\$ (41,183,843)	\$ 56,095,134	\$ -	\$ 14,911,291	\$ -	\$ 14,911,291
Vocational Rehabilitation Services	(24,700,108)	29,775,183	-	5,075,075	-	5,075,075
Older Blind Program	(298,562)	333,811	-	35,249	-	35,249
Independent Life Program	(181,019)	247,099	-	66,080	-	66,080
	<u>(66,363,532)</u>	<u>86,451,227</u>	<u>-</u>	<u>20,087,695</u>	<u>-</u>	<u>20,087,695</u>
Business-Type Activities:						
Program for the industry of blind and physically, mental and development	(301,538)	-	18,183	-	(283,355)	(283,355)
Total Business-Type Activities	<u>(301,538)</u>	<u>-</u>	<u>18,183</u>	<u>-</u>	<u>(283,355)</u>	<u>(283,355)</u>
Total	<u>\$ (66,665,070)</u>	<u>\$ 86,451,227</u>	<u>\$ 18,183</u>			
Change in net position before transfers				20,087,695	(283,355)	19,804,340
Transfer out central government				-	186,835	186,835
Change in net position				<u>20,087,695</u>	<u>(96,520)</u>	<u>19,991,175</u>
Net position (deficit), beginning, before restatement				(4,211,128)	(88,800)	(4,299,928)
Restatement				(177,521,295)	-	(177,521,295)
Net position (deficit), beginning, after restatement				<u>(181,732,423)</u>	<u>(88,800)</u>	<u>(181,821,223)</u>
Net position (deficit), ending				<u>\$ (161,644,728)</u>	<u>\$ (185,320)</u>	<u>\$ (161,830,048)</u>

See accompanying notes to basic financial statements.

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Federal Programs Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Due from other government	\$ -	\$ 3,966,268	\$ 35,573	\$ 4,001,841
Prepaid expenses	205,393	-	-	205,393
Due from other fund	68,152	82,971		151,123
Due from Central Government	-	283,309	-	283,309
	<u>\$ 273,545</u>	<u>\$ 4,332,548</u>	<u>\$ 35,573</u>	<u>\$ 4,641,666</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	<u>\$ 399,034</u>	<u>\$ 4,332,548</u>	<u>\$ -</u>	<u>\$ 4,731,582</u>
Fund balances (deficit)				
Unassigned	<u>(125,489)</u>	<u>-</u>	<u>35,573</u>	<u>(89,916)</u>
Total fund balances (deficit)	<u>(125,489)</u>	<u>-</u>	<u>35,573</u>	<u>(89,916)</u>
Total liabilities and fund balances	<u>\$ 273,545</u>	<u>\$ 4,332,548</u>	<u>\$ 35,573</u>	<u>\$ 4,641,666</u>

See accompanying notes to basic financial statements.

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total fund balances of governmental funds \$ (89,916)

Amounts reported to governmental activities in the Statement of Net Position are different than the amounts reported in the Balance Sheet - Governmental Funds because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the fund financial statements. 6,189,911

Deferred outflows of resources in governmental activities are not recorded in the funds in the current period. 30,083,076

Deferred inflows of resources in governmental activities correspond to future periods and are not reported in the fund. (17,166,787)

Liabilities are not to be paid with current financial resources and, therefore, are not reported in the fund financial statements:

Lease liabilities (6,107,129)

Compensated absences (3,060,781)

Accrued termination benefits (1,156,923)

Pension liability (165,595,605)

OPEB liability (4,740,574)

Net position of governmental activities \$ (161,644,728)

See accompanying notes to basic financial statements.

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES (DEFICIT) – GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>General Fund</u>	<u>Federal Programs Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Legislative appropriations	\$ 29,818,516	\$ -	\$ -	\$ 29,818,516
Federal grants	-	56,597,138	-	56,597,138
Other income	-	-	35,573	35,573
Total revenues	<u>29,818,516</u>	<u>56,597,138</u>	<u>35,573</u>	<u>86,451,227</u>
EXPENDITURES				
Current:				
Management and Support	24,134,065	29,524,309	-	53,658,374
Vocational Rehabilitation Services	5,589,269	26,593,248	-	32,182,517
Older Blind Program	-	298,562	-	298,562
Independent Life Program	-	181,019	-	181,019
Total expenditures	<u>29,723,334</u>	<u>56,597,138</u>	<u>-</u>	<u>86,320,472</u>
Net change in fund balances	95,182	-	35,573	130,755
Fund balances (deficit), beginning	<u>(220,671)</u>	<u>-</u>	<u>-</u>	<u>(220,671)</u>
Fund balances (deficit), ending	<u>\$ (125,489)</u>	<u>\$ -</u>	<u>\$ 35,573</u>	<u>\$ (89,916)</u>

See accompanying notes to basic financial statements.

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES-GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Net change in fund balances-total governmental fund \$130,755

Amounts reported for governmental activities in the Statement of Activities and changes in net position are different because:

Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense for the year. (2,704,614)

Repayment of long-term debt is an expenditures in the governmental funds, but reduces long-term liabilities in the statement of net position.

Lease liabilities	2,403,870
Termination benefits	356,726
Compensated absences	(200,447)
Pension liability	27,732,104
OPEB liability	412,823

Deferred outflows of resources and deferred inflows of resources related to pension reported in the government-wide statement of activities, but not reported in the governmental funds because they are not current financial resources.

Deferred inflows of resources	(8,020,123)
Deferred outflows of resources	(23,399)

Change in net position of governmental activities \$20,087,695

See accompanying notes to basic financial statements.

GOVERNMENT OF PUERTO RICO
 VOCATIONAL REHABILITATION ADMINISTRATION
 STATEMENT OF NET POSITION (DEFICIT) – ENTERPRISE FUND
 JUNE 30, 2023

	<u>Enterprise Fund</u>
Assets	
Current Assets:	
Cash and resources with fiscal agent	\$ 7,268
Receivables (net)	843
Inventories	100,204
Prepaid	<u>90</u>
Total assets	<u>108,405</u>
Liabilities and Net Position	
Current liabilities:	
Accounts payable	125,693
Due to other funds	151,123
Payroll taxes and withholdings	5,400
Accrued compensated absences, current portion	<u>11,509</u>
Total current liabilities	<u>293,725</u>
Net Position	
Unrestricted (deficit)	<u><u>\$ (185,320)</u></u>

See accompanying notes to basic financial statements.

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION (DEFICIT) – ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>Enterprise Fund</u>
Operating revenues	
Net sales	<u>\$ 18,183</u>
Cost of sales	
Materials	11,815
Direct Labor	<u>243,356</u>
Total cost of sales	<u>255,171</u>
Excess of cost over revenues	(236,988)
General and administrative expenses	<u>(46,367)</u>
Operating loss	(283,355)
Transfer to Central Government	<u>186,835</u>
Change in net position	(96,520)
Net position (deficit), beginning	<u>(88,800)</u>
Net position (deficit), ending	<u><u>\$ (185,320)</u></u>

See accompanying notes to basic financial statements.

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
STATEMENT OF CASH FLOWS – ENTERPRISE FUND
JUNE 30, 2023

	<u>Enterprise Fund</u>
Cash flows from operating activities:	
Receipts from customers	\$ 22,112
Payment to suppliers and employees	(209,728)
Advances from other funds	<u>186,835</u>
Net cash flows provided in operating activities	<u>(781)</u>
Net increase in cash	(781)
Cash beginning of year	<u>8,049</u>
Cash end of year	<u><u>\$ 7,268</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Change in net position	(96,520)
Adjustments to reconcile change in net position to net cash used by operating activities:	
Depreciation	1,870
Change in operating assets and liabilities:	
Decrease (increase) in:	
Accounts receivable	3,929
Inventory	10,166
Increase (decrease) in:	
Accounts payable	85,423
Other liabilities	<u>(5,649)</u>
Net cash used in operating activities	<u><u>\$ (781)</u></u>

See accompanying notes to basic financial statements.

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Note 1 Governmental Environment

Organization

The Vocational Rehabilitation Administration (the Administration) is an agency of the Government of Puerto Rico organized to manage the funds for vocational rehabilitation services as established in Public Law No. 93-112 of September 26, 1973, as amended, known as The Rehabilitation Law. The Administration was previously an operational component of the Department of the Family of the Government of Puerto Rico until June 10, 2000, when Law No. 97, transferred it to the Department of Labor and Human Resources of the Government of Puerto Rico. Its mission is to enable persons with disabilities to enter into the workforce so they can lead an independent life.

The Administration's public policy is to establish comprehensive vocational rehabilitation services for citizens with disabilities so that they can achieve employment and contribute to the well-being of their families and society. In addition, the Administration promotes that community organizations participate actively in the rehabilitation of citizens with significant and severe disabilities.

Funding

For governmental funds, the Administration is funded by contributions from the Federal and State Governments. Legislative appropriations are collected annually to match the Federal Awards. During the year ended June 30, 2023, the ratio of Federal to State Funds was approximately 63/37%, respectively.

For the proprietary fund, the Administration is funded by proceeds from sales of products manufactured and purchased for resale and from Government of Puerto Rico legislative appropriations.

Program description

a. Management and Support

The management and support program consists of the administrative and operational structure of the Administration. Its divisions are the Administrator's Office, the Office of Legal Affairs, the Office of Labor Affairs and Human Resources, the Administration Office, the Office of Management Information Systems, the Office of Operational Policies and six (6) regional offices located in Caguas, San Juan, Arecibo, Bayamón, Mayaguez and Ponce.

b. Vocational Rehabilitation Services

This program offers comprehensive, coordinated, effective, efficient and accountable programs of vocational rehabilitation in order to assess, plan, develop, and provide vocational rehabilitation services for individuals with disabilities, consistent with their strengths, resources, priorities, concerns, abilities and capabilities so they may prepare for and engage in competitive employment.

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Note 1 Governmental Environment (continued)

Program description (continued)

c. Older Blind Program

This program provides services that improve or expand independent living services. Among the services provided are those to help correcting or modifying visual disabilities, provide eyeglasses and other visual aids, provide services and equipment to enhance mobility and self-care, provide training in Braille and other services to help older individuals who are blind adjust to blindness, provide teaching services in daily living activities and other supportive services that enable individuals to live more independently. Funds can also be used to improve public understanding of the problems faced by older individuals who are blind.

d. Independent Life Program

This program offers services to maximize the leadership, empowerment, independence and productivity of individuals with disabilities, and the integration and full inclusion of individuals with disabilities into the mainstream society, by providing financial assistance for providing, expanding and improving the provision of independent living services.

e. Program for the Industry of Blind and Physical, Mental, and Development Disabilities Persons

This program is designed to establish and organize workshops that provide training, employment and any other services that are deemed appropriate or necessary for the rehabilitation of individuals who are blind, mental or other delayed physical disability.

Note 2 Summary of Significant Accounting Policies

The accompanying basic financial statements of the Administration have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). In June 1999, the GASB issued Statement No. 34, *“Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments”* (GASB No. 34). This statement establishes financial reporting requirements for state and local government. The Administration adopted the provisions of GASB No. 34 as well as other statements referred to below as of July 1, 2007. They require information and restructure much of the information that governmental entities have presented in the past.

Comparability with reports issued in prior years is affected. With the implementation of GASB No. 34 the Administration has prepared required supplemental information titled Management Discussion and Analysis, which precedes the basic financial statements.

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Note 2 Summary of Significant Accounting Policies (continued)

Basis of Presentation

Government-Wide Financial Statements

The Government-Wide financial statements include the Statement of Net Position and the Statement of Activities and display information of all the activities of the Administration as a whole. The Administration's activities are considered governmental-type while the Program for the Industry of Blind and Physical, Mental, and Development Disabilities Persons activity is considered business-type.

Statement of Net Position

The Statement of Net Position presents the difference between assets, deferred outflow of resources (if any), liabilities and deferred inflow of resources (if any) in government-wide statements. Net position is reported in three (3) categories:

- a. **Invested in capital assets** – This consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of debt that are attributed to the acquisition, construction, or improvement of those assets, if any.
- b. **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.
- c. **Unrestricted (deficit)** – This consists of amounts which do not meet the definition of the two preceding categories. Unrestricted (deficit) net position often has constraints on resources that are imposed by management but can be removed or modified.

Statement of Activities

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. It presents the expenses, revenues and net (expenses) revenues by program segregated between governmental and business-type activities.

Federal grant revenues are recorded in the accounting period in which they are expended. Legislative appropriations, representing annual appropriations from the Government of Puerto Rico are recorded when measurable and available.

Fund Financial Statements

The accounts of the Administration are organized on the basis of governmental funds. Each fund is accounted for by a separate set of self-balancing accounts that comprises its assets, liabilities, fund balance, revenues and expenditures. Fund financial statements report detailed information about the Administration's current financial resources. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Note 2 Summary of Significant Accounting Policies (continued)

Governmental Funds

The following are the governmental fund types presented in the financial statements as of and for the year ended June 30, 2023:

a. General Fund

This fund includes the financial resources which relate to the general operations of the Administration. These operations consist of the general administration and other activities not accounted for in other funds. All Government of Puerto Rico's appropriations used for matching are recorded in this fund.

b. Federal Programs

This fund is used to account for all federal grants that are restricted for expenditures of federal programs.

c. Other Governmental Funds

Other governmental funds consist mainly of special appropriations for operational and administrative costs and projects for improvements and maintenance of facilities.

Total Governmental Funds column – The total columns on the statements are provided only to facilitate additional analysis. Interfund transactions have not been eliminated, therefore, total columns are not comparable to a consolidation.

Major funds are identified based on total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of that individual governmental or proprietary fund that are at least 10% of the corresponding element total for all funds of the category type, and the same element that met the 10% criterion is at least 5% of the corresponding element total for all governmental and proprietary funds combined. General Fund is always presented as a major fund.

Enterprise Funds

The following is the enterprise fund that is presented in the financial statements as of and for the year ended June 30, 2023.

a. Enterprise fund

This fund presents the operations of the Program for the Industry of Blind and Physical, Mental, and Development Disabilities Persons.

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Note 2 Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured in the financial statements, while basis of accounting refers to the timing in which transactions are recognized in the operating statements.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for governmental funds.

The governmental funds use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., when they become both measurable and available. Measurable means that the amount of the transaction can be determined or reasonably estimated or in a soon enough period after the balance sheet date to pay current budget period expenditures while available means collectible within the current period. For this purpose, the Administration considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related funds liability is incurred, i.e., that the liability will be liquidated with expendable available financial resources.

The proprietary fund uses the economic resources measurement focus and the accrual basis of accounting. This means that proprietary fund is reported in the same way that all activities are reported in the government-wide financial statements.

Encumbrances

Encumbrances accounting is provided to record the appropriation from available resources in the governmental funds of purchase orders and contracts for which goods and/or services have not been received. Under GAAP, encumbrances outstanding at year-end do not constitute expenditures or liabilities since the commitments will be honored during subsequent year(s). Encumbrances constitute the equivalent of expenditures for budgetary purposes.

Inventory

Inventory is stated at average cost and reported as cost when individual inventory items are sold.

Capital Assets

All buildings and infrastructure occupied by the Administration are either rented or recorded as capital assets in the accounting records of another Agency of the Government of Puerto Rico. Accordingly, all major modernizations and betterments done by the Administration are charged to expenditures in its fund accounting and reported as expense in the government-wide financial

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Note 2 Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

statements when incurred. All other capital assets used in the governmental operations are accounted for in the government-wide financial statement of net position, rather than in the governmental funds. When capital assets are purchased, they are recorded as expenditures in the governmental funds. Fixed assets are stated at cost.

When assets are sold, retired or otherwise disposed of, the cost is removed from the Government-wide financial statement of net position. Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets range from five (5) to fifteen (15) years.

Compensated Absences

The Administration's employees were entitled to 2.5 days per month up to a maximum of 60 days for vacations, and 1.5 days per month up to a maximum of 90 days for sick leave. Vacation and sick leave were recorded as benefits when earned.

Starting on May 1, 2020, current employees are entitled to 1.25 days per month and can accrue up to a maximum of 60 days for vacations and 1.5 days per month up to maximum of 90 days for sick leave if they were employed before February 4, 2020. Employees hired on February 4, 2020 or after are entitled to 1.25 days per month up to a maximum of 60 days for vacation and 1 day per month up to a maximum of 90 days for sick leave.

Vacation is paid on the liquidate payment after termination or retirement. No sick leave was paid on the liquidation payment. Compensation absences are accounted for in the government-wide financial statements.

Accounting for pension costs

The **Administration** 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 68, and amendments to Certain Provisions of GASB Statement No. 67 and 68*". With the enactment of Act No. 106 of 2017, and as a result of the insolvency and bankruptcy filing of the Puerto Rico Employees' Retirement System (ERS), the pension liability is being settled under a PayGo system more fully disclosed in **Note 12**. Under the PayGo system, the **Administration** and other component units of the Commonwealth that participated in the ERS, assume their proportional share of the total pension liability and of benefits paid monthly.

Deferred outflows and inflows of resources are recorded for the effect of changes in assumptions and contributions made subsequent to the measurement date, among other.

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Note 2 Summary of Significant Accounting Policies (continued)

Accounting for other postemployment benefits (“OPEB”)

The **Administration** adopted the provisions of GASB Statement No. 75 *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”*. As required OPEB transactions should be accounted based on its proportional share of the total OPEB liability, and OPEB expense. Because all participants are inactive, 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 which are recognized immediately during the measurement year. For purposes of measuring, OPEB costs should have all been determined on the same basis as they are reported by the Plan. The **Administration’s** contribution for OPEB is included as part of the PayGo charges billed on a monthly basis by the Puerto Rico Department of Treasury (“PRDT”). PayGo payments are recorded as expenditures/expenses in the financial statements.

Fund Balance Reporting

The Administration implemented GASB Statement No. 54, *“Fund Balance Reporting and Governmental Fund Type Definitions”*.

GASB Statement No. 54 establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally, the definitions of the general fund, special revenue fund type, capital projects fund type, debt services fund type, and permanent fund type are clarified by the provisions in this Statement.

Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

In the fund financial statements of the Administration, governmental funds report amounts for two of the five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance committed fund balance and unassigned fund balance classifications are not used. Fund balance classifications are described below:

- 1. Non-Spendable Fund Balance** - This classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Note 2 Summary of Significant Accounting Policies (continued)

Fund Balance Reporting (continued)

- 2. Restricted Fund Balance** - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- 3. Committed Fund Balance** - These amounts can only be used for specific purposes pursuant to constraints imposed by the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the same group removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- 4. Assigned Fund Balance** - This classification reflects the amounts constrained by the Administration to be used for specific purposes but are neither restricted nor committed. Assigned Fund Balance includes all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, which are not classified as non-spendable and are neither restricted nor committed.
- 5. Unassigned Fund Balance** - This fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the Administration's policy to use externally restricted resources first, then unrestricted resources committed, assigned, and unassigned in order as needed.

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/expenditure) 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.

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Note 2 Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources (continued)

The Administration has two items that qualify for reporting in this category:

- 1. 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 both the balance sheet to the governmental funds and in the government-wide statement of net position (deficit). The amounts deferred would be recognized as an inflow of resources (revenue) in the period in which the time requirements are fulfilled.

- 2. Unavailable revenue reported under the modified-basis of accounting** – Amounts collected or to be collected after the availability period are recognized as unavailable revenue in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources (revenue) in the period that the amounts become available. Since this deferred inflow of resources is the result of the modified-accrual basis of accounting, it is only reported in the governmental fund financial statements.

Use of Estimates

The preparation of the basic financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Future Accounting Standards

- ❖ **GASB Statement No. 99, “Omnibus 2022”** – The requirements of this Statement are effective as follows:
 - 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. Earlier application is encouraged and is permitted by topic.

- ❖ **GASB Statement No. 100, “Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62”** – The requirements of this statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

- ❖ **GASB Statement No. 101, “Compensated Absences”** – The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Note 2 Summary of Significant Accounting Policies (continued)

Future Accounting Standards

- ❖ **GASB Statement No. 102, “Certain Risk Disclosures”** – The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

Management is evaluating the impact that these Statements will have on the Administration’s basic financial statements.

Adoption of new accounting pronouncements

The provisions of the following Governmental Accounting Standards Board (GASB) Statements have been implemented for the year ended June 30, 2023:

- ❖ **GASB Statement No. 94, “Public-Private and Public-Public Partnerships and Availability Payment Arrangements”**
- ❖ **GASB Statement No. 96, “Subscription-Based Information Technology Arrangements”**
- ❖ **GASB Statement No. 99, “Omnibus 2022”** – The requirements of this Statement are 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.
 - The requirements related to leases, PPPs, and SBITAs.

Note 3 Custodial Credit Risk

Custodial credit risk is that in the event of a bank failure, government’s deposits may not be recovered.

As of June 30, 2023, the Administration has operating accounts with “Banco Popular of Puerto Rico” and in the PR Department of the Treasury. The exposure to custodial credit risk on these accounts is as follows:

Business-Type Activities	<u>Book balance</u>	<u>Bank balance</u>	<u>Amount Uninsured and Uncollateralized</u>
Unrestricted cash:			
Deposited account with Fiscal agent:	\$ 7,268	\$ 7,268	\$ -
Total unrestricted cash	<u>\$ 7,268</u>	<u>\$ 7,268</u>	<u>\$ -</u>

GOVERNMENT OF PUERTO RICO
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FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Note 3 Custodial Credit Risk (continued)

Fiscal condition of GDB and custodial credit risks loss on deposits with GDB

The Government of Puerto Rico and its instrumentalities, including GDB, are currently facing a severe fiscal and liquidity crisis. Continued operational deficits and lack of access to capital markets have resulted in delays in the repayment of loans outstanding by the Government and its instrumentalities with GDB. As a result of these fiscal challenges affecting GDB, the Government issued moratorium acts and executive orders which, among other provisions, established a regulatory framework governing GDB's operations and liquidity. These measures impose restrictions to access the funds deposited in GDB. In addition, on April 28, 2018, the Financial Oversight and Management Board for Puerto Rico approved GDB's fiscal plan, as required by Public Law 114-187 *Puerto Rico Oversight, Management and Economic Stability Act*, also known as "PROMESA". This plan establishes an orderly wind-down, financial restructuring and closing of GDB's operations.

Management has concluded that, based on facts explained above, the custodial risk on deposits in GDB is high. Notwithstanding, the Administration concluded that an amount of the custodial credit risk on the deposits in GDB cannot be reasonably estimated due to the nature of funds. The Administration's management requested the withdrawal of these funds and is waiting for a final decision from the Board of Directors of the Puerto Rico Fiscal Agency and Financial Advisory Authority, entity created by Act No. 21 of 2017 and Act No. 2 of 2018 to assume all fiscal agency, financial advisory, and reporting functions of GDB.

Note 4 Resources with Fiscal Agent

The funds of the Administration are under the custody of the Secretary of the Department of the Treasury of the Government of Puerto Rico, pursuant to Act No. 230 of July 23, 1974, as amended, known as the "Accounting Law of the Commonwealth of Puerto Rico". The P.R. Department of the Treasury follows the practice of pooling resources under the custody of the Secretary of the Treasury. The resources of the Administration are pooled in cash accounts of the Government of Puerto Rico to meet the Administration's current operating requirements.

Note 5 Risk Financing

The Government of Puerto Rico purchases commercial insurance covering casualty, theft, tort, claims and other losses for the Administration. The Administration reimburses to the Government for premium payments made on its behalf. The Administration's current insurance policies have not been cancelled or terminated. For workers compensation, the State Insurance Fund Corporation, a component unit of the Government of Puerto Rico, provides the workers compensation to the Administration's employees in case of injuries in the workplace.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Note 6 Accounts Receivable

The balance in accounts receivable of governmental activities mainly represents federal funds expended on or before June 30, 2023, that were reimbursed by the Federal Government after June 30, 2023.

The balance in accounts receivable of business-type activities mainly represents credit sales of products.

Note 7 Inter-fund Transactions

The balances recorded in the Due from other funds and Due to other funds accounts represent charges between the Governmental activities and the Business-Type Activities for allocated amounts of administrative services. The related amounts receivable and payable are considered internal balances that have been eliminated in the governmental-wide financial statements.

Note 8 Capital Assets

Capital assets' activity of the Administration for the fiscal year ended June 30, 2023 was as follows:

Governmental activities depreciation expense was charged to the management and support function.

	<u>Balance</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2023</u>
Governmental Activities:				
Capital assets being depreciated:				
Equipment	\$10,166,155	\$ -	\$ -	\$10,166,155
Furniture	835,610	-	-	835,610
Right to use	10,612,135	-	-	10,612,135
Vehicles	1,038,932	-	-	1,038,932
Total capital assets being depreciated	<u>22,652,832</u>	<u>-</u>	<u>-</u>	<u>22,652,832</u>
Less accumulated depreciation:				
Equipment	10,061,870	34,762	-	10,096,632
Furniture	790,500	28,301	-	818,801
Right to use	2,403,870	2,469,241	-	4,873,111
Vehicles	502,067	172,310	-	674,377
Total accumulated depreciation	<u>13,758,307</u>	<u>2,704,614</u>	<u>-</u>	<u>16,462,921</u>
Governmental activities capital assets, net	<u>\$ 8,894,525</u>	<u>\$ (2,704,614)</u>	<u>\$ -</u>	<u>\$ 6,189,911</u>

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FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Note 8 Capital Assets (continued)

	<u>Balance</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2023</u>
Business-Type Activities:				
Capital assets being depreciated:				
Equipment	\$ 91,039	\$ -	\$ -	\$ 91,039
Furniture	128,733	-	-	128,733
Vehicles	38,800	-	-	38,800
Building improvements	450,153	-	-	450,153
Total capital assets being depreciated	<u>708,725</u>	<u>-</u>	<u>-</u>	<u>708,725</u>
Less accumulated depreciation:				
Equipment	91,038	-	-	91,038
Furniture	128,128	-	605	128,733
Vehicles	38,800	-	-	38,800
Building improvements	448,889	-	1,265	450,154
Total accumulated depreciation	<u>706,855</u>	<u>-</u>	<u>1,870</u>	<u>708,725</u>
Business-type activities capital assets, net	<u>\$ 1,870</u>	<u>\$ -</u>	<u>\$ (1,870)</u>	<u>\$ -</u>

Note 9 Central Government Advances

Central government advances in the Governmental Activities - Governmental Funds represent the amount disbursed by the Central Government for the payments of checks issued by the Federal Program and for adjustments made to Other Governmental Funds. When checks issued by the Federal Program are paid by the bank, the Administration requests reimbursement to the Federal Government.

Note 10 Compensated Absences

The vested compensated absences liability balance at June 30, 2023 consists of the following activity:

	<u>Balance</u> <u>June 30, 2022</u>	<u>Net</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Due within</u> <u>one year</u>
Governmental Activities:				
Accrued vacation	<u>\$ 2,860,334</u>	<u>\$200,447</u>	<u>\$ 3,060,781</u>	<u>\$2,479,232</u>
Business-type Activities:				
Accrued vacation	<u>\$ 26,905</u>	<u>\$ (9,747)</u>	<u>\$ 17,158</u>	<u>\$ 17,158</u>

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VOCATIONAL REHABILITATION ADMINISTRATION
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Note 11 Voluntary Termination Benefits

On July 2, 2010, the Government enacted Act No. 70 to establish a program that provides benefits for early retirement or economic incentives for voluntary employment termination to eligible employees, as defined, including employees of the Administration. Act No. 70 established that early retirement benefits will be provided to eligible employees that have completed between 15 to 29 years of credited service in the Retirement System and will consist of biweekly benefits ranging from 37.5% to 50% of each employee salary, as defined. In this early retirement benefit program, the Administration will make employer contributions to the Retirement System and pay the corresponding pension until the employee complies with the requirements of age and 30 years of credited service in the Retirement System. Economic incentives are available to eligible employees who have less than 15 years of credited service in the Retirement System or who have at least 30 years of credited service in the Retirement System and the age for retirement or who have the age for retirement. Economic incentives will consist of a lump-sum payment ranging from one-month to six-month salary based on employment years. Additionally, eligible employees that choose to participate in the early retirement benefit program or that choose the economic incentive and have less than 15 years of credited service in the Retirement System are eligible to receive health plan coverage for up to 12 months in a health plan selected by the management of the Administration.

The financial impact resulting from the benefits granted to participants on this program was the recognition in the Administration's financial statements of a liability of \$1,156,923 in the Statement of Net Position as of June 30, 2023 and a reduction \$356,726 in the Statement of Activities for the year ended June 30, 2023. At June 30, 2023, unpaid long-term benefits granted on this program were discounted at 1.75%.

	<u>Balance</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Due within</u> <u>one year</u>
Governmental activities:					
Accrued termination benefits	\$ 1,513,649	\$ -	\$ (356,726)	\$ 1,156,923	\$ 203,273

Voluntary termination benefits mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Aggregate</u> <u>Payments</u>
2024	\$ 203,273	\$ 43,552	\$ 246,825
2025	188,787	31,256	220,043
2027	105,182	20,750	125,932
2028	139,034	8,269	147,303
Thereafter	520,647	88,864	609,511
	<u>\$ 1,156,923</u>	<u>\$ 192,691</u>	<u>\$ 1,349,614</u>

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VOCATIONAL REHABILITATION ADMINISTRATION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
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Note 12 Pension Plan

Plan description

The Administration was a participating employer in a retirement plan administered by the Employees' Retirement System of the Government of Puerto Rico and its Instrumentalities (ERS), a trust created by the Commonwealth's Legislature. ERS covered all regular full-time public employees working for the executive and legislative branches of the Commonwealth and the municipalities of Puerto Rico (including mayors); the firefighters and police of Puerto Rico and employees of certain public corporations not having their own retirement systems. Prior to the effect of Act No. 106 of August 23, 2017 (Act No. 106-2017) the Plan was administered by the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (the System). Effective July 1, 2017, all employer contributions were eliminated pursuant to Act No. 106-2017 and the Commonwealth implemented a "pay-as-you-go" (PayGo) system for the payment of pensions. Also pursuant to Act No. 106-2017, the System was required to liquidate its assets and transfer the net proceeds to the Department of Treasury of the Commonwealth to pay pension benefits.

As a result of the implementation of the PayGo system, the Plan does not meet the criteria in paragraph 4 of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, to be considered a plan that is administered through a trust or equivalent arrangement and, therefore, is required to apply the guidance in GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Under the guidance of GASB Statement No. 73, the Commonwealth and its component units are considered to be one employer, and are classified for financial reporting purposes as a single-employer defined benefit pension plan. Therefore, the accompanying schedule of employer allocations and the schedule of pension amounts by employer (collectively, the Schedules) present the pension amounts attributable to the Commonwealth reporting entity (i.e., the Commonwealth and its component units).

Pension benefits

The benefits provided to the Plan participants are established by Commonwealth law and may be amended only by the Legislature with the Governor's approval, or by court decision.

The Modified Eighth Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al, ("2022 Plan of Adjustment") confirmed by the U.S District Court for the District of Puerto Rico on January 18, 2022, eliminated several benefits to certain Plan participants. In summary, participants within benefits for System 2000 and Act 3 members, as previously defined, who were not in payment status as of March 15, 2022 were transferred out from Plan benefits. Also, eliminated future cost of living adjustments, and benefits to active members under the Act 127-1958 (members in high risk positions).

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Note 12 Pension Plan (continued)

Pension benefits (continued)

Plan participants within the System 2000, includes members hired on or after January 1, 2000 and on or before June 30, 2013 (defined contribution program). All regular employees hired for the first time on or after July 1, 2013, and former employees who participated in the defined benefit program and the System 2000 program, and were rehired on or after July 1, 2013, become members of the Contributory Hybrid Program as a condition to their employment. In addition, employees who at June 30, 2013, were participants of previous programs became part of the Contributory Hybrid Program on July 1, 2013. Also, Act No. 3 of April 4, 2013 (Act No. 3 of 2013) froze all retirement benefits accrued through June 30, 2013 under the defined benefit program and, thereafter, all future benefits accrued under the defined contribution formula used for the System 2000 program participants.

Therefore, plan provision are different for the other two groups of members who entered the Plan prior to July 1, 2013 as described below:

- Members of Act No. 447 are generally those members hired before April 1, 1990 (contributory, defined benefit program).
- Members of Act No. 1 of February 16, 1990 (Act No. 1) are generally those members hired on or after April 1, 1990 and on or before December 31, 1999 (contributory, defined benefit program).

(a) Service Retirement Eligibility Requirements

(1) *Eligibility for Act No. 447 Members* – Act No. 447 members who were eligible to retire as of June 30, 2013 continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 447 members could retire upon (1) attainment of age 55 with 25 years of credited service, attainment of age 58 with 10 years of credited service, (3) any age with 30 years of credited service, (4) for Public Officers in High Risk Positions (the Commonwealth Police and Firefighter Corps, the Municipal Police and Firefighter Corps and the Custody Office Corps), attainment of age 50 with 25 years of credited service, and (5), for Mayors of municipalities, attainment of age 50 with 8 years of credited service as a Mayor. In addition, Act No. 447 members who attained 30 years of credited service by December 31, 2013 are eligible to retire at any time.

Act No. 447 members who were not eligible to retire as of June 30, 2013 and did not attain 30 years of credited service by December 31, 2013 are eligible to retire with 10 years of credited service upon attainment of the retirement eligibility age shown in the table below.

<u>Date of birth</u>	<u>Attained age as of June 30, 2013</u>	<u>Retirement eligibility age</u>
July 1, 1957 or later	55 or less	61
July 1, 1956 to June 30, 1957	56	60
Before July 1, 1956	57 and up	59

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Note 12 Pension Plan (continued)

Pension benefits (continued)

(a) Service Retirement Eligibility Requirements (continued)

(1) Eligibility for Act No. 447 Members (continued)

In addition to the requirements of the table above, Act No. 447 Public Officers in High Risk Positions who were not eligible to retire as of June 30, 2013 and did not attain 30 years of credited service by December 31, 2013, are eligible to retire directly from active service upon the attainment of age 55 with 30 years of credited service.

(2) Eligibility for Act No. 1 Members – Act No. 1 members who were eligible to retire as of June 30, 2013 continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 1 members could retire upon (1) attainment of age 55 with 25 years of credited service, (2) attainment of age 65 with 10 years of credited service, (3) for Public Officers in High Risk Positions, any age with 30 years of credited service, and (4) for Mayors, attainment of age 50 with 8 years of credited service as a Mayor.

Act No. 1 members who were not eligible to retire as of June 30, 2013 are eligible to retire upon attainment of age 65 with 10 years of credited service. In addition, Act No. 1 Public Officers in High Risk Positions who were not eligible to retire as of June 30, 2013 are eligible to retire directly from active service upon the attainment of age 55 with 30 years of credited service.

(b) Compulsory Retirement

All Act No. 447 and Act No. 1 Public Officers in High Risk Positions must retire upon attainment of age 58 and 30 years of credited service. A two-year extension may be requested by the member from the Superintendent of the Puerto Rico Police, the Chief of the Firefighter Corps, or supervising authority as applicable.

(c) Service Retirement Annuity Benefits

An annuity payable for the lifetime of the member equal to the annuitized value of the balance in the Defined Contribution Hybrid Contribution Account at the time of retirement, plus, for Act No. 447 and Act No. 1 members, the accrued benefit determined as of June 30, 2013. If the balance in the Defined Contribution Hybrid Contribution Account is \$10,000 or less, it shall be paid as a lump sum instead of as an annuity.

(1) Accrued Benefit as of June 30, 2013 for Act No. 447 Members – The accrued benefit as of June 30, 2013 shall be determined based on the average compensation, as defined, for Act No. 447 members, the years of credited service, and the attained age of the member all as of June 30, 2013. For Act No. 447 Mayors, the highest compensation, as defined, as a Mayor is determined as of June 30, 2013.

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NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Note 12 Pension Plan (continued)

Pension benefits (continued)

(c) Service Retirement Annuity Benefits (continued)

(1) Accrued Benefit as of June 30, 2013 for Act No. 447 Members (continued)

If the Act No. 447 member had at least 30 years of credited service as of June 30, 2013, the accrued benefit equals 65% of average compensation if the member was under age 55 as of June 30, 2013 or 75% of average compensation if the member was at least age 55 as of June 30, 2013. For participants selecting to coordinate with social security (the Coordination Plan), the benefit is re-calculated at the Social Security Retirement Age (SSRA), as defined, as 1.5% of average compensation up to \$6,600 multiplied by years of credited service, up to 30 years, plus 65% (75% if member was at least age 55 as of June 30, 2013) of average compensation in excess of \$6,600.

If the Act No. 447 member had less than 30 years of credited service as of June 30, 2013, and attains 30 years of credited service by December 31, 2013, the accrued benefit equals 55% of average compensation if the member was under age 55 as of June 30, 2013 or 60% of average compensation if the member was at least age 55 as of June 30, 2013. For participants selecting the Coordination Plan, the benefit is re-calculated at SSRA as 1.5% of average compensation up to \$6,600 multiplied by years of credited service, up to 30 years, plus 55% (60% if member was at least age 55 as of June 30, 2013) of average compensation in excess of \$6,600. Member contributions received from Act No. 447 members eligible for this transitory benefit during the period beginning July 1, 2013 and ending upon the attainment of 30 years of credited service are considered pre-July 1, 2013 contributions; the contributions to the Defined Contribution Hybrid Contribution Account begin after the member attains 30 years of credited service.

If the Act No. 447 member had less than 30 years of credited service as of December 31, 2013, the accrued benefit equals 1.5% of average compensation multiplied by years of credited service up to 20 years, plus 2% of average compensation multiplied by years of credited service in excess of 20 years. Maximum benefit is 75% of average compensation. Except for Commonwealth Police and Commonwealth Firefighters, the benefit is actuarially reduced for each year payment commences prior to age 58. For participants selecting the Coordination Plan, the basic benefit is re-calculated at SSRA as 1% of average compensation up to \$6,600 multiplied by years of credited service up to 20 years, plus 1.5% of average compensation up to \$6,600 multiplied by years of credited service in excess of 20 years, plus 1.5% of average compensation in excess of \$6,600 multiplied by years of credited service up to 20 years, plus 2.0% of average compensation in excess of \$6,600 multiplied by years of credited service in excess of 20 years. Except for Police and Firefighters, the benefit is actuarially reduced for each year payment commences prior to age 58.

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Note 12 Pension Plan (continued)

Pension benefits (continued)

(c) Service Retirement Annuity Benefits (continued)

(1) Accrued Benefit as of June 30, 2013 for Act No. 447 Members (continued)

For Act No. 447 Mayors with at least 8 years of credited service as a mayor, the accrued benefit will not be less than 5% of highest compensation, as defined, as a Mayor for each year of credited service as a Mayor up to 10 years, plus 1.5% of highest compensation as Mayor for each year of non-Mayoral credited service up to 20 years, plus 2.0% of highest compensation as Mayor for each year of non-Mayoral credited service in excess of 20 years. Non-Mayoral credited service includes service earned as a Mayor in excess of 10 years. Maximum benefit is 90% of highest compensation as a Mayor.

(2) Accrued Benefit as of June 30, 2013 for Act No. 1 Members – The accrued benefit as of June 30, 2013 shall be determined based on the average compensation for Act No. 1 members, the years of credited service, and the attained age of the member all as of June 30, 2013. For Act No. 1 Mayors, the highest compensation as a Mayor is determined as of June 30, 2013.

If the Act No. 1 member is a police officer or firefighter with at least 30 years of credited service as of June 30, 2013, the accrued benefit equals 65% of average compensation if the member was under age 55 as of June 30, 2013 or 75% of average compensation if the member was at least age 55 as of June 30, 2013.

For all other Act No. 1 members, the accrued benefit equals 1.5% of average compensation multiplied by years of credited service. The benefit is actuarially reduced for each year payment commences prior to age 65.

For Act No. 1, Mayors with at least 8 years of credited service as a Mayor, the accrued benefit will not be less than 5% of highest compensation as a Mayor for each year of credited service as a Mayor up to 10 years, plus 1.5% of highest compensation as Mayor for each year of non-Mayoral credited service up to 20 years, plus 2.0% of highest compensation as Mayor for each year of non-Mayoral credited service in excess of 20 years. Non-Mayoral credited service includes service earned as a Mayor in excess of 10 years. Maximum benefit is 90% of highest compensation as a Mayor.

(d) Special Benefits

(1) Minimum Benefits

- Past Ad hoc Increases

The legislature, from time to time, increases pensions for certain retirees as described in Act No. 124 approved on June 8, 1973 and Act No. 23 approved on September 23, 1983.

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Note 12 Pension Plan (continued)

Pension benefits (continued)

(d) Special Benefits (continued)

(1) Minimum Benefits (continued)

- Minimum Benefits for Members who Retired before July 1, 2013 (Act No. 156 of 2004, Act No. 35 of 2007, and Act No. 3 of 2013).

The minimum monthly lifetime income for members who retired or become disabled before July 1, 2013 is \$500 per month effective July 1, 2013 (\$400 per month effective July 1, 2007 and \$300 per month up to June 30, 2007).

- Coordination Plan Minimum Benefit

A minimum monthly benefit is payable upon attainment of SSRA such that the benefit, when added to the Social Security Benefit, is not less than the benefit payable prior to SSRA.

(2) Special "Bonus" Benefits

- Christmas Bonus (Act No. 144, as Amended by Act No. 3)

An annual bonus of \$200 for each retiree, beneficiary, and disabled member paid in December provided the member retired prior to July 1, 2013.

- Medication Bonus (Act No. 155, as Amended by Act No. 3)

An annual bonus of \$100 for each retiree, beneficiary, and disabled member to cover health costs paid in July provided the member retired prior to July 1, 2013. Evidence of coverage is not required. The amount is prorated if there are multiple beneficiaries.

Allocation Methodology

GASB Statement No. 73 requires that the primary government and its component units that provide pension benefits through the same defined benefit pension plan, recognize their proportionate share of the total pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense (benefit). Effective with the June 30, 2022 measurement date, the proportionate share as of each measurement date is based on the ratio of the total pension liability determined directly for each agency based on each agency's members to the total pension liability for all Central Government members as of the measurement date. Previously, the proportionate share as of each measurement date was based

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 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
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Note 12 Pension Plan (continued)

Allocation Methodology (continued)

on the ratio of each agency's actual benefit payments to the total actual benefit payments paid during the year ending on the measurement date. Agency allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of pension amounts by agency may result in immaterial differences.

Total Pension Liability

The Administration's total pension liability as of June 30, 2023, was measured as of June 30, 2022, and was determined by an actuarial valuation with beginning of year census data as of July 1, 2021, which was roll forward to June 30, 2022 (measurement date as of June 30, 2022).

i. Actuarial Methods and Assumptions

The total pension liabilities in the June 30, 2022, actuarial valuations were determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Actuarial assumptions:	
Inflation	Not applicable
Projected salary increases per annum	3.0% 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
Cost-of-living adjustment	None assumed

The mortality tables used in the June 30, 2022; actuarial valuations were as follows:

Pre-Retirement Mortality: For general employees not covered by Act No. 127-1958, PubG-2010 Employee Rates, adjusted by 100% for males and 110% for females projected to reflect Mortality Improvement Scale MP-2021 on generational basis. For members covered under Act No. 127, PubS-2010 Employee Mortality Rates are assumed for males and females projected to reflect Mortality Improvement Scale MP-2021 on 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 occupational for members covered under Act No. 127-1958.

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NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
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Note 12 Pension Plan (continued)

Total Pension Liability (continued)

i. Actuarial Methods and Assumptions (continued)

Post-Retirement 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 females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date. This assumption is also used for beneficiaries prior the member's death.

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.

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.

Post-Retirement Beneficiary Mortality: Prior to retiree's death, beneficiary mortality is assumed to be the same as the post-retirement retiree 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.

ii. 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.

iii. Changes in Total Pension Liability

Changes in the total pension liability as of June 30, 2023 (using a June 30, 2022, measurement date) were as follows (in thousands):

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Note 12 Pension Plan (continued)

Total Pension Liability (continued)

iii. Changes in Total Pension Liability (continued)

	Amount
Balance at July 1, 2021	\$193,327,709
Changes for the measurement year:	
Increase/decrease	(17,792,840)
Benefit payments	(9,939,264)
Net changes	(27,732,104)
Balance at June 30, 2022 (measurement date)	\$165,595,605

iv. Sensitivity of Total Pension Liability to Changes in Discount Rate

The following presents the liability as of June 30, 2022, calculated using the discount rate of 3.54%, as well as what the total pension liability would be if it was calculated using a discount rate that is 1-percentage point lower (2.54%) or 1-percentage point higher (4.54%) than current rate:

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
	\$ 24,789,299,172	\$ 22,152,465,178	\$ 19,960,496,886
Proportioned share 0.7575%	\$ 187,778,941	\$ 165,595,605	\$ 151,200,764

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources from Pension Activities

The components of allocable pension expense (benefit for the fiscal year ended June 30, 2022, are as follows:

	Amount	Proportional share
Service cost	\$ 89,454,689	\$ 668,674
Interest on total pension liability	574,777,692	4,295,966
Effect of plan changes	(1,695,271,069)	(12,672,151)
Net amortization from changes in proportion	-	4,162,767
Difference between expected and actual experience	(76,737,850)	(573,615)
Changes in assumptions	(747,868,878)	(5,590,320)
Pension expense (benefit)	\$ (1,855,645,416)	\$ (9,708,679)

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Note 12 Pension Plan (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources from Pension Activities (continued)

Deferred outflows and deferred inflows of resources from pension activities by source reported by the Administration in the statement of net position as of June 30, 2023, (measurement date as of June 30, 2022 follows:

	June 30, 2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 2,077,412	\$ 3,511,212
Changes of assumptions	13,365,429	13,027,260
Changes in proportion	4,659,310	628,315
Contributions subsequent to measurement date	9,980,925	-
Total	\$ 30,083,076	\$ 17,166,787

Deferred outflows of resources related to pensions resulting from the payment of benefits subsequent to the measurement date (June 30, 2022) will be recognized as a reduction of the total pension liability in the fiscal year ended June 30, 2023. Other amounts reported as deferred outflows/inflows of resources from pension activities are scheduled to be recognized in pension expense as follows (in thousands):

Years Ending June 30	Amount
2023	(2,001,372)
2024	4,936,736
Total	\$ 2,935,364

Note 13 Other Postemployment Benefits (OPEB)

Plan Description

The Administration is a participating employer in the Employee’s Retirement System of the Government of Puerto Rico and its Instrumentalities Medical Insurance Plan Contribution (“ERS-MIPC”). The ERS-MIPC is an unfunded single employer defined benefit other postemployment (OPEB) plans sponsored by the Commonwealth that are administered on a pay-as-you-go basis.

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Note 13 Other Postemployment Benefits (OPEB) (continued)

Plan Description (continued)

Accordingly, there are no assets accumulated in a qualifying trust for this OPEB plan that meet the criteria in paragraph 4 of GASB Statement No. 75, "Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions". The OPEB Plan was created under Act No. 95-1963. Healthcare benefits is provided through insurance companies whose premiums are paid by the retiree with the Commonwealth providing a matching share. OPEB covers substantially all full-time employees of (1) the Primary Government and (2) those component units of the Commonwealth not having their own postemployment benefit plans.

Administration employees became plan members upon their date of employment. Plan members were eligible for benefits upon reaching the applicable pension benefits retirement age. Act No. 3-2013 eliminated this healthcare benefit to OPEB members retired after June 30, 2013.

Funding Policy – The contribution requirement of the OPEB Plan is established by Act No. 95-1963. The OPEB benefit consists of a maximum of \$100 per month per retiree or disabled member. Each of the OPEB Plan is financed by the Administration on a pay-as-you-go basis. There is no contribution requirement for plan members during active employment.

i. Actuarial Methods and Assumptions

The total OPEB liability as of June 30, 2023, was determined by the actuarial valuation with beginning of year census data as of July 1, 2021.

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

Measurement Date	June 30, 2022
Actuarial cost method	Entry age normal
Discount rate	3.54%

Mortality Assumption

Post-retirement 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.

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Note 13 Other Postemployment Benefits (OPEB) (continued)

Plan Description (continued)

i. Actuarial Methods and Assumptions (continued)

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. 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.

ii. Changes in Total OPEB Liability of OPEB Plans

Changes in the Administration's total OPEB liability of PRGERS-OPEB, TRS-OPEB, JRS-OPEB, and Other-OPEB plans as of June 30, 2023 (measurement date as of June 30, 2022) were as follows (in thousands):

	Amount
Balance at July 1, 2021	\$5,153,397
Changes for the measurement year:	
Increase/decrease	17,277
Benefit payments	(430,100)
Net changes	(412,823)
Balance at June 30, 2022 (measurement date)	\$4,740,574

iii. Deferred Outflows of Resources and Deferred Inflows of Resources

Because all participants of OPEB are inactive, 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 year.

iv. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability as of June 30, 2023, calculated using the discount rate of 3.54%, as well as, what the OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower (2.54%) or 1-percentage point higher (4.54%) than current rate (in thousands):

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Note 13 Other Postemployment Benefits (OPEB) (continued)

Plan Description (continued)

iv. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate (continued)

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase 4.54%
Total OPEB liability	\$ 5,949,578	\$ 4,740,574	\$ 5,057,902

v. OPEB expense (benefit)

The components of OPEB expense (benefit) for the fiscal year ending June 30, 2023 are as follows:

	Amount	Proportionate share
Interest on total OPEB liability	\$ 16,537,228	\$ 112,701
Effect on economic/demographics gains and losses	33,882,688	230,908
Net amortization from changes in proportion	-	270,488
Effect of assumptions changes or inputs	(87,574,501)	(596,820)
OPEB expense (benefit)	\$ (37,154,585)	\$ 17,277

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GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Note 14 Lease liability

The Administration leases premises under various lease agreements, which generally have terms between three and five years. Obligations of leases consist of the following as of June 30, 2023:

Description	Monthly installments	Due date	Amount
Real estate facility	\$ 3,704	November 30, 2026	\$ 142,727
Real estate facility	2,013	September 30, 2023	6,023
Real estate facility	13,868	December 31, 2024	243,550
Real estate facility	938	September 30, 2023	2,805
Real estate facility	3,835	December 31, 2024	67,350
Real estate facility	2,188	May 31, 2024	23,716
Real estate facility	2,628	May 31, 2024	28,486
Real estate facility	25,436	June 30, 2024	300,400
Real estate facility	24,398	June 21, 2025	566,378
Real estate facility	53,306	April 30, 2026	1,679,647
Real estate facility	2,100	June 30, 2026	71,876
Real estate facility	86,896	June 30, 2026	2,974,171
			<u>\$ 6,107,129</u>

Maturity of the lease liabilities as of June 30, 2023, is as follows:

Year Ending June 30,	Principal	Interest	Total
2024	2,457,589	174,403	2,631,992
2025	2,063,395	93,934	2,157,329
2026	1,568,358	28,441	1,596,799
2027	17,787	161	17,948
	<u>\$ 6,107,129</u>	<u>\$ 296,939</u>	<u>\$ 6,404,068</u>

The total cost of equipment under leases and the accumulated amortization as of June 30, 2023, amounted to \$10,612,135 and \$4,873,111, respectively, which are accounted as capital assets in the accompanying statement of net position.

	Balance June 30, 2022	Additions	Payments	Balance June 30, 2023	Due within one year
Governmental activities:					
Lease liability	<u>\$ 8,510,999</u>	<u>\$ -</u>	<u>\$(2,403,870)</u>	<u>\$ 6,107,129</u>	<u>\$ 2,457,589</u>

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Note 15 Contingencies

Litigation and Claims

The Government of Puerto Rico’s Law 104 of June 30, 1955, as amended, known as Claims and Lawsuits against the State, provides that lawsuits initiated against an agency or instrumentality of the Government of Puerto Rico, present and former employees, directors and other may be represented by the Department of Justice of the Government of Puerto Rico. Any adverse claims to the defendants are to be paid by the Government of Puerto Rico General Fund.

However, the Secretary of the Treasury of the Government of Puerto Rico has the discretion of requesting reimbursement of the funds expended for these purposes from the public corporations, governmental institutions and Administration of the defendants.

According to the management of the Administration, there are several claims and lawsuits against the Administration arising out of, and incidental to its operations. In the opinion of management, the effect of such claims and lawsuits on the ability of the Administration to carry on its operations and programs is not material to the basic financial statements.

Federal Awards

In the normal course of operations, the Administration receives grants from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Note 16 Restatement of Net Position

The following table disclosed the net position at beginning of year as previously reported in the financial statements. The beginning balances have been restated as follows:

<u>Description</u>	<u>Government- Wide Financial Statements - Net Position</u>
<u>Description</u>	<u>Governmental Activities</u>
Total net position, at beginning of year, as previously reported	\$ (4,211,128)
Restatements to recognize changes in accounting principles, pension related:	
OPEB liability	(4,873,451)
Net pension liability	(179,456,263)
Net deferred outflows/inflows of resources	11,019,547
Net position, beginning, as restated	<u><u>\$ (177,521,295)</u></u>

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Note 17 Subsequent Events

Management has evaluated subsequent events through March 15, 2024, date in which the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the fiscal year ended June 30, 2023.

End of notes.

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND (NON-GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Management and support	\$ 18,293,000	\$ 18,293,000	\$ 24,378,515	\$ 6,085,515
Vocational rehabilitation services	5,440,000	5,440,000	5,440,000	-
Total	23,733,000	23,733,000	29,818,515	6,085,515
EXPENDITURES				
Management and support	18,293,000	18,293,000	24,283,333	(5,990,333)
Vocational rehabilitation services	5,440,000	5,440,000	5,440,000	-
Total	23,733,000	23,733,000	29,723,333	(5,990,333)
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ 95,182	\$ 95,182

The accompanying notes are an integral part of this required supplementary information.

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
NOTES TO BUDGETARY COMPARISON SCHEDULE-GENERAL FUND (NON-GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Note 1 General

As an Executive Agency of the Government of Puerto Rico, the Administration uses the following procedures in establishing the budget adopted for the General Fund:

- a. The Administration's management prepares a budget project, which is submitted to the Government of Puerto Rico's Office of Management and Budget (PROMB).
- b. After approval by PROMB, the budget project is incorporated into the Government of Puerto Rico's consolidated budget project submitted by the executive body to the Legislature.
- c. Public hearings and discussions are held toward the legal enactment of the budget project on or before the commencement of the fiscal year for which the budget project is prepared (the 1st of July of each year).
- d. Once the budget project is approved, legally adopted and in operations, the Administration's management can request the transfer of budgeted amounts from PROMB, which after approval, is accounted for by the Government of Puerto Rico Department of Treasury.
- e. Formal budget integration is employed as a management control device during the fiscal year for the General Fund.
- f. As stated by the Constitution of the Government of Puerto Rico, the budgeted expenditures should be balanced with estimated revenues.

Information concerning the budget adopted has been compiled by the Administration in a manner that could be used to present Budget and Actual – Budget Basis – General Fund (Executive) as required by accounting principles generally accepted in the United States of America, as applicable to governmental units. For financial statements purposes, the Administration considers the executive funds (shown as Fund accounting 111 in PRIFAS System) authorized, in order to present compliance with budget adopted, which lapses at the end of fiscal year.

Note 2 Budget/GAAP Reconciliation

Since the budgetary basis differs from accounting principles generally accepted in the United States of America (GAAP), actual amounts for the general fund in the accompanying Statement of Revenues and Expenditures – Budget and Actual – General Fund is presented on the budgetary basis to enhance comparability.

The principal differences between the budgetary and GAAP basis are the following:

1. Encumbrances are considered as expenditures for budgetary purposes.
2. Prior year encumbrances settled during the year are recorded as expenditures for GAAP basis.
3. Effect of revenues recorded in PRIFAS System other than those of accounting Fund 111.

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
NOTES TO BUDGETARY COMPARISON SCHEDULE-GENERAL FUND (NON-GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Note 2 Budget/GAAP Reconciliation (continued)

The following is the reconciliation of the difference between GAAP and the budgetary basis for the general fund deficiency of revenues and other financing sources over expenditures:

Excess of revenues over expenditures from the budgetary comparison schedule	<u>\$ 95,182</u>
Total excess of revenues over expenditures in the General Fund in the Statement of Revenues, Expenditures and Changes in Fund Balance.	<u>\$ 95,182</u>

End of notes.

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
SCHEDULE OF PROPORTIONATE SHARE OF TOTAL PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

TOTAL PENSION LIABILITY

	June 30, 2022
Measurement date	
Reporting period date	June 30, 2023
Balance at beginning of year	\$ 193,327,709
Changes for the measurement year:	
Increase/decrease	(17,792,840)
Benefit payments	(9,939,264)
Net changes	(27,732,104)
Balance at end of year	\$ 165,595,605
Employer's total pension liability as a percentage of covered-employee payroll	0.7475%

Notes to required supplementary information:

As a result of the implementation of the PayGo system, as provided by Act. No. 106 of 2017 (Act 106), the Pension Plan no longer met the criteria to be consider a plan that is administered through a trust or equivalent arrangement under GASB 68 and, therefore, was required to apply the guidance of GASB 73 effective July 1, 2018. Act 106 eliminated all employer contributions and required ERS to liquidate its assets and to transfer the proceeds to the Commonwealth for the payment of pension benefits.

The **Administration's** proportion of the total pension liability was actuarially determined based on the ratio of the **Administration's** benefit payments to the total benefit payments made by all participating employers under the Pension Plan for the year ending on the measurement date.

The schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

The amounts presented were determined by an actuarial valuation as of July 1, 2021 that was rolled forward to June 30, 2022, the measurement date.

There are no assets accumulated in a trust to pay related benefits.

End of notes.

GOVERNMENT OF PUERTO RICO
 VOCATIONAL REHABILITATION ADMINISTRATION
 SCHEDULE OF PROPORTIONATE SHARE OF TOTAL OPEB LIABILITY
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

TOTAL OPEB LIABILITY

As of June 30,	2023	2022
Administration's proportionate share of the total OPEB liability	0.68151%	0.65569%
Administration's proportion of the total OPEB liability	\$ 4,740,574	\$ 5,153,397
Total actual employer benefit payments per valuation report (All employers)	N/A	N/A
Administration's proportion of covered employer benefit payment calculation	N/A	N/A
Administration's proportionate share of the total OPEB liability as a percentage of its employer benefit calculation	N/A	N/A

Notes to required supplementary information:

The **Administration's** proportion of the total OPEB liability was actuarially determined based on the ration of the **Administration's** benefit payments to the total benefit payments made by all participating employers under the OPEB Plan for the year ending on the measurement date.

The schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

The amounts determined by an actuarial valuation as of July 1, 2021 that was rolled forward to June 30, 2022, the measurement date.

There are no assets accumulated in a trust to pay related benefits.

End of notes.

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor and Program or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Pass-through to Subrecipients	Total Federal Expenditures
U.S. Department of Education:				
Direct programs:				
Rehabilitation Services:				
Vocational Rehabilitation Grants to States	84.126	H126A210080 H126A220080 H126A230080	\$ -	\$ 55,183,562
Independent Living Services for Older Individuals Who Are Blind	84.177	H177B1210052 H177B220052 H177B230052	-	298,562
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	H187A210081 H187A220081 H187A230081 H187B210081 H187B220081 H187B230081	-	900,000
Randolph-Sheppard - Financial Relief and Restoration Payments	84.426	H426A210080	-	33,995
Sub - total U.S. Department of Education			-	56,416,119
U.S. Department of Health and Human Services:				
Direct program:				
ACL Independent Living State Grants	93.369	2101PRILSSG 2201PRILSSG	181,019	181,019
Total Expenditures of Federal Awards			\$ 181,019	\$ 56,597,138

The accompanying notes are an integral part of this schedule.

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Note 1 General

The accompanying Schedule of Expenditures of Federal Awards presents the funds expended by the Administration from all federal programs for the year ended June 30, 2023. The Administration's reporting entity is defined in Note 1 to the financial statements.

Note 2 Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and was prepared following the modified accrual basis of accounting.

The Assistance Listing Number ("ALN"), formerly known as the Catalog of Federal Domestic Assistance ("CFDA") Number, is a five-digit number assigned in the awarding document for all federal assistance award mechanisms, including federal grants and cooperative agreements. Assistance listings are detailed public descriptions of federal programs that provide grants, loans, scholarships, insurance, and other types of assistance awards. The SAM.gov assistance listing is the publicly available online database showing all available Federally-funded programs.

Note 3 Indirect Cost Rate

The Administration has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

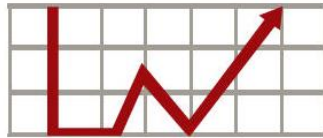
Note 4 Schedule not in agreement with other federal award reporting

The information included in the Schedule may not fully agree with other federal awards reports submitted directly to federal granting agencies.

Note 5 Reconciliation of expenditures presented in the Schedule of Expenditures of Federal Awards to the expenditures presented in the Basic Financial Statements

Expenditures included in the Schedule of Expenditures of Federal Awards amounting to \$56,597,138 agree with the amounts included in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) for purposes of Federal Financial Assistance.

End of notes.



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 ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

**To the Administrator and Management
of the Government of Puerto Rico
Vocational Rehabilitation Administration
(an Organizational Component of Puerto Rico
Department of Labor and Human Resources)
San Juan, Puerto Rico**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the **Government of Puerto Rico – Vocational Rehabilitation Administration (an Organizational Component of Puerto Rico Department of Labor and Human Resources (Administration))**, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise **the Administration's** basic financial statements and have issued our report thereon dated March 15, 2024.

Our report includes an emphasis of matter paragraph regarding a change in accounting principle and a restatement of the financial statements to recognize deferred outflows of resources, deferred inflows of resources, total pension liability and total OPEB liability. Our opinion is not modified with respect to these matters.

Report on Internal Control over Financial Reporting

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

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

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

Report on Internal Control over Financial Reporting (continued)

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

Report on Compliance and Other Matters

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

We noted certain other matters that we reported to management in a separate letter dated March 15, 2024.

Purpose of this Report

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



LOPEZ-VEGA, CPA, PSC

San Juan, Puerto Rico
March 15, 2024

Stamp No. E537167 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



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 ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**To the Administrator and Management
Of the Government of Puerto Rico
Vocational Rehabilitation Administration
(an Organizational Component of Puerto Rico
Department of Labor and Human Resources)
San Juan, Puerto Rico**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the **Government of Puerto Rico – Vocational Rehabilitation Administration (an Organizational Component of Puerto Rico Department of Labor and Human Resources (Administration))**'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of **Administration's** major federal programs for the year ended June 30, 2023. The **Administration's** major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the **Administration's** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "*Auditors' Responsibilities for the Audit of Compliance*" section of our report.

We are required to be independent of the **Administration** and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the **Administration's** compliance with the compliance requirements referred to above.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (CONTINUED)

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the **Administration's** federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the **Administration's** compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the **Administration's** compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 **Administration's** compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the **Administration's** internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the **Administration's** internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



López-Vega, CPA, PSC

Certified Public Accountants / Management Advisors

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (CONTINUED)

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the "Auditors' Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


LOPEZ-VEGA, CPA, PSC

San Juan, Puerto Rico
March 15, 2024

Stamp No. E537168 of the Puerto Rico
Society of Certified Public Accountants
was affixed to the record copy of this report.

GOVERNMENT OF PUERTO RICO
 VOCATIONAL REHABILITATION ADMINISTRATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Section I – Summary of Auditors’ Results

Financial Statements

<u>Opinion Unit:</u>	<u>Type of Opinion:</u>
Governmental Activities	Unmodified
Business-type Activities	Unmodified
General Fund	Unmodified
Federal Programs Fund	Unmodified
Aggregate remaining fund information	Unmodified
Proprietary Fund	Unmodified

Internal control over financial reporting:

Material weakness identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

Federal awards

Internal Control over major federal programs:

Material weakness identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes No

Type of auditors’ report issued on compliance for each major federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 Section 200.516(a)? Yes No

Identification of Major Federal Programs:

<u>ALN</u>	<u>Name of Federal Program or Cluster</u>
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States

Dollar threshold used to distinguish between Type A and Type B programs \$1,697,914

Auditee qualified as low-risk auditee? Yes No

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Section II – Financial Statements Findings

During our audit, we did not detect significant deficiencies, material weakness and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards*.

GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Section III – Federal Awards Findings and Questioned Costs

During our audit, we did not detect deficiencies, significant deficiencies, material weaknesses, or instances of noncompliance related to federal awards that are required to be reported in accordance with *OMB Uniform Guidance*.

**GOVERNMENT OF PUERTO RICO
 VOCATIONAL REHABILITATION ADMINISTRATION**

**Summary Schedule of Prior Years Audit Findings
 For the Fiscal Year Ended June 30, 2023**

Audit Report: Reports on Compliance and Internal Control in Accordance with Government Auditing Standards and OMB Super Circular Uniform Guidance

Audit Period: July 1, 2022 – June 30, 2023

Fiscal Year: 2022-2023

Principal Executive: Dr. María M. Gómez García – Administrator

Contact Person: Mrs. Grisel Matos Padilla – Auxiliary Administrator of Management Affairs

Phone: (787) 729-0160

Original Finding Number	Finding	Condition	Corrective Actions for findings not corrected or partially corrected	Questioned Cost	Status
2022-001 2021-001 and 2020-001	Implementation of Requirements Set Forth by GASB Statement No. 73 and GASB Statement No. 75 (MW) & (NC)	<p>The Administration has not implemented the accounting and financial reporting requirements for pensions that are provided to the employees of state and local government employers through pension plans trust that do not comply with GASB Statement No. 73 <i>“Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68”</i>. The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the Administration’s governmental activities has not been determined.</p> <p>In addition, the Administration’s financial statements do not disclose the descriptive information about the pension plans through which the pensions are provided required by the GASB Statement No. 73 for single-employer pension plans. Also, management has omitted historical pension information that accounting</p>	VRA Accepts the finding. The Administration will closely monitor the actions of the Retirement System Administration (ERS) in order to try to obtain the necessary financial and technical information to implement the requirements of the GASB Statements No. 73 and No. 75.	None	Full corrective action has been taken.

**GOVERNMENT OF PUERTO RICO
 VOCATIONAL REHABILITATION ADMINISTRATION**

**Summary Schedule of Prior Years Audit Findings
 For the Fiscal Year Ended June 30, 2023**

Audit Report: Reports on Compliance and Internal Control in Accordance with Government Auditing Standards and OMB Super Circular Uniform Guidance

Audit Period: July 1, 2022 – June 30, 2023

Fiscal Year: 2022-2023

Principal Executive: Dr. María M. Gómez García – Administrator

Contact Person: Mrs. Grisel Matos Padilla – Auxiliary Administrator of Management Affairs

Phone: (787) 729-0160

Original Finding Number	Finding	Condition	Corrective Actions for findings not corrected or partially corrected	Questioned Cost	Status
2022-001 2021-001 and 2020-001 (continued)		<p>principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements.</p> <p>Also, the Administration did not implement the accounting and financial reporting requirements for schedules of employment allocations and OPEB amounts by employer as of June 30, 2022 to comply with the requirements of GASB Statement No. 75 <i>“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”</i>. The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the Administration’s governmental activities has not been determined. Applicable disclosures and required supplementary information that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements has been omitted.</p>			

**GOVERNMENT OF PUERTO RICO
VOCATIONAL REHABILITATION ADMINISTRATION**

**Summary Schedule of Prior Years Audit Findings
For the Fiscal Year Ended June 30, 2023**

Audit Report: Reports on Compliance and Internal Control in Accordance with Government Auditing Standards and OMB Super Circular Uniform Guidance

Audit Period: July 1, 2022 – June 30, 2023

Fiscal Year: 2022-2023

Principal Executive: Dr. María M. Gómez García – Administrator

Contact Person: Mrs. Grisel Matos Padilla – Auxiliary Administrator of Management Affairs

Phone: (787) 729-0160

Original Finding Number	Finding	Condition	Corrective Actions for findings not corrected or partially corrected	Questioned Cost	Status
2020-002	Maintenance of Effort (MOE)	The Administration did not comply with the matching requirement for program years 2019 and 2020. Also, the Administration has a MOE deficit for program years 2019 and 2020 totaling \$569,600 and \$12,178,902, respectively.	<p>The Administration makes great effort and trying to comply with the matching requirement, however it the funds provided by the General Fund through Joint resolutions have been decreasing due to Fiscal situations on the state level.</p> <p>Maintenance of effort is a direct consequence of not reaching the expenses required for match purposes. The Agency will continue all outreach activities within our state legislature and the State Office of management and budget for further state funds assignment, in order, to comply with the requirements and gain more access to funds assigned by formula grant.</p>	None	<p>Compliance requirement not applicable since fiscal year 2020-2021.</p> <p>The audit finding does not warrant further action because two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearinghouse.</p>