

**GOVERNMENT OF PUERTO RICO  
PUBLIC SERVICE REGULATORY BOARD  
PUERTO RICO ENERGY BUREAU**

**BASIC FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2024**



268 Ave. Muñoz Rivera  
San Juan, Puerto Rico 00918

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

## INDEPENDENT AUDITORS' REPORT

**To the Commissioner of the  
Government of Puerto Rico Public  
Service Regulatory Board  
Puerto Rico Energy Bureau**

### **Report on the Audit of the Basic Financial Statements**

#### ***Opinions***

We have audited the accompanying basic financial statements of the governmental activities and the special revenue fund of the **Government of Puerto Rico Public Service Regulatory Board Puerto Rico Energy Bureau (the Bureau)**, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the **Bureau's** basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred above present fairly, in all material respects, the respective financial position of the governmental activities, and the special revenue fund of the **Bureau** as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Emphasis of Matter***

As discussed in **Note 1**, the basic financial statements of the **Bureau** are intended to present the financial position, the changes in financial position of only that portion of the Governmental Activities and the Special Revenue Fund that is attributable to the transactions of the **Bureau**. Accordingly, they do not purport to, and do not, present fairly the financial position of the Government of Puerto Rico Public Service Regulatory Board as of June 30, 2024, the changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with *Generally Accepted Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the **Bureau's** internal control. Accordingly, no such opinion is expressed.
- 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 **Bureau's** ability to continue as a going concern for a reasonable period of time.

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



Certified Public Accountants / Management Advisors

*López-Vega, CPA, PSC*

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Budgetary Comparison Schedule on pages 4 through 12 and 39, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because of the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



**LOPEZ-VEGA, CPA, PSC**

San Juan, Puerto Rico

November 27, 2024

Stamp No.E537254 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

## Organization

The Puerto Rico Energy Bureau (**the Bureau**), formerly known as the Puerto Rico Energy Commission, was created under the provisions of Act No. 57 of May 27, 2014, the Puerto Rico Energy Transformation and Relief Act. Under the provisions of this Act, the **Bureau** is the governmental agency that regulates the energy industry in Puerto Rico. The **Bureau** was created with the primary intention of regulating the Puerto Rico Electric Power Authority (PREPA), which is the government-owned corporation that controls the monopoly of the distribution and transmission of all energy in Puerto Rico, as well as producing approximately 70% of all energy consumed in the Island. Before the **Bureau** came into existence, PREPA regulated both itself and the energy industry without any oversight. The **Bureau** began its operations on August 14, 2014, the date in which its president was appointed.

Organizationally, the **Bureau** is overseen by a Board of Directors comprised of three (3) commissioners appointed by the governor with the advice and consent of the Senate. The **Bureau** is also supported by an executive director who works together with the Puerto Rico Energy Affairs Administration and provides technical advice to the commissioners.

The **Bureau** shall be the key component for the faithful and transparent execution of the Puerto Rico Energy Reform. It shall be an independent government entity in charge of regulating, overseeing, and ensuring compliance with the public policy on energy of the Commonwealth of Puerto Rico. As a part of the energy reform, the **Bureau** shall adopt rules to ensure high efficiency in the generation of electricity based on fossil fuels. This shall lead to a more efficient use of fuel and, consequently, to lower energy production costs.

A key mission of the **Bureau** shall be to evaluate the plans PREPA is required to submit. In accordance with Act No. 57, PREPA shall submit to the **Bureau** an "Energy Relief Plan" regarding its obligation to efficiently generate electric power, various operational issues, and the integration of the renewable energy, among other mandates. Moreover, PREPA shall submit, for the evaluation of the **Bureau**, an integrated resource plan consisting of a twenty (20) year planning period. By evaluating and following up on these plans, the **Bureau** shall be able to guarantee the orderly and integrated development of the electrical system, thus ensuring reliability, efficiency, and transparency thereof, and the provision of electric power services at reasonable prices.

The **Bureau** shall approve the electricity rates proposed by PREPA and other electric power companies in the Island, and shall oversee all types of operations, processes, and mandates pertaining to the efficiency of the energy sector. It shall be the entity in charge of overseeing PREPA and other power producers, promoting the diversification of the energy sources as well as the reduction of energy costs.

The management of the **Bureau** provides this Management Discussion and Analysis ("MD&A") for the readers of the **Bureau's** basic financial statements. This MD&A provides a narrative overview and analysis of the financial activities of the **Bureau** for the year ended June 30, 2024, and is intended to serve as an introduction to the basic financial statements, which have the following components: (1) government-wide financial statements; (2) fund financial statements; (3) notes to the financial statements, and (4) required supplementary information. The MD&A is designed to: (a) assist the reader in focusing on significant financial matters; (b) provide an overview of the **Bureau's** financial activities; (c) identify any material changes from the original budget; and (d) highlight individual fund matters. We encourage readers to review this information together with the **Bureau's** basic financial statements that follow.

## FINANCIAL HIGHLIGHTS

### Government-Wide Highlights

- The **Bureau** reported total current assets amounting \$37,337,503 at June 30, 2024. The major category of current assets consisted of cash balance available amounting to \$37,310,567, which represents 99.92% of total current assets at that date.
- The **Bureau's** capital assets, net of accumulated depreciation, amounted to \$496,083.
- Total liabilities at June 30, 2024 amounted to \$2,011,101. The major categories of liabilities consisted of accounts payable (\$1,752,101), accrued liabilities (\$39,829) and accrued compensated absences (\$219,171).
- Total net position as of June 30, 2024 amounted to \$36,158,540.

### Special Revenue Fund Highlights

- Total Special Revenue Fund revenues for year ended June 30, 2024 amounted to \$21,602,534, including appropriations from PREPA and regulatory charges of \$20,027,500 which represents 92.71%.
- Total expenditures for year ended June 30, 2024 amounted to \$9,516,294. Also, during the fiscal year 2024, the **Bureau** recognized transfers of funds to the Independent Consumer Protection Office (ICPO) by \$672,000.
- The Special Revenue Fund balance as of June 30, 2024 amounted to \$35,545,573.

## Major Financial Elements

### Revenues

The Special Revenue Fund is the primary operating fund of the **Bureau**. Special Revenue Fund revenues are broadly based on appropriations from PREPA amounting to \$20,000,000 and other revenues (including interest revenues) amounting to \$1,602,534.

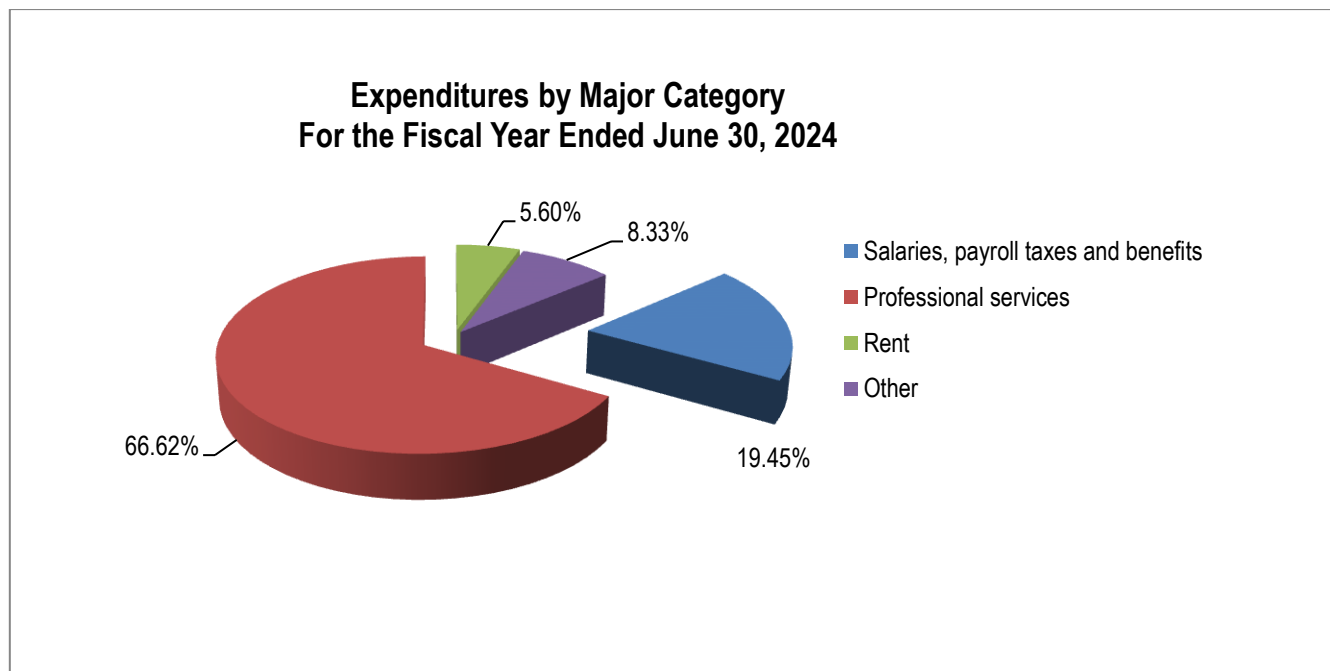
### Expenditures

Expenditures consist principally of salaries and employee benefits, contracted and professional services, rent, materials and supplies and capital outlays. Total operating expenditures amounted to \$9,516,294. The most significant expenditures were employees' salaries, payroll taxes and benefits (\$1,851,585) and contracted professional services (\$6,338,802), which represents 19.46% and 66.61% of total expenditures, respectively. Also, during the period, the **Bureau** recognized transfers to the ICPO amounting to \$672,000.

## FINANCIAL HIGHLIGHTS (continued)

### Expenditures (continued)

The following chart presents expenditures (including transfers) of the **Bureau** by major category for the year ended June 30, 2024:



## OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the **Bureau's** basic financial statements. The **Bureau's** basic financial statements comprise of three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to basic the financial statements. This report also contains additional required supplementary information in addition to the basic financial statements themselves. These components are described below. The basic financial statements include two kinds of financial statements that present different views of the **Bureau's** operations, the government-wide financial statements and the fund financial statements. Finally, the notes to the basic financial statements explain some of the information reported in the financial statements and provide more detail.

### Government-wide Financial Statements

The government-wide financial statements provide a broad view of the **Bureau's** operations in a manner similar to a private-sector business. The statement provides both short and long-term information about the **Bureau's** financial position, which assists in assessing the **Bureau's** economic condition at the end of the period.



## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

### Government-wide Financial Statements (continued)

These financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This basically means they follow methods that are similar to those used by most businesses. They take into account all revenue and expenses connected with the period even if the cash involved has not been received or paid. The government-wide financial statements include two statements:

- **Statement of Net Position** – This presents all of the government's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in the **Bureau's** net position may serve as a useful indicator of whether the financial position of the **Bureau** is improving or deteriorating.
- **Statement of Activities** – This presents information showing how the government's net position changes during the most recent period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenue for each function of the **Bureau**.

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The **Bureau**, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with fiscal-related governmental requirements. The fund financial statements focus on individual parts of the **Bureau's** administration, reporting the **Bureau's** operations in more detail than the government-wide financial statements. All of the funds of the **Bureau** are classified as governmental funds.

The services provided by the **Bureau** are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of expendable resources.

They also focus on the balances of expendable resources available at the end of the period. Such information may be useful in evaluating the governments near-term financial requirements. This approach is known as using the current financial resources measurement focus and the modified-accrual basis of accounting.

These statements provide a detailed short-term view of the **Bureau's** finances that assist in determining whether there will be adequate financial resources available to meet the current needs of the **Bureau**. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

### Fund Financial Statements (continued)

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds' balance sheet and the governmental funds' statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. This reconciliation is presented on the page immediately following the government-wide financial statements.

The **Bureau** has only one major governmental fund which is the Special Revenue Fund. This major fund is presented in the governmental funds' balance sheet and in the governmental funds' statement of revenues, expenditures and changes in fund balance. There are no remaining non-major governmental funds that shall be grouped and presented in the governmental fund financial statements.

### Notes to Basic Financial Statements

The notes provide additional information that is essential to fully understand the data provided in the government-wide and the fund financial statements.

### Required Supplementary Information

The statements and notes are followed by the required supplementary information that contains the budgetary comparison schedule for the Special Revenue Fund.

## SPECIAL REVENUE FUND FINANCIAL ANALYSIS

- Total revenues of the Special Revenue Fund for the year ended June 30, 2024 amounted to \$21,602,534.
- Total expenditures for the year ended June 30, 2024 amounted \$9,516,294.
- Total revenues exceeded total expenditures and transfers by \$12,086,240.
- Total transfers to the ICPO amounted to \$672,000.

The focus of the **Bureau's** governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the **Bureau's** financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of fiscal year 2024, the **Bureau's** governmental funds reported an ending fund balance of \$35,545,573.

### Net Position

The net position may serve over time as a useful indicator of a government's financial position. Total assets and total liabilities of the **Bureau** at June 30, 2024 amounted to \$38,169,641 and \$2,011,101, respectively, resulting in a net position of \$36,158,540.

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

### Net Position (continued)

A portion of the **Bureau's** net position reflects its investment in capital assets such as computer and office equipment, and leasehold improvements. The **Bureau** uses these capital assets to provide its regulatory services; consequentially, these assets are not available for future spending. The net investment in capital assets amounted to \$496,083 as of June 30, 2024.

Total current assets amounted to \$37,337,503 as of June 30, 2024, which are mainly composed of cash (\$37,310,567) and accounts receivable (\$26,936).

Total liabilities amounted to \$2,011,101 and are composed of accounts payable and accrued liabilities of \$1,791,930, and accrued and compensated absences of \$219,171.

A condensed summary of the statement of net position of the **Bureau** as of June 30, 2024 and 2023 is as follows:

### Condensed Statement of Net Position As of June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Assets:</b>		
Current assets	\$ 37,337,503	\$ 25,737,711
Due from OAT	336,055	336,055
Capital assets, net of accumulated depreciation	<u>496,083</u>	<u>623,398</u>
Total assets	<u>\$ 38,169,641</u>	<u>\$ 26,697,164</u>
<b>Liabilities:</b>		
Current liabilities	\$ 1,835,764	\$ 1,660,186
Long-term liabilities	<u>175,337</u>	<u>215,234</u>
Total liabilities	<u>2,011,101</u>	<u>1,875,420</u>
<b>Net position:</b>		
Net investment in capital assets	496,083	623,398
Unrestricted	<u>35,662,457</u>	<u>24,198,346</u>
Total net position	<u>36,158,540</u>	<u>24,821,744</u>
Total liabilities and net position	<u>\$ 38,169,641</u>	<u>\$ 26,697,164</u>

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

#### Changes in Net Position

The **Bureau's** net position amounted to \$36,158,540 as of June 30, 2024, which represents an increase of \$11,336,796, when compared with the balance of net position at the end of prior fiscal year of \$24,821,744. This increase in net position was mostly caused by the change in net position by the **Bureau** operations amounting to \$11,336,796 during the fiscal year 2024.

#### Condensed Statement of Activities For the fiscal years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Revenues:</b>		
Program revenues:		
Energy regulatory services	\$ 20,000,000	\$ 20,000,000
General revenues:		
Interest	1,575,034	832,814
Other revenues	<u>27,500</u>	<u>25,000</u>
Total revenues	21,602,534	20,857,814
<b>Expenses:</b>		
Energy regulatory services	<u>9,593,738</u>	<u>9,030,311</u>
Change in net position before transfers	<u>12,008,796</u>	<u>11,827,503</u>
<b>Transfers to:</b>		
ICPO	<u>(672,000)</u>	<u>(672,000)</u>
Total transfers	<u>(672,000)</u>	<u>(672,000)</u>
<b>Change in net position</b>	11,336,796	11,155,503
<b>Net position, beginning of year</b>	<u>24,821,744</u>	<u>13,666,241</u>
<b>Net position, end of year</b>	<u>\$ 36,158,540</u>	<u>\$ 24,821,744</u>

## SPECIAL REVENUE FUND BUDGETARY HIGHLIGHTS

### *Current Year's Budget*

On April 11, 2019, the Government enacted Law No. 17 to create the "Puerto Rico Energy Public Policy Act" for the purposes of establishing the Puerto Rico public policy on energy. Section 6.6 ("Budget and Regulatory Fees") of Law No. 17 establishes that beginning Fiscal Year 2019-2020, the annual budget of the **Bureau** shall be twenty million dollars (\$20,000,000) which shall be computed on the basis of a regulatory fee to be determined by the **Bureau**, from the annual gross income of the Electric Power Authority created by virtue of Act No. 83 of May 2, 1941, and electric power service companies in Puerto Rico.

The Puerto Rico Electric Power Authority or any electric power service company that operates the transmission and distribution network shall be required to collect from other electric power companies, pay and transfer the regulatory fee to the Energy Bureau as follows: a first payment of ten million dollars (\$10,000,000) on or before July 1<sup>st</sup> of each year and a second payment of ten million dollars (\$10,000,000) on or before January 1<sup>st</sup> of each year. Any delay in the payment of the regulatory fee shall entail a penalty equal to the interest rate applicable to private obligations as established by the Office of the Commissioner of Financial Institutions.

The provisions of this Section shall apply to every electric power service company under the jurisdiction of the Energy Bureau; provided that the contractual obligations to existing co-generators under agreements in effect as of the effective date of this Act are not impaired. No agreement entered into under Act No. 120-2018, shall exempt contracting companies from the payment of the regulatory fee described in this Section.

Also, as described on **Note 12**, under the provisions of Act No. 57, the **Bureau** shall appropriate by (\$672,000) of these funds to be provided to the Independent Consumer Protection Office (ICPO) for its operations.

Under Law 170-2019, Article 6.16 of Act 57-2014, was amended in order to modify the budget of the Energy Bureau and the way in which the regulatory charges are to be collected to cover the budget of the Energy Bureau.

The Special Revenue Fund's budget for the year ended June 30, 2024 was \$18,144,000. Actual total revenues amounted to \$21,602,534 and total expenditures amounted to \$9,516,294, resulting in an excess of revenues over expenditures of \$12,086,240.

### *Next Year's Budget*

The Special Revenue Fund budget for the fiscal year 2024-2025 amounted to \$18,303,000.

## CAPITAL ASSETS

The capital assets of the **Bureau** are those assets that are used in the performance of its functions. The investment in capital assets (net of accumulated depreciation) as of June 30, 2024 amounted to \$496,083. Additional information on the **Bureau's** capital assets can be found in the **Note 8** of the basic financial statements.

## **SPECIAL REVENUE FUND BUDGETARY HIGHLIGHTS (CONTINUED)**

### **CAPITAL ASSETS (CONTINUED)**

#### ***Depreciation Expense***

This expense is determined and recorded using a straight-line method over the estimated useful lives of the related assets. In accordance with generally accepted accounting principles in the United States of America (US GAAP), depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the year ended June 30, 2024, depreciation expense recorded on books amounted to \$168,051, and is presented in the statement of activities.

### **LONG-TERM DEBT**

Total accrued compensated absences owed by the **Bureau** amounted to \$219,171 as of June 30, 2024. Additional information on the **Bureau's** long-term liabilities can be found in the **Note 9** of the basic financial statements.

#### **Contacting the Bureau's Financial Management**

This financial report is designed to provide a general overview of the **Bureau's** finances for all those with an interest in the **Bureau's** finances. If you have questions about this report, please contact the **Government of Puerto Rico Public Service Regulatory Board Puerto Rico Energy Bureau (the Bureau)**, World Plaza Building, 268 Ave. Muñoz Rivera, Suite 702, San Juan, Puerto Rico 00918.

	<b>Governmental Activities</b>
<b>Assets</b>	
Current assets:	
Cash	\$ 37,310,567
Accounts receivable	<u>26,936</u>
Total current assets	<u>37,337,503</u>
Non-current assets:	
Due from OAT	336,055
Capital assets, net	<u>496,083</u>
Total non-current assets	<u>832,138</u>
Total assets	<u>\$ 38,169,641</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 1,752,101
Accrued liabilities	39,829
Accrued compensated absences, current portion	<u>43,834</u>
Total current liabilities	<u>1,835,764</u>
Non-current liabilities:	
Accrued compensated absences, non-current portion	<u>175,337</u>
Total non-current liabilities	<u>175,337</u>
Total liabilities	<u>2,011,101</u>
<b>Net position</b>	
Net investment in capital assets	496,083
Unrestricted	<u>35,662,457</u>
Total net position	<u>\$ 36,158,540</u>

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

Functions / Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position Governmental Activities
Governmental Activities:			
Energy Regulatory Services	<u>\$ 9,593,738</u>	<u>\$ 20,000,000</u>	\$ 10,406,262
General Revenues:			
Other revenues			27,500
Interest			<u>1,575,034</u>
Change in net position before transfers			12,008,796
Transfers to:			
ICPO			<u>(672,000)</u>
Change in net position			11,336,796
Net position, at beginning of year			<u>24,821,744</u>
Net position, at end of year			<u>\$ 36,158,540</u>

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



	<u>Special Revenue Fund</u>
<b>ASSETS</b>	
Cash	\$ 37,310,567
Accounts receivable	<u>26,936</u>
Total assets	<u>\$ 37,337,503</u>
 <b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 1,752,101
Accrued liabilities	<u>39,829</u>
Total liabilities	<u>1,791,930</u>
 <b>FUND BALANCE</b>	
Assigned	
Energy regulatory services	<u>35,545,573</u>
Total fund balance	<u>35,545,573</u>
Total liabilities and fund balance	<u>\$ 37,337,503</u>

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

Total fund balance per Fund Financial Statements	\$ 35,545,573
Amounts reported to governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements.	496,083
Other accounts receivable are not current financial resources and, therefore, are not reported in the fund financial statements.	336,055
Liabilities of accrued compensated absences that are not to be paid with current financial resources and, therefore, are not reported in fund financial statements.	<u>(219,171)</u>
Net position of governmental activities	<u>\$ 36,158,540</u>

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

	<u>Special Revenue Fund</u>
<b>REVENUES</b>	
Appropriations from PREPA	\$ 20,000,000
Interest	1,575,034
Other revenues	<u>27,500</u>
Total revenues	<u>21,602,534</u>
<b>EXPENDITURES</b>	
Salaries and benefits	1,720,322
Payroll taxes	131,263
Contracted and professional services	6,338,802
Office supplies	3,065
Rent	532,805
Capital outlays	32,290
Other	<u>757,747</u>
Total expenditures	<u>9,516,294</u>
Excess of revenues over expenditures before transfers	12,086,240
Transfers to: ICPO	<u>(672,000)</u>
Excess of expenditures and transfers over revenues	11,414,240
Fund balance, at beginning of year	<u>24,131,333</u>
Fund balance, at end of year	<u>\$ 35,545,573</u>

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

Excess of revenues over expenditures- total governmental funds	\$ 11,414,240
Amounts reported for governmental activities in the Statement of Activities 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 depreciation expense exceeded capital outlays for the period.	(127,315)
Some expenses reported in the statement of activities do not require the use of financial resources and therefore, are not reported as expenditures in the governmental funds. This includes the decrease in the accrued compensated absences debt.	<u>49,871</u>
Change in net position of governmental activities	<u>\$ 11,336,796</u>

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

## Note 1 - Governmental environment

### Organization

The Puerto Rico Energy Commission, presently known as the Puerto Rico Energy Bureau (“the **Bureau**”), was created on May 27, 2014 under the provisions of the “Puerto Rico Energy Transformation and Relief Act”. Under the provisions of this Act, the **Bureau** is the governmental agency that regulates the energy industry in Puerto Rico. The **Bureau** was created with the primary intention of regulating the Puerto Rico Electric Power Authority (PREPA), which is the government-owned corporation that controls the monopoly of distribution and transmission of energy in Puerto Rico, as well as producing approximately 70% of all energy consumed on the Island. The **Bureau** began its operations on August 14, 2014, the date in which its president was appointed. The **Bureau** shall be the key component for the faithful and transparent execution of the Puerto Rico Energy Reform. It shall be an independent government entity in charge of regulating, overseeing, and ensuring compliance with the public policy on energy of the Commonwealth of Puerto Rico. Organizationally, the **Bureau** is overseen by a Board of Directors comprised of three (3) commissioners appointed by the governor with the advice and consent of the Senate. The **Bureau** is also supported by an executive director who works together with the Puerto Rico Energy Affairs Administration and provides technical advice to the commissioners.

On August 12, 2018, Law No. 211 was enacted for the Execution of the Reorganization Plan of the Public Service Regulatory Board of Puerto Rico (PSRB) and amendments to several related laws adopted pursuant to the Law No. 122 of December 18, 2017. Under the provisions of this Law, the former Puerto Rico Energy Commission will be part of the PSRB and is known hereafter as the Puerto Rico Energy Bureau.

Accordingly, the Law No. 211 creates the PSRB under the plan submitted by the Governor and approved by the Legislative Assembly. The PSRB will consolidate under a new administrative and functional structure the Telecommunications Regulatory Board, the Public Service Bureau, the Independent Office of Consumer Protection, the Energy Administration of Puerto Rico and the Energy Commission.

The PSRB will operate as an independent agency and will be endowed with the capacity and powers necessary to comply with this Act and the Reorganization Plan of the Public Service Regulatory Board of Puerto Rico. This Law allows government activities of essential public services to be integrated into a single entity directed by a collegiate body, whose main mission will be to regulate, supervise and manage more efficiently the instrumentalities that are part of the component.

Under the provisions of Law No. 211, the PSRB will create and operate the Puerto Rico Telecommunications Bureau, the Puerto Rico Energy Bureau (formerly known as the Puerto Rico Energy Commission) and the Puerto Rico of Transportation and Other Public Services. The President of the PSRB, in coordination with the Commissioners of each Bureau, will prepare, administer, request, manage, receive, and formulate annual budgets, as well as determine the use and control of equipment, materials and all property transferred, always respecting the operational and functional independence of each Bureau.

**Note 1 - Governmental environment (continued)**

**Organization (continued)**

All funds available, of any nature, that come from the budgets, powers and or functions performed by the Bureaus, and that are transferred to the PSRB for administration, shall be used to cover the operational expenses of the PSRB and each of the Bureaus in compliance with the purposes for which they were intended, subject to the terms, restrictions, limitations and or requirements imposed on them by the applicable state or federal laws.

Beginning with the fiscal year 2019-2020 and subsequent years, the President, in coordination with the Executive Director and the Commissioners of each Bureau, shall prepare the annual budget of the Bureaus. The Executive Director shall submit the budget of the Bureaus to the Office of Management and Budget and to the Legislative Assembly for the inclusion and approval of their budgetary allocations.

The PSRB shall be composed of two (2) associate members and one (1) President, all appointed by the Governor of Puerto Rico with the advice and consent of the Senate of Puerto Rico, and may only be removed for just cause. Initially, the President shall hold office for a term of six (6) years and associate members shall hold office for a term of three (3) and two (2) years, respectively. The members of the PSRB who succeed the President and associate members, shall hold office for a term of four (4) years. The members of the Board shall be citizens of the United States of America and residents of Puerto Rico, and shall be of legal age, possess recognized professional capacity, moral probity, knowledge and experience in the field of public administration and government management, academic preparation and experience in matters under the jurisdiction of, at least, one of the regulatory instrumentalities consolidated in the Plan. However, one of the members must have experience in matters under the jurisdiction of the Energy Bureau.

On April 11, 2019, the Government enacted Law No. 17 to create the “Puerto Rico Energy Public Policy Act” for the purposes of establishing the Puerto Rico public policy on energy.

The accompanying basic financial statements of the **Bureau** presents the financial position, the changes in financial position and the Special Revenue Fund that is attributable to the transactions of the **Bureau**. Also, the basic financial statements of the **Bureau** have been prepared in accordance with accounting principles generally accepted in the United States, as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

In addition, the **Bureau** has prepared the required supplementary information titled Management’s Discussion and Analysis, which precedes the basic financial statements and the Budgetary Comparison Schedule – Special Revenue Fund, which succeeds the notes to the financial statements.

**Note 1 - Governmental environment (continued)**

**Financial reporting entity**

The financial reporting entity included in this report consists of the financial statements of the **Bureau** (primary government) and organizations for which the primary government is financially accountable. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. Other entities should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government. It is a matter of professional judgment to determine whether the nature and the significance of a potential component unit's relationship with the primary government warrant inclusion in the reporting entity. An entity should be considered a component unit if it meets any of the following three conditions:

1. The primary government appoints a voting majority of the entity's governing body, and either:
  - A financial benefit/burden exists between the primary government and the entity or;
  - The primary government can impose its will on the entity.
2. The entity is fiscally dependent on the primary government and there is a financial benefit/burden between the primary government and the entity.
3. It would be necessary to include the entity as a component unit since the primary government's financial statements would be misleading without it.

Based on the above criteria, there are no potential component units which should be included as a part of the financial statements.

**Note 2 - Summary of significant accounting policies**

**a. GASB No. 34**

The accompanying basic financial statements of the **Bureau** have been prepared in conformity with US GAAP as prescribed by the Governmental Accounting Standard 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 governments. The **Bureau** has adopted the provisions of GASB No. 34 as well as others statements referred to below.

**Note 2 - Summary of significant accounting policies (continued)**

**b. Basic of presentation - fund accounting**

The accounts of the **Bureau** 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 **Bureau'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.

**c. Governmental funds**

The **Bureau** reports the following major governmental fund:

**Special Revenue Fund** - This is the **Bureau's** primary operating fund. It accounts for all financial operations, except for those required to be accounted for in another fund, if any.

**d. 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 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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, i.e., that the liability will be liquidated with expendable available financial resources.

**e. 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 **Bureau**, as a whole. The **Bureau's** activities are considered governmental type. 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.



**Note 2 - Summary of significant accounting policies (continued)**

**f. Net position**

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the government-wide financial statements. Net position might be reported in three (3) categories:

- 1) **Net investment in capital assets** - it consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of long-term debt that is attributable to the acquisition, construction or improvement of those assets.
- 2) **Restricted net position** – results when constraints placed on net position use are externally imposed by grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- 3) **Unrestricted net position** - this consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

**g. Net position flow assumption**

Sometimes, the **Bureau** will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the **Bureau's** policy to consider restricted - net position to have been depleted before unrestricted - net position applied.

**h. 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. The government has three (3) items that qualify for reporting in this category:

**Note 2 - Summary of significant accounting policies (continued)**

**h. Deferred outflows/inflows of resources (continued)**

- 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 of the governmental funds and in the government-wide statement of net position. The amounts deferred would be recognized as an inflow of resources (revenue) in the period in which the time requirements are fulfilled.
- 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.
- 3) **Deferred outflows/inflows of resources related to pensions** - Amounts reported for changes in calculation of the net pension liability that result from: a) differences between expected and actual experience; b) changes of assumptions; c) net difference between projected and actual earnings on pension plan investments; d) changes in proportion and difference between the **Bureau's** contributions and proportionate share contributions; and e) the **Bureau's** contributions subsequent to the measurement date.

**i. Non-exchange transactions**

GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions" established accounting and financial reporting standards for non-exchange transactions involving financial or capital resources (for example, most taxes, grants and private donations). In non-exchange transactions, a government gives (or receives) value without directly receiving (or giving) equal value in return. This is different from an exchange transaction, in which each party receives and gives up essentially equal values. Under the provisions of this Statement, the provider and the recipient should recognize the non-exchange transaction as an expense/expenditure and revenue, respectively, when all eligibility requirements are satisfied.

**j. Capital assets**

Property and equipment purchased or acquired is carried at historical cost or estimated historical cost. The **Bureau's** capitalization policy is to capitalize individual amounts exceeding \$500. Other costs incurred for repair and maintenance are expensed as incurred. Capital assets utilized in the governmental funds are recorded as expenditures in the governmental funds financial statements. Depreciation expense is recorded in the government-wide financial statements. Depreciation on all assets is calculated on the straight-line basis over the asset's estimated useful life. There is no depreciation recorded for land and construction in progress. The estimated useful lives of capital assets are as follows: 1) office and computer equipment and furniture five (5) years; 2) leasehold improvements ten (10) years.

**Note 2 - Summary of significant accounting policies (continued)**

**k. Compensated absences**

The **Bureau's** employees accumulate vacations and sick leave. Compensated absences are recorded as a liability if (1) are earned on the basis of services already performed by employees, (2) it is probable that will be paid (in the form of paid time off, cash payments at termination or retirement, or some other means) and (3) are not contingent on a specific event (such as illness). The **Bureau's** employees accumulate unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee.

On February 4, 2017, the Government enacted Law No. 8 for the Administration and Transformation of the Human Resources of the Government of Puerto Rico. Effective on that date, this Law established and recognizes that the government is a Single Employer. Under the provisions of this law annual vacation days were reduced from thirty (30) to fifteen (15) days. The vacation days may be accumulated to a maximum of sixty (60) days.

Also, the employees hire before the effectiveness of this law, will be granted annually with eighteen (18) days of sick leave. In addition, the employees hire after the effectiveness of this law, will be granted annually with twelve (12) days of sick leave. In both cases, the sick leave days may be accumulated to a maximum of ninety (90) days. Under the provisions of Law No. 176 of December 16, 2019, annual/sick leave days were increase to 18 days.

On December 16, 2019, the Government enacted Law No. 176 to amend the provisions of Law No. 8. Accordingly, annual vacation days were increase to 30 days, which may be accumulated up to sixty (60) days.

The accrual of compensated absences includes estimated payments that are related to payroll. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds financial statements, only the matured amount that is normally expected to be paid using expendable available financial resources is reported as liability. The non-current portion of the liability is not reported. Separation from the employment prior to the use of all or part of the sick leave terminates all rights for compensation, except for employees with ten years of services, who are entitled to sick leave pay up to the maximum allowed. The **Bureau** accrues a liability for compensated absences which meet the following criteria: a) the **Bureau's** obligations relating to employee's rights to receive compensation for future absences are attributable to employee's services already rendered; b) the obligations relate to right that vest or accumulate; c) payment for the compensation is probable; d) the amount can be reasonably estimated.

In accordance with the above criteria and requirements as established by GASB No. 16, the **Bureau** has accrued a liability for compensated absences, which has been earned but not taken by the **Bureau's** employees. For the government-wide statements, the current portion is the amount estimated to be used in the following year. For the governmental funds statements, the matured portion of compensated absences is only considered and represents a reconciling item between the fund level and government-wide presentation. Accrued compensated absences as of June 30, 2024 amounted to \$219,171.

**Note 2 - Summary of significant accounting policies (continued)**

**i. Fund balance reporting**

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 service 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.

GASB No. 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

**Non-spendable** - such balance is associated with inventories, prepaid and long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).

**Restricted** - this category includes amounts that can be spent only for the specific purpose stipulated by constitution, external source providers or through enabling legislation.

**Committed** - this classification includes amounts that can be used only for specific purposes determined by a formal action of the entities' highest level decision making authority.

**Assigned** - this classification is intended to be used by the government for specific purposes but do not meet the criteria to be committed.

**Unassigned** - it is the residual classification for the government's special revenue fund and includes all expendable amounts not contained in the other classifications.

**m. Fund balance flow assumptions**

Sometimes, the **Bureau** will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the **Bureau's** policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Note 2 - Summary of significant accounting policies (continued)**

**n. Leases**

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

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

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

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

In May 2020, the Government Accounting Standards Board (GASB) issued Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). GASB Statement No. 96 (GASB 96) establishes uniform accounting and financial reporting requirements for SBITAs; improves the comparability of government's financial statements; and enhances the understandability, reliability, relevance, and consistency of information about SBITAs.

GASB 96 applies to government agencies who are currently using information technology (IT) software as specified in their contracts. GASB 96 applies to all contracts meeting the definition of a SBITA, unless specifically excluded. As defined in GASB Statement No. 96, paragraph 6, a SBITA is a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (with underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

**Note 2 - Summary of significant accounting policies (continued)**

**p. Use of estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the basis financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**q. Reclassification**

Certain reclassifications have been made in the accompanying financial statements which affect the comparability with the financial statements issued for previous fiscal years.

**Note 3 - Cash**

**Deposits**

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

**Custodial credit risk**

Custodial credit risk - deposits: is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The **Bureau** maintains cash deposits in one commercial bank located in Puerto Rico. Under Commonwealth of Puerto Rico statutes, public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of insurance provided by the Federal Deposit Insurance Corporation (FDIC). All securities pledged as collateral by the **Bureau** are held by agents designated by the Puerto Rico Secretary of Treasury but not in the **Bureau's** name. At June 30, 2024, total deposits in the commercial bank amounted to \$37,310,567. All deposits are carried at cost plus accrued interest, if any.

**Note 4 - Risk financing**

The **Bureau** carries commercial insurance to cover casualty, theft, claims and other losses. The **Bureau's** current insurance policies have not been cancelled or terminated. For workers compensation, the State Insurance Fund Corporation, a component unit of the Commonwealth of Puerto Rico, provides the workers compensation to the **Bureau's** employees in case of injuries in the workplace.

**Note 5 - Accounts receivable**

The accounts receivable balance as of June 30, 2024 amounted to \$26,936. These accounts receivable are mostly composed of regulatory fees billed by the **Bureau** to applicable electric power service companies in Puerto Rico for regulatory fees billed by the **Bureau** and other receivable (See **Note 6**).

**Note 6 - Regulatory fees**

The **Bureau** shall impose and collect fees pursuant the provisions of Section 6.16 of Act No. 57 in order to generate sufficient income to cover its operating expenses and those of the Commonwealth Energy Public Policy Office (CEPPO). The annual fee shall be fixed by the **Bureau** proportionally on the basis of the gross income earned by any person under the jurisdiction of the **Bureau** from the provision of electric power services, or electric power transmission services. These fees shall be paid to the **Bureau** on a quarterly basis, pursuant the regulations promulgated by the **Bureau**. The **Bureau** shall review annually the fee to be imposed on persons under its jurisdiction, in accordance with Section 6.16.

Any other person or electric power service company that earns profit from the generation of electric power shall pay a fee to the **Bureau** that shall not exceed .25% of its annual gross income earned from the provision of such services in Puerto Rico. No electric power service company that has entered into a power purchase agreement, an interconnection agreement or a wheeling agreement with PREPA may claim a refund for or include the expenses incurred in connection with the annual fee paid to the **Bureau** in the computation of rates, the capacity fee, energy fee or any other fee or sum of money that such electric power service company collects from PREPA under such power purchase agreement, interconnection agreement, or wheeling agreement. The following table shows the amount revenues of the Bureau derived from the Puerto Rico Electric Power Authority appropriations and the regulatory fees charges to the electrical power companies in Puerto Rico for the fiscal year ended June 30, 2024.

	<b>Amount</b>
Puerto Rico Electric Power Authority	\$ 20,000,000
Other fees and fines	<u>27,500</u>
Total	<u>\$ 20,027,500</u>

**Note 7 - Due from OAT**

On February 3, 2015, AFI and the **Bureau** entered into a Lease Agreement for certain offices owned by AFI located in World Plaza Building (the building) in San Juan (See **Note 11**). As per Articles 8 and 9 of the Agreement, AFI is required to reimburse to the **Bureau** the cost of repairs and improvements that would be made to the leased facilities up to a limit, which is based on the space leased by the **Bureau**. The claim made by the **Bureau** amounted to \$336,055 and was determined by the officers of the company that administers the building facilities.

Subsequently, on September 29, 2020, the building was acquired by the “*Oficina de Administración de Tribunales*” (OAT). Accordingly, the outstanding claim made by the **Bureau** shall be assumed by OAT.

**Note 8 - Capital assets**

Capital assets activity of the **Bureau** for the year ended June 30, 2024, consisted of the following:

	<u>Balance as of July 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance as of June 30, 2024</u>
Capital assets being depreciated:				
Office equipment	\$ 287,321	\$ -	\$ -	\$ 287,321
Computer equipment	330,281	40,736	-	371,017
Leasehold improvements	<u>701,545</u>	<u>-</u>	<u>-</u>	<u>701,545</u>
	<u>1,319,147</u>	<u>40,736</u>	<u>-</u>	<u>1,359,883</u>
Less accumulated depreciation:				
Office equipment	(143,287)	(48,880)	-	(192,167)
Computer equipment	(178,201)	(49,016)	-	(227,217)
Leasehold improvements	<u>(374,261)</u>	<u>(70,155)</u>	<u>-</u>	<u>(444,416)</u>
Total accumulated depreciation	<u>(695,749)</u>	<u>(168,051)</u>	<u>-</u>	<u>(863,800)</u>
Capital assets, net of accumulated depreciation	<u>\$ 623,398</u>	<u>\$ (127,315)</u>	<u>\$ -</u>	<u>\$ 496,083</u>

Depreciation expense amounting to \$168,051 was charged to the Energy Regulatory Services function in the government-wide statement of activities.

**Note 9 - Long-term liabilities**

Long-term liabilities consists of compensated absences balances of accrued vacation and sick leave and represents the **Bureau's** commitment to fund such costs from future assignments. The following summarizes the activity of the compensated absences obligations as of June 30, 2024:

	<u>Balance as of June 30, 2023</u>	<u>Net Change</u>	<u>Balance as of June 30, 2024</u>	<u>Due within one year</u>
Governmental Activities:				
Compensated absences	\$ 269,042	\$ (49,871)	\$ 219,171	\$ 43,834
	<u>\$ 269,042</u>	<u>\$ (49,871)</u>	<u>\$ 219,171</u>	<u>\$ 43,834</u>



**Note 10 - Employees' pension plan**

As of June 30, 2024, the **Bureau** is in the process of evaluating a pension plan for its employees. As of that date, the **Bureau's** employees might be entitled to participate in the Employee's Retirement System of the Government of Puerto Rico (ERS).

In order to be covered by and participate in the ERS, the **Bureau's** governance body shall submit a resolution and an application to the ERS establishing their interest to be accepted into the ERS. Once completed and submitted to the ERS, the application will be subject to the evaluation and approval of the ERS's Board of Trustees.

As of the date of the financial statements, the **Bureau** has not issued a resolution and/or made a decision in order to establish a pension plan for its employees.

**Note 11 - Commitments**

The **Bureau** has non-cancelable operating leases with the Public Finance Administration (AFI), primarily for the **Bureau's** administrative facilities, that expire on July 31, 2021 over minimum term of five (5) years and can be renewed for additional terms, as provided in each contract. For the period ended June 30, 2024, rent expenditures for the **Bureau** amounted to \$532,805 under such operating leases. Additional future payments are dependent upon lease agreement renewal.

On July 30, 2021, the **Bureau** renewed the lease agreement for a period of five (5) years commencing on August 1, 2021 and expiring on July 31, 2026. The new lease agreement calls for monthly payments of \$44,400. The new agreement was entered with OAT, which acquired the World Plaza Building on September 29, 2020.

The future minimum payments of these leases for the next three (3) fiscal years are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2025	\$ 532,805
2026	532,805
2027	<u>44,400</u>
	<u>\$ 1,110,010</u>

The **Bureau** evaluated all of its leases agreements to determine whether any of them met the requirements of GASB 87 of the Government Accounting Standards Board, which requires recognition in the financial statements of certain assets and liabilities for those leases that meet any of the criteria established by said Statement. Based on the foregoing, the **Bureau** determined that none of its leases meets any of the criteria established by the GASB 87. Accordingly, no lease assets or liabilities were recognized in the financial statements as of June 30, 2024.

## Note 12 – Subscription-based Information Technology Arrangements (GASB No. 96)

Effective on July 1 2022, the Commission adopted the provisions of GASB Statement No. 96. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

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

GASB No. 96 specifically excludes the following arrangements:

- Contracts that convey control of the right to use another entity's combination of IT software and tangible capital assets that meet the definition of a lease in GASB Statement No. 87 (GASB No. 87), in which the software component is insignificant when compared to the cost of the underlying asset.
- Governments that provide the right to use their IT software to other entities through SBITAs (as a pass-through and therefore not the end user.)
- Contracts that meet the definition of Public-Private and Public-Public Partnerships in GASB Statement No. 94.
- Licensing arrangements that provide a perpetual license (subject to GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets.)
- SBITAs also exclude contracts that only provide IT support services.

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

#### **Note 12 – Subscription-based Information Technology Arrangements (GASB No. 96) (continued)**

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

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

The implementation of the GASB No. 96 does not have a significant impact on the **Bureau’s** financial statements for the fiscal year ended June 30, 2024. Accordingly, at that date, the **Bureau** do not recognized an asset of liability related to any existing information technology arrangements.

#### **Note 13 - Transfers to ICPO and PREA**

##### ***Independent Consumer Protection Office (ICPO)***

Under the provisions of Act No. 57 of May 27, 2014, Section 6.41 provides for the creation of the Independent Consumer Protection Office (ICPO). The ICPO was created to educate, advice, assist, and represent electric power customers in the Commonwealth of Puerto Rico. Act No. 57 establishes the following in relation to the Office:

- Shall have the administrative support of the **Bureau**, the Commonwealth Energy Public Policy Office, PREPA and any other electric power company certified in the Commonwealth of Puerto Rico.
- Shall be composed of a Director, appointed by the governor with the advice and consent of the Senate, for a term of six (6) years as well as of the personnel and external consultants necessary to fully carry out the duties and functions of the ICPO.

Also, in accordance with the provisions of Act No. 57, the ICPO shall receive an annual appropriation of the amounts appropriated to the **Bureau**. During the fiscal year ended June 30, 2024, the **Bureau** recognized transfers of funds to the ICPO by \$672,000.

##### ***Puerto Rico Energy Administration (PREA)***

The provisions of Section 6.1 of Act No. 57 of May 27, 2014, provides for the creation of the Puerto Rico Energy Administration (PREA). The PREA was created as an independent and autonomous governmental entity that will provide support to the **Bureau**, to the State Office of Public Energy Policy (SOPEP) and the Independent Consumer Protection Office (ICPO). The PREA will provide support to those entities to regulate, supervise and ensure compliance with the public energy policy of the Commonwealth of Puerto Rico.

**Note 13 - Transfers to ICPO and PREA (continued)**

***Puerto Rico Energy Administration (PREA) (continued)***

The PREA will be directed by an Administrator and will be the administrative and operational support of the **Bureau**, the SOPEP and the ICPO that are established through Act No. 57. In its capacity as administrative and operational support, the PREA will offer these entities administrative services, such as human resources management, procurement, budget, finance, technology, maintenance and others.

The PREA's Administrator will be appointed by a majority vote of the President of the **Bureau**, the Executive Director of the SOPEP, and the Director of the ICPO. Due to the financial crisis of the Commonwealth of Puerto Rico the Office of Management and Budget of Puerto Rico (OMBPR) was not able to provide a budget appropriation to provide funds for the operations of PREA.

Accordingly, on June 1, 2016, the PREA entered into a collaborative agreement with the **Bureau**, the SOPEP and the ICPO. Under this agreement these governmental entities will transfer funds for the PREA operations until the OMBPR is able to provide a budget appropriation or the PREA can have its own funds. During fiscal year 2024 no transfers of funds to PREA were approved and recognized on the **Bureau's** basic financial statements.

**Note 14 - Adoption of new accounting pronouncements**

Effective July 1, 2023, the **Bureau** adopted the provisions of the following GASB Statements:

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

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

**Note 14 - Adoption of new accounting pronouncements (continued)**

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

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

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

The implementation of this statement has no significant impact in the **Bureau's** financial statement for the fiscal year ended June 30, 2024.

**Note 15 - Future adoption of accounting pronouncements**

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

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

- ***GASB Statement No. 102 – “Certain Risk Disclosures”:*** The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

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

**Note 15 - Future adoption of accounting pronouncements (continued)**

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

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

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

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

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

- **GASB Statement No. 103 – “*Financial Reporting Model Improvements*”:** The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues.

*Management’s Discussion and Analysis* - This Statement continues the requirement that the basic financial statements be preceded by management’s discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government’s financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that “boilerplate” discussions should be avoided by presenting only the most relevant information, focused on the primary government. In addition, this Statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units.

**Note 15 - Future adoption of accounting pronouncements (continued)**

- **GASB Statement No. 103 – “Financial Reporting Model Improvements” (continued)**

*Unusual or Infrequent Items* - This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

*Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position* - This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses.

In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses. Subsidies are defined as (1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund’s current or future fees and charges lower than they would be otherwise, (2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services to the proprietary fund and (b) that are recoverable through the proprietary fund’s current or future pricing policies, and (3) all other transfers.

*Major Component Unit Information* - This Statement requires governments to present each major component unit separately in the reporting entity’s statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

*Budgetary Comparison Information* - This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

**Note 15 - Future adoption of accounting pronouncements (continued)**

- **GASB Statement No. 104 - “Disclosure of Certain Capital Assets”:** State and local governments are required to provide detailed information about capital assets in notes to financial statements. Statement No. 34, *“Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments”*, requires certain information regarding capital assets to be presented by major class. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *“Leases”*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *“Public-Private and Public-Public Partnerships and Availability Payment Arrangements”*, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *“Subscription-Based Information Technology Arrangements”*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

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

**Note 16 - Subsequent events**

Subsequent events were evaluated through November 27, 2024, the date the financial statements were available to be issued. No significant events that should have been recorded or disclosed in the financial statements were noted.



	<u>Budget Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
PREPA appropriations	\$ 18,144,000	\$ 18,144,000	\$ 20,000,000	\$ 1,856,000
Other revenues	-	-	27,500	27,500
Interest	-	-	1,575,034	1,575,034
Total revenues	<u>18,144,000</u>	<u>18,144,000</u>	<u>21,602,534</u>	<u>3,458,534</u>
Expenditures				
Salaries and fringe benefits	3,209,000	3,209,000	1,851,585	1,357,415
Contracted and professional services	6,974,000	6,974,000	6,338,802	635,198
Office supplies	54,000	54,000	3,065	50,935
Transportation	92,000	92,000	-	92,000
Rent	-	-	532,805	(532,805)
Capital outlays	250,000	250,000	32,290	217,710
Other	7,565,000	7,565,000	757,747	6,807,253
Total expenditures	<u>18,144,000</u>	<u>18,144,000</u>	<u>9,516,294</u>	<u>8,627,706</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,086,240</u>	<u>\$ 12,086,240</u>

See accompanying notes to budgetary comparison schedule

**1. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Control**

The Budgetary Comparison Schedule - Special Revenue Fund only presents the information for the special revenue fund for which there is a legally adopted budget, as required by GAAP. It presents comparisons of the legally adopted budget with actual data on a budgetary basis. The **Bureau's** budget is prepared for the Special Revenue Fund by the President of the PSRB in coordination with the Commissioner of the **Bureau**, as described on **Note 1**. The budget is prepared on a budgetary (statutory) basis of accounting which is different from GAAP. Revenues include amounts classified by GAAP as other financing sources and are generally recognized when cash is received. Expenditures include encumbrances and amounts classified by GAAP as other financing uses and are generally recorded when the related expenditure is incurred or encumbered. Unencumbered appropriations lapse at year end.

On a GAAP basis, encumbrances outstanding at year end are reported in the governmental funds as a designation of fund balance since they do not constitute expenditures or liabilities, while on a budgetary basis encumbrances are recorded as expenditures of the current year. On the other hand, under the statutory basis of accounting, the **Bureau** uses encumbrance accounting to record the full amount of purchase orders, contracts, and other commitments of appropriated resources as deductions from the appropriation prior to actual expenditure. In the governmental funds, encumbrance accounting is a significant aspect of budgetary control.

The presentation of the budgetary data excludes long-term obligations such as compensated absences and depreciation charges for capital assets. Historically, those obligations have been budgeted on a pay-as-you-go basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of entity, timing, and basis differences in the excess (deficiency) of revenue and other financing sources over (under) expenditures and other financing uses for the year ended June 30, 2024 is presented below for the Special Revenue Fund:

**Uses / outflows of resources:**

Actual amounts (budgetary basis) “total charges to appropriation” from the budgetary comparison schedule	\$ 9,516,294
Encumbrances at end of period	_____ -
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<b><u>\$ 9,516,294</u></b>