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

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

TABLE OF CONTENTS

	PAGES
Independent Auditors' Report	1-3
Financial Statements:	
Management's Discussion and Analysis (Unaudited)	4-11
Statement of Net Position	12-13
Statement of Revenues, Expenses and Changes in Net Position	14
Statement of Cash Flows	15-16
Notes to Financial Statements	17-40
Required Supplementary Information:	
Schedule of Proportionate Share of Total Pension Liability	41
Schedule of Proportionate Share of Total Other Postemployment Benefits Liability	42
Notes to Schedule of Proportionate Share of Other Postemployment Benefits and Total Pension Liability	43

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the **Commonwealth of Puerto Rico Bureau of Emergency System 9-1-1 (An Operational Component of the Department of Public Safety and Security) (the Bureau)**, as of and for the year ended June 30, 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the **Bureau**, as of June 30, 2024, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of a Matter

Restatement of Prior Year Financial Statements

As discussed in **Note 14,** the 2023 financial statements have been restated to adjust the effect of the **Bureau's** to correct the balances of certain assets and liabilities. Our opinion is not modified with respect to these matters.

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 the **Bureau's** ability to continue as a going concern for a reasonable period of time.

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

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 on pages **4** through **11**, the schedule of proportionate share of collective total pension liability and the schedule of proportionate share of OPEB liability on pages **40** through **42** be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

López-Vega CPA, PSC

LOPEZ VEGA, CPA, PSC

San Juan, Puerto Rico
January 15, 2025

COLEGIO DE CONTADORES
PÚBLICOS AUTORIZADOS DE PUERTO RICO
CPA
$5.00 SELLO
$2.00 ÍNDICE

DPSC59-1

COMMONWEALTH OF PUERTO RICO
BUREAU OF EMERGENCY SYSTEM 9-1-1

The Management of the **Commonwealth of Puerto Rico Bureau of Emergency System 9-1-1 (An Operational Component of the Department of Public Safety and Security**) (the **Bureau**) provides this Management's Discussion and Analysis for the readers of the **Bureau's** financial statements. This narrative provides our analysis of the **Bureau's** financial performance during the fiscal year ended June 30, 2024. Please read it in conjunction with the financial statements, which follows this section.

Entity Reorganization

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

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

The **Bureau** manages the operations of the 9-1-1 call center for public safety and emergencies. Also, it is responsible for the distribution of said calls to the Bureaus of the Public Security Department, other agencies or instrumentalities, other emergency service providers or any other entity authorized by the Department for their effective attention.

The Secretary of the Department of Public Safety and Security of the Commonwealth of Puerto Rico is responsible for the administration and direct supervision of the **Bureau**. The Law No. 20 also created the position of Commissioner for the **Bureau**, which is in charge of the daily operations of the **Bureau**. The Commissioner is appointed by the Governor with the advice and consent of the Senate of Puerto Rico.

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

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

THIS SPACE IS LEFT INTENTIONALLY IN BLANK

Financial Highlights

The following comments about the financial condition and results of operations as reflected in the financial statements prepared for the fiscal year 2024 deserve special mention:

- Total assets and deferred outflows of resources increased by $7,660,389 and total liabilities and deferred inflows of resources increased by $1,365,213.

- The **Bureau's** net position as of June 30, 2024 amounted to $55,153,568, an increase of $6,295,176, when compared with the 2023 fiscal year, as restated.

- Total operating revenues increased by $203,599 or 0.88%.

- Operating expenses increased by $5,125,026 or 24.5%.

- Distributions to emergency agencies and municipalities increased by $4,887,261, from $7,177,760 during 2023, as restated, to $12,065,021 during 2024.

Overview of the Financial Statements

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

The financial statements of the **Bureau** report information using accounting methods similar to those used by private sector companies. The statements offer short-term and long-term financial information about its activities. The statement of net position is the first required statement; it includes all of the **Bureau's** assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and nature and extent of obligation (liabilities). It also provides the basis for computing the rates of return, evaluating the capital structure and assessing the liquidity and financial flexibility of the **Bureau**.

All of the current revenues and expenses are accounted for in the statement of revenues, expenses and changes in net position, which is the second required financial statement. This statement measures the profitability of the **Bureau's** operations over the current year and can be used to determine whether the **Bureau** has successfully recovered all its costs through its user fees and other charges.

The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the **Bureau's** cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and non-capital financial activities. It also provides information regarding sources of cash, uses of cash, and the changes in the cash balance during the reporting period.

Financial Analysis of the Bureau

The statement of revenues, expenses and changes in net position provides a broad view of the **Bureau's** operations in a manner similar to a private business sector, while the statement of net position provides both short-term and long-term information about the **Bureau's** financial position, which helps in assessing the **Bureau's** economic condition at the end of the fiscal year. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting, similar to those used by most businesses. This method takes into account all revenues and expenses related with the fiscal year even if cash involved has not been received or paid. The statement of net position presents all of the **Bureau's** assets and liabilities, with the difference between the two reported as "net position". Over time, increase or decrease in the **Bureau's** net position may serve as a useful indicator of whether the financial position of the **Bureau** is improving or deteriorating.

The operations of the **Bureau** are intended to recover all or a significant portion of their costs through the imposition of a monthly charge of $0.50 for residential and cellular telephone accounts, and $1.00 for commercial telephone accounts. The charges are billed and collected by telephone service provider companies, who, at the end of each month, reimburse the amounts collected to the **Bureau**. Law No. 20 of April 10, 2017, require the **Bureau** to transfer the part of the funds collected from the provider companies to those agencies that provide the emergency services (Bureau of Firefighters Corps, Bureau of Police, Family Department's Social Emergency Program, Municipal Offices for Emergency Management and State Agency for Emergency Management). On May 25, 2018, the circular letter MCNSE911-18-0024 was issued to amend this procedure indicating that the **Bureau** must obligate the budgeted part for the distribution of funds to the emergency agencies.

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

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

THIS SPACE IS LEFT INTENTIONALLY IN BLANK

Financial Analysis of the Bureau (continued)

The following table provides a summary for the **Bureau's** statements of net position as of June 30, 2024 and 2023, as restated:

	2024	2023 (as restated)	Change
Assets:			
Current assets	$ 71,132,645	$ 59,954,239	$ 11,178,406
Capital assets	8,074,566	9,887,384	(1,812,818)
Total assets	79,207,211	69,841,623	9,365,588
Deferred outflows of resources	403,637	2,108,836	(1,705,199)
Total assets and deferred outflows of resources	79,610,848	71,950,459	7,660,389
Liabilities:			
Current liabilities	16,946,218	13,310,805	3,635,413
Noncurrent liabilities	7,482,202	9,291,806	(1,809,604)
Total liabilities	24,428,420	22,602,611	1,825,809
Deferred inflows of resources	28,860	489,456	(460,596)
Total liabilities and deferred inflows of resources	24,457,280	23,092,067	1,365,213
Net position	$ 55,153,568	$ 48,858,392	$ 6,295,176

Statement of Net Position

The **Bureau's** net position as of June 30, 2024, amounted to $55,153,568 resulting in a net increase of $6,295,176 from its net position as of June 30, 2023, amounting to $48,858,392, as restated. Total assets and deferred outflows of resources increased by $7,660,389 during the fiscal year ended June 30, 2024. This increase is mainly due to the net effect of (1) the increase in cash of $5,045,535; (2) an increase in accounts receivable of $6,097,974; (3); the decrease of $1,705,199 in deferred outflows of resources; and (4) net capital assets balance decreased by $1,812,818.

Total liabilities and deferred inflows of resources increased by $1,365,213 mainly due to an increase in current liabilities of $3,635,413, a decrease in noncurrent liabilities of $1,809,604 and a decrease in deferred inflows of resources of $460,596.

Statement of Revenues, Expenses and Changes in Net Position

The following table provides a summary of the **Bureau's** changes in net position for the years ended June 30, 2024 and 2023, as restated:

	2024	2023 (as restated)	Change
Operating revenues:			
Emergency telephone service charges, net	$ 23,351,245	$ 23,147,646	$ 203,599
Operating expenses:			
Personnel services	9,854,778	9,744,841	109,937
Administrative	2,318,800	2,244,441	74,359
Depreciation and amortization	1,812,818	1,759,349	53,469
Distributions to emergency management agencies and municipalities	12,065,021	7,177,760	4,887,261
Total operating expenses	26,051,417	20,926,391	5,125,026
Operating income (loss)	(2,700,172)	2,221,255	(4,921,427)
Non-operation revenues (expenses)	8,995,318	1,811,541	7,183,777
Increase (decrease) in net position	6,295,176	4,032,796	2,262,380
Beginning net position, as restated	48,858,392	44,825,596	4,032,796
Ending net position	$ 55,153,568	$ 48,858,392	$ 6,295,176

Analysis of Changes in Net Position

Net position increased by $6,295,176 from $48,858,392 in 2023 (as restated), to $55,153,568 in 2024 due to the result of current year operation, as follows:

- Net operating revenue increased by $203,599, from $23,147,646 in 2023 to $23,351,245 in 2024, an increase of 0.88%.

Analysis of Changes in Net Position (continued)

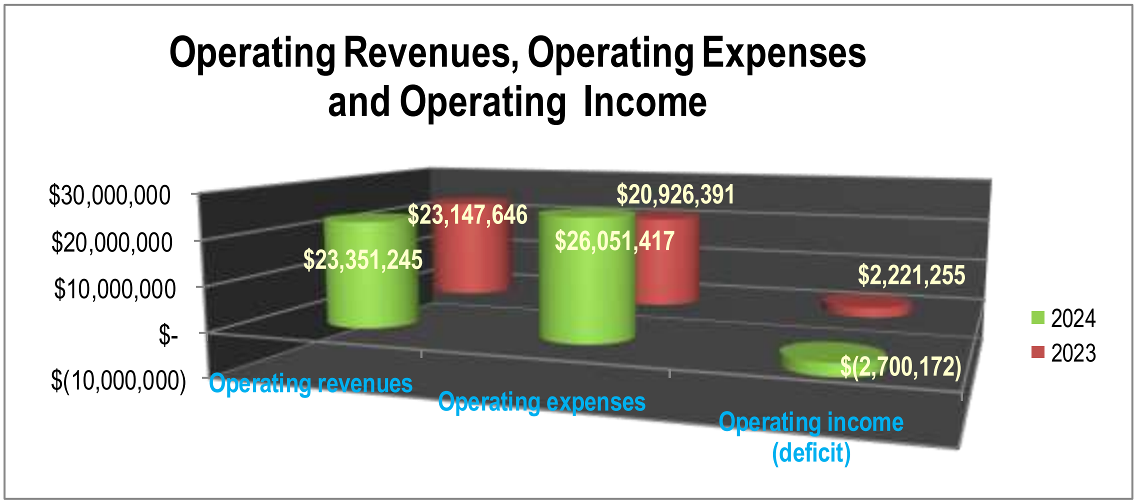
- Operating expenses increased by $5,125,026 or 24.5%.

- Total distributions to emergency management agencies and municipalities increased by $4,887,261, which represents an increase of 68.09% when compared with fiscal year 2023, as restated.

- Total non-operational revenues (expenses) increased by $7,183,777. This increase was mainly caused by the increase on interest revenues of $1,338,700 and the increase on other revenues of $5,539,725.

The Bureau as a Whole

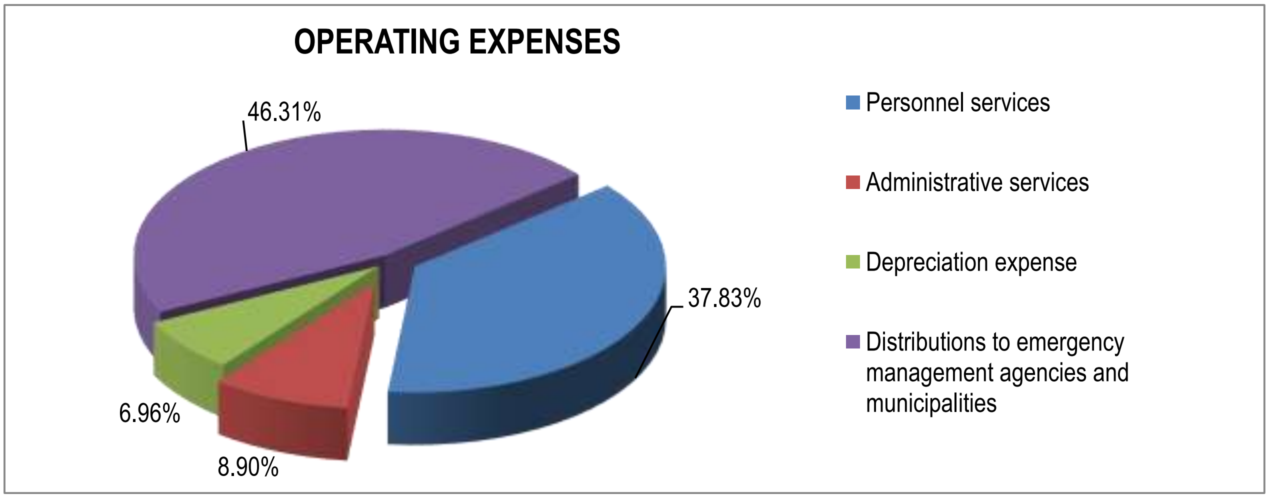
The following chart presents a comparison of operating revenues, operating expenses and operating income of the **Bureau's** activities for the years ended June 30, 2024 and 2023:



THIS SPACE IS LEFT INTENTIONALLY IN BLANK

The Bureau as a Whole (continued)

The following chart presents the composition of operating expenses of the **Bureau** for the year ended June 30, 2024:



Capital Assets and Debt Administration

The capital assets of the **Bureau** are those assets that are used in the performance of its functions. The investments in capital assets (net of accumulated depreciation) as of June 30, 2024 amounted to $8,074,566. Additional information on the **Bureau's** capital assets can be found in the **Note 4** of the financial statements on page **24** of this report.

As of June 30, 2024, total long-term debt amounted to $11,207,774 and includes the balance of pension liability, OPEB liability, accrued compensated absences, lease liability and subscription-based liability. Additional information on the **Bureau's** long-term liabilities can be found in the **Note 6** of the financial statements on page **26** of this report.

GASB Statements No. 73 and No. 75

The **Bureau** adopted the provisions of GASB Statement No. 73, *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and amendments to certain provisions of GASB Statements No. 67 and No. 68"*, which requires that governmental employers whose employees are provided with defined benefit pensions recognize a liability and pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions administered through a trust that does not meet the requirements of GASB Statement No. 73.

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

The **Bureau's** pension plan is administered by the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico and its Instrumentalities (ERS). The ERS has provided to the **Bureau** the financial and technical information necessary for the proper recognition and reporting of its total pension liability, deferred inflows of resources and deferred outflows of resources. Accordingly, the **Bureau** complies with the accounting and financial reporting requirements set forth in GASB Statement No. 73. Consequently, the **Bureau's** financial statements report and disclose the required information for its pension plan. As of June 30, 2024, total pension liability amounted to $4,627,336.

In addition, the **Bureau's** pension plan administrator provided the **Bureau** with the audited schedules of employment allocations an OPEB amounts by employer as of June 30, 2023 (**Bureau's** measurement date), necessary to comply with the requirements of GASB No. 75 *"Accounting and Financial Reporting for Postretirement Benefits Other Than Pensions"*, as of June 30, 2024. As a result, amounts to be reported as deferred outflows/inflows of resources related to OPEB, the total OPEB liability, applicable disclosures and required supplementary information have been presented in the accompanying financial statements. As of June 30, 2024, total other postemployment benefit (OPEB) liability amounted to $79,547.

GASB Statement No. 87

During the fiscal year ended on June 30, 2022, the **Bureau's** management evaluated all of its lease agreements as a lessee to determine whether any of them met the requirements of Statement No. 87 of the Government Accounting Standards Board. As described on **Note 10**, the Bureau entered into long-term lease agreement as the lessee of two (2) facilities in which the Bureau maintains its operations. As a result of the implementation of the GASB Statement No. 87, *"Leases"*, the **Bureau** now reports those as right-to-use lease asset and lease liability as stated in **Notes 2, 4** and **6**. The value of the right of use lease assets as of the end of the current fiscal year was $2,474,780 and had accumulated amortization of $1,691,889. Lease liability is adjusted for the lease payments made during the year. As of June 30, 2024, lease liability amounted to $817,637.

GASB Statement No. 96

The Bureau adopted the provisions of GASB Statement No. 96. Accordingly, at that date, **Bureau's** management evaluated its subscription-based information technology arrangements. As a result of the evaluation performed, the Bureau recognized a subscription asset of $5,318,484 and had accumulated amortization of $2,038,752. As of June 30, 2024, subscription liability amounted to $3,798,136.

Contacting the Bureau Financial Management

This financial report is designed to provide a general overview of the **Bureau** finances for all of telephone subscribers, Puerto Rico's citizens, customers, and creditors. This financial report seeks to demonstrate the **Bureau's** accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the **Bureau of Emergency System 9-1-1**, Finance Office, PO Box 270200, San Juan, Puerto Rico, 00927-0200.

Assets	
Current assets:	
Cash	$ 62,468,401
Accounts receivable, net of allowance	8,608,734
Prepaid expenses	17,196
Supplies inventory	38,314
Total current assets	71,132,645
Capital assets:	
Depreciable assets	16,645,060
Less: accumulated depreciation and amortization	(9,060,104)
Total depreciable assets, net	7,584,956
Non-depreciable assets	489,610
Total capital assets, net	8,074,566
Total assets	79,207,211
Deferred outflows of resources:	
Pension related	400,037
Other postemployment benefits related	3,600
Total deferred outflows of resources	403,637
Total assets and deferred outflows of resources	$ 79,610,848

Continues

Liabilities and Net Position	
Current liabilities:	
Due to emergency agencies	$ 11,428,584
Due to telephone companies	641,128
Accounts payable	797,552
Accrued expenses	353,382
Accrued compensated absences	377,024
Pension liability	400,037
Other postemployment benefits liability	3,600
Lease liability	576,318
Subscription liability	2,368,593
Total current liabilities	16,946,218
Noncurrent liabilities:	
Accrued compensated absences	1,508,094
Pension liability	4,227,299
Other postemployment benefits liability	75,947
Lease liability	241,319
Subscription liability	1,429,543
Total noncurrent liabilities	7,482,202
Total liabilities	24,428,420
Deferred inflows of resources:	
Pension related	28,860
Total liabilities and deferred inflows of resources	24,457,280
Net position:	
Net investment in capital assets	3,458,793
Restricted for:	
Contingencies	1,822,562
Expansion and equipment replacement	3,763,479
Telephone companies billing fees	682,958
Unrestricted	45,425,776
Total net position	$ 55,153,568

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2024

Operating revenues:	
Emergency telephone service charges	$ 23,351,245
Operating expenses:	
Personnel services	9,854,778
Administrative	2,318,800
Depreciation and amortization	1,812,818
Distributions to emergency management agencies and municipalities	12,065,021
Total operating expenses	26,051,417
Operating income (loss)	(2,700,172)
Non-operating revenues and expenses:	
Interest revenue	2,680,832
Other revenues	6,434,042
Interest expense	(119,526)
Total non-operating revenues and expenses	8,995,348
Change in net position	6,295,176
Net position, beginning of year, as previously reported	47,375,377
Prior year adjustment	1,483,015
Net position, beginning of year, as restated	48,858,392
Net position, end of year	$ 55,153,568

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

Cash flows from operating activities:	
Receipts from customers	$ 23,653,271
Payments to suppliers	(655,672)
Payments to employees and related expenses	(9,702,613)
Payments to emergency management agencies and companies	(9,680,364)
Net cash provided by operating activities	3,614,622
Cash flows from capital and related financing activities:	
Principal payments on lease liability	(580,182)
Interest payments on lease liability	(59,640)
Principal payments on subscription liability	(584,253)
Interest payments on subscription liability	(59,886)
Net cash used by capital and related financing activities	(1,283,961)
Cash flows from investing activities:	
Interest and other receipts	2,714,874
Net cash provided by investing activities	2,714,874
Net increase in cash	5,045,535
Cash at beginning of the year	57,422,866
Cash at end of the year	$ 62,468,401

Continues

Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	$ (2,700,172)
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	1,812,818
Changes in assets and liabilities:	
Accounts receivable	302,026
Deferred outflows of resources	1,705,199
Supplies inventory	(17,701)
Prepaid expenses	(17,196)
Accounts payable	436,404
Amounts due to emergency agencies and telephone companies	2,419,941
Accrued compensated absences	398,768
Accrued expenses	11,523
Pension liability	(273,465)
Other postemployment benefits liability	(2,927)
Deferred inflows of resources	(460,596)
Total adjustments	6,314,794
Net cash provided by operating activities	$ 3,614,622

- During the fiscal year, the **Bureau** evaluated the subscription based information technology management based on the requirements of GASB No. 96. As a result of the evaluation, the beginning balances of the subscription base asset and liability were reduced by $79,969.

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

Note 1 - Entity Reorganization

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

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

The **Bureau** manages the operations of the 9-1-1 call center for public safety and emergencies. Also it is responsible for the distribution of said calls throughout the Bureaus of the Department of Public Safety and Security, other agencies or instrumentalities, other emergency service providers or any other entity authorized by the Department for their effective attention. The Secretary of the Department of Public Safety and Security of Puerto Rico is responsible for the administration and direct supervision of the **Bureau**. The Law No. 20 also created the position of Commissioner, which is in charge of the daily operations of the **Bureau**. The Commissioner is appointed by the Governor with the advice and consent of the Senate of Puerto Rico.

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

Previous to the Law No. 20, the **Bureau** was operated by a Board of Directors in accordance with the provisions Law No. 144 of December 22, 1994, which was superseded by the Law No. 20. Thus, the previous Board was disposed with the new Law and the **Bureau** (previously the 9-1-1 Service Government Board) is now an operational component of the Department Public Safety and Security.

Note 2 - Summary of significant accounting policies

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

Note 2 - Summary of significant accounting policies (continued)

a) Financial statement presentation

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

b) Measure focus and basis of accounting

The **Bureau's** operations are accounted for using the economic resources measurement focus and the accrual basis of accounting. Under this method, all assets and liabilities associated with operations are included on the statement of net position, and revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The **Bureau's** activities are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, or changes of net position is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenue and expenses. When both restricted and unrestricted resources are available for use, it is the **Bureau's** policy to use unrestricted resources first, and then restricted resources as they are needed. As a proprietary fund, the **Bureau** prepares the statement of net position, the statement of revenues expenses and changes in net position and the statement of cash flows using the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recorded when incurred.

c) Cash equivalents and statement of cash flows

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

Also, the **Bureau** prepares its statement of cash flows using the direct method. For the purpose of this statement, the **Bureau** includes as cash equivalent all unrestricted and restricted highly liquid debt instruments with original maturities of three months or less at time of purchase.

Note 2 - Summary of significant accounting policies (continued)

d) Trade accounts receivable

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

e) Capital assets

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

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

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

f) Accounting for compensated absences

The **Bureau's** policy allows employees to accumulate unused sick leave up to 90 days and vacation leave up to 60 days. In the event of employee resignation, the employee is paid for accumulated vacation days up to the maximum allowed. Separation from employment prior to use of all or part of the sick leave terminates all rights for compensation according to the Article 2.11 of the Law No. 26 of April 29, 2017. The Article 2.10 of the Law No. 26 of April 29, 2017, established the prohibition to pay the excess sick leave or vacation leave.

g) Pension benefits

The **Bureau** has evaluated the provisions of GASB Statement No. 73 *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of* GASB Statement No. 68, *and Amendments to Certain Provisions of* GASB Statements No. 67 and No. 68" and Statement No. 75 "*Accounting and Financial Reporting Postemployment Benefits Other Than Pensions*". The **Bureau** accounts for pension costs from the standpoint of a participant in a multi-employer cost- sharing plan.

Note 2 - Summary of significant accounting policies (continued)

g) Pension benefits (continued)

Accordingly, the pension liability, pension expense and deferred outflows/inflows of resources recognized in the accompanying financial statements shall be equal to the **Bureau's** proportionate shares of the collective pension liability, pension expense and collective deferred outflows/inflows of resources reported for audited actuarial valuation report as of June 30, 2022 (**Bureau's** measurement date). Prior to July 1, 2017, the retirement plans were administered as a trust and followed the guidance of GASB Statement No. 68. The establishment of the new pension system caused that participating employer of the ERS including the **Bureau** change their accounting for pensions from GASB Statement No. 68 to GASB Statement No. 73 *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68"*. In addition, if the **Bureau's** annual contributions are less than the statutorily required amounts, a liability is recorded for any unpaid balances.

h) Leases

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

• The **Bureau** uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the **Bureau** generally uses its estimated incremental borrowing rate as the discount rate for leases.

• The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the government is reasonably certain to exercise.

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

Note 2 - Summary of significant accounting policies (continued)

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

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

j) Net position

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

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

2. **Restricted net position -** results when constraints placed on net position use are externally imposed by grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The restricted net position consists of the following reserves: Contingencies, Expansion and Equipment Replacement and Telephone Companies Billing Fees. These reserves were stated by the 9-1-1 Service Government Board and were transferred to the new **Bureau** under the Law No. 20. As of June 30, 2024, these restricted reserves amounted $6,268,999.

Note 2 - Summary of significant accounting policies (continued)

j) Net position (continued)

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

k) Risk management

The **Bureau** has acquired commercial insurance to mitigate its exposure to certain losses involving casualty, theft, tort claims, damages and injuries caused by automobile accidents and other losses. In the past, settlement claims have not exceeded insurance coverage. Worker's compensation insurance coverage is provided by the State Insurance Fund Corporation, a component unit of the Commonwealth of Puerto Rico, which provides compensation to both public and private employees.

l) Deferred outflows/inflows of resources

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

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The **Bureau** has two (2) items that may qualify for reporting in this category:

- **Government-mandated or voluntary non-exchange transactions received before the time requirements have been met -** Federal and state grants received before the beginning of the fiscal year to which they pertain are recognized as deferred inflows of resources on the Statement of Net Position. The amounts deferred would be recognized as an inflow of resources (revenue) in the period in which the time requirements are fulfilled.

- **Deferred outflows/inflows of resources related to pensions -** Amounts reported for changes in calculation of the net pension liability that result from: a) differences between expected and actual experience; b) changes of assumptions; c) net difference between projected and actual earnings on pension plan investments; d) changes in proportion and difference between the **Bureau's** contributions and proportionate share contributions; and e) **Bureau's** contributions subsequent to the measurement date.

Note 2 - Summary of significant accounting policies (continued)

m) Use of estimates

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

n) Restatements and reclassification

During the fiscal year ended June 30, 2024, the **Bureau** made a restatement of its net position beginning balance to adjust capital assets for the effect of adopting the capitalization policy of the Treasury Department of Puerto Rico and to correct the balance of accounts payable (See **Note 14**).

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

Note 3 - Cash

Deposits

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

Custodial credit risk

Custodial credit risk - deposits: is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The **Bureau** maintains cash deposits in one commercial bank located in Puerto Rico. Under Commonwealth of Puerto Rico statutes, public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of insurance provided by the Federal Deposit Insurance Corporation (FDIC).

All securities pledged as collateral by the **Bureau** are held by agents designated by the Puerto Rico Secretary of Treasury but not in the **Bureau's** name. At June 30, 2024, total deposits in the commercial bank amounted to $62,468,401. All deposits are carried at cost plus accrued interest, if any.

Note 4 - Capital assets

Capital asset activities of the **Bureau** for fiscal year ended June 30, 2024, were as follows:

	Balance as of July 1, 2023, as restated	Additions	Retirements	Balance as of June 30, 2024
Capital assets, not being depreciated:				
Land	$ 489,610	$ -	$ -	$ 489,610
Capital assets, being depreciated:				
Building	3,983,054	-	-	3,983,054
Leasehold improvements	1,278,432	-	-	1,278,432
Equipment	3,320,253	-	-	3,320,253
Furniture and fixtures	55,716	-	-	55,716
Vehicles	214,341	-	-	214,341
Right-to-use assets:				
Buildings	2,474,780	-	-	2,474,780
Subscription assets	5,318,484	-	-	5,318,484
	16,645,060	-	-	16,645,060
Less accumulated depreciation and amortization:				
Building	(568,095)	(91,266)	-	(659,361)
Leasehold improvements	(1,079,228)	(53,098)	-	(1,132,326)
Equipment	(3,247,454)	(43,485)	-	(3,290,939)
Furniture and fixtures	(55,716)	-	-	(55,716)
Vehicles	(179,151)	(11,970)	-	(191,121)
Right-to-use assets:				
Buildings	(1,127,926)	(563,963)	-	(1,691,889)
Subscription assets	(989,716)	(1,049,036)	-	(2,038,752)
	(7,247,286)	(1,812,818)	-	(9,060,104)
Capital assets, being depreciated, net	9,397,774	(1,812,818)	-	7,584,956
Total capital assets, net	$ 9,887,384	$ (1,812,818)	$ -	$ 8,074,566

Note 4 - Capital assets (continued)

The **Bureau** follows the provisions of GASB Statement No. 42, "*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, an amendment of GASB Statement No. 34*". This Statement establishes guidance for accounting and reporting for impairment of capital assets and insurance recoveries. The **Bureau** did not recognize any impairment loss during the fiscal year ended June 30, 2024.

Note 5 - Due to emergency agencies and telephone companies

Emergency agencies

The operations of the **Bureau** are intended to recover almost all of their costs through the imposition of monthly emergency telephone service charge of $0.50 for residential and cellular telephone accounts, and $1.00 for commercial accounts. The charges are billed and collected by telephone companies, which at the end of each month shall reimburse the amounts collected to the **Bureau.** Law No. 20 of April 10, 2017, obligate the **Bureau** to make a distribution of a part of the funds collected from the telephone services companies to those agencies that provide the emergency services (Bureau of Firefighters Corps, Bureau of Police, Family Department's Social Emergency Program, Municipal Offices for Emergency Management and the Bureau of Emergency Management and Disasters Administration).

On May 25, 2018, the circular letter MCNSE911-18-0024 was issued which amends this procedure indicating that the **Bureau** must obligate in the annual budget funds for its distribution to the emergency agencies. The funds allocated to each agency is made proportionally based on the ratio of transferred calls from the agency to total calls transferred from the service during the current fiscal year. As of June 30, 2024, there is a balance payable to the emergency agencies of $11,428,584.

Telephone companies

According to Law No. 20 of April 10, 2017, telephone companies will be reimbursed for the net cost of billing and collection of charges, without exceeding the provisions of the Law. Based on the **Bureau's** regulation, they must not exceed .30% of the account receivable from each telephone company. As of June 30, 2024, the balance of the due to telephone companies amounted to $641,128.

THIS SPACE IS LEFT INTENTIONALLY IN BLANK

Note 6 - Long-term liabilities

Bureau's long-term liabilities balance at June 30, 2024, consists of the following:

	Balance as of June 30, 2023 as restated	Increase	Decrease	Balance as of June 30, 2024	Current Portion
Accrued compensated absences	$ 1,486,350	$ 398,768	$ -	$ 1,885,118	$ 377,024
Pension liability	4,900,801	-	(273,465)	4,627,336	400,037
Other postemployment benefits liability	82,474	-	(2,927)	79,547	3,600
Lease liability	1,397,820	-	(580,183)	817,637	576,318
Subscription liability	4,382,390	-	(584,254)	3,798,136	2,368,593
Total	$12,249,835	$ 398,768	$(1,440,829)	$11,207,774	$ 3,725,572

Note 7 - Pension plan benefits

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

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

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

Note 7 - Pension plan benefits (continued)

As of June 30, 2024, the **Bureau** disclosed a liability of $4,627,336 for its proportionate share of the total pension liability. This liability was determined as of June 30, 2023 (measurement date), based on the requirements of the GASB Statements No. 73. Accordingly, this total pension liability is recorded in the **Bureau's** accounting records as of June 30, 2024. The amount was measured as of June 30, 2023, and the total pension liability used to calculate the liability was determined by an actuarial valuation as of July 1, 2022, rolled forward to the measurement date of June 30, 2023.

The **Bureau's** share of the total pension liability was based on a projection of the **Bureau's** long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. On June 30, 2023, the **Bureau's** proportionate share was 0.02228%.

The pension expense incurred during fiscal year ended June 30, 2024 amounted to $1,226,737.

Also, as of June 30, 2024, the reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 3,225	$ 28,860
Change in assumptions	176,689	-
Change in proportions and difference between the employer's contributions and proportionate share of contributions	1,872	-
Benefits payments subsequent to measurement date	218,251	-
Total	$ 400,037	$ 28,860

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions at June 30, 2024 will be recognized in pension expense (benefit) in future years as follows:

Year ending June 30,	Amount
2024	$ 152,926
Total	$ 152,926

Note 7 - Pension plan benefits (continued)

Actuarial Methods and Assumptions

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

Actuarial cost method	Entry age normal
Inflation rate	Not applicable
Compensation increases	3% per year. No compensation increases are assumed until July 1, 2021, as a result of Act No. 3-2017, four-year extension of Act No. 66-2014 and the current general economy.

Mortality

The mortality tables used in the June 30, 2023, valuation were as follows:

Pre-Retirement Mortality: For general employees not covered under Act No. 127-1958, PubG-2010 Employee Mortality Rates, adjusted by 100% for males and 110% for females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. For members covered under Act No. 127, the PubS-2010 Employee Mortality Rates are assumed for males and females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.

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

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

The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for female, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date. This assumption is also used for beneficiaries prior to the member's death.

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

The PubG2010 disabled retiree rates, adjusted by 80% for males and 100% for females. The base rates are projected using mortality improvements both before and after the measurement date.

Note 7 - Pension plan benefits (continued)

Actuarial Methods and Assumptions (continued)

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

Discount Rate

The discount rate was 3.65% on June 30, 2023. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

The following table presents the **Bureau's** total pension liability calculated using the discount rate of 3.54 (2.65%), as well as what it would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher (4.65%) than the current rate:

	1% Decrease	At Current Discount Rate	1% Increase
	2.65%	3.65%	4.65%
Total pension liability	$ 5,159,275	$ 4,627,336	$ 4,183,176

Note 8 - Other postemployment benefits (OPEB)

Plan description

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

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

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

Benefits provided

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

Benefits Payments

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

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

Allocation Methodology

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

Total OPEB Liability and Actuarial Information

As of June 30, 2024, the **Bureau** reported a liability of $79,547 for its proportionate share of total collective OPEB liability. The total OPEB liability as of June 30, 2023, was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023 (measurement date). As of June 30, 2023, the **Bureau's** proportionate share was 0.01230%. Also, for the year ended June 30, 2024, the **Bureau** recognized an OPEB expense of $3,600.

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

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

Actuarial assumptions

Discount rate

The discount rate for June 30, 2023, was 3.65%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer General Obligation (GO) 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality

Post-retirement Healthy Mortality

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

Post-retirement Disabled Mortality

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

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the **Bureau** at June 30, 2023 (measurement date), calculated using the discount rate of 3.65%, as well as the Plan total OPEB liability if it were calculated using the discount rate of 1-percentage point lower (2.65%) or 1-percentage point higher (4.65%) than the current rate:

	1% Decrease	At Current Discount Rate	1% Increase
	2.65%	3.65%	4.65%
Total OPEB liability	$ 86,368	$ 79,547	$ 73,662

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

Deferred Outflows of Resources and Deferred Inflows of Resources

GASB Statement No. 75 requires to determine deferred outflows of resources and deferred inflows of resources in order to be amortized and recognized in the annual OPEB expense. There are no deferred outflows or inflows of resources as changes in actuarial assumptions, economic or demographic gains and losses, and changes in proportionate share are recognized immediately during the measurement date. However, as of June 30, 2024, $3,600 reported as deferred outflows of resources related to OPEB, resulting from the benefits paid subsequent to the measurement date, will be recognized as a reduction of total OPEB liability in the year ended June 30, 2024.

Note 9 - Contingencies

Litigation and claims

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

As of June 30, 2024, the **Bureau** maintained a collection claim related to amounts that are required to be paid by a telephone company to the **Bureau** in accordance with Law No. 20. The claim from the **Bureau** to the telephone company in the amount of $10.4 million, was referred to the Puerto Rico Department of Justice for collection procedures. A formal complaint was filed by the Department of Justice on November 10, 2020 on the First Instance Court. This claim is not recognized in the accompanying financial statements. The income will be recognized in the fiscal year in which the amount is collected.

Note 10 - Leases

The **Bureau** entered into a lease agreement for a two (2) story building with 68 parking units located on San Juan, Puerto Rico. This lease agreement calls for monthly rental payments of $32,559 for a period of 60 months and is due on June 30, 2025. Also, the Bureau entered into a lease agreement for an office space of 7,516 square feet located on San Juan, Puerto Rico. This lease agreement calls for monthly payments of $20,659, approximately, which include the cost of certain expenses and utilities for a period of 60 months and is due on June 30, 2026. As of July 1, 2021, the **Bureau** management evaluated all of its lease agreements as a lessee to determine whether any of them met the requirements of Statement No. 87 of the Government Accounting Standards Board. As described above, the **Bureau** entered into long-term lease agreement as the lessee of two (2) facilities in which the **Bureau** maintains its operations. As a result of the implementation of the GASB Statement No. 87, *"Leases"*, the **Bureau** now reports those as a lease assets and lease liability as stated in **Notes 2, 4** and **6**. The **Bureau** is required to make monthly principal and interest payments ranging from $20,659 to $32,559. The leases have interest rate of 5.0%. In addition, for the year ended June 30, 2024, the **Bureau** reported interest expense of $59,640.

Note 10 - Leases (continued)

The future minimum principal and interest payments as of June 30, 2024, were as follows:

Year Ending June 30,	Principal	Interest	Total
2025	$ 576,318	$ 63,504	$ 639,822
2026	241,319	7,791	249,110
Total	**$ 817,637**	**$ 71,295**	**$ 888,932**

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

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

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

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

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

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

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

The **Bureau** entered into SBITAs, whereby the **Bureau** has the right-to-use and control vendors' information technology software, alone or in combination with other assets. The subscription liability was measured at the present value of future payments. For the fiscal year ended June 30, 2024, the **Bureau** reported a subscription liability of $3,798,136, included in lease and subscription liability on the accompanying statement of net position. In addition, for the year ended June 30, 2024, the **Bureau** reported interest expenses of $59,886.

The future minimum principal and interest payments for subscription liability as of June 30, 2024, are as follows:

Year ending June 30,	Principal	Interest	Total
2025	$ 2,368,593	$ 373,350	$ 2,741,943
2026	732,205	157,795	890,000
2027	697,338	192,662	890,000
	$ 3,798,136	$ 723,807	$ 4,521,943

Note 12 - 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.

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

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

Note 13 - Future adoption of accounting pronouncements

- ***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 y ears beginning after December 15, 2023, and all 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.

  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.

Note 13 - Future adoption of accounting pronouncements (continued)

- **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.

  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.

Note 13 - <u>Future adoption of accounting pronouncements (continued)</u>

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

  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

  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.

- **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, B*asic 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.

Note 13 - Future adoption of accounting pronouncements (continued)

- **GASB Statement No. 104 - "Disclosure of Certain Capital Assets" (continued)**

  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 14 – Net position restatement

The net position beginning balance was restated to adjust the effect of the **Bureau's** to correct prior year's balance of accounts receivable, capital assets, accounts payable and accrued expenses balance. Accordingly, the net position beginning balance was adjusted as follows:

Net position, at beginning of fiscal year, as previously reported	$ 47,375,377
Prior period adjustments for the correction of the following:	
Accounts receivable - understatement	9,107
Capital assets - understatement	634,549
Accounts payable - overstatement	802,738
Accrued expenses - overstatement	36,621
Total prior year adjustments	1,483,015
Net position, at beginning of fiscal year, as restated	$ 48,858,392

As stated before, the net position balance at beginning of the year was adjusted to correct the balance of accounts receivable, capital assets, accounts payable and accrued expenses. Following is a description of prior period adjustments presented above:

- Accounts receivable balance from telephone companies and others was increased to correct and adjust the balance previously reported, based on an analysis provided by **Bureau's** management.

Note 14 – Net position restatement (continued)

- During the fiscal year ended June 30, 2023, the **Bureau** adopted Regulation No. 11 of 2006 as established by the Puerto Rico Department of Treasury. During the fiscal year ended June 30, 2024, the **Bureau's** management identified certain capital assets not included as a part of the reconciled balances during 2023. Accordingly, capital assets at beginning of the year were adjusted to correct these balances.

- The accounts payable balance was corrected and adjusted to eliminate the balance of certain contracted services accrued as of June 30, 2023, that services were not provided to the **Bureau**.

- The accrued expenses balance was decreased and adjusted to eliminate the over accrued amount of certain payroll taxes and other employee benefits balances accrued as of June 30, 2023, based on an analysis provided by the **Bureau's** management.

Note 15 - Subsequent events

Subsequent events have been evaluated through January 15, 2025, which is the date the financial statement were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2024.

As of June 30,	2024	2023	2022	2021
Bureau's proportionate share of the total pension liability	0.02228%	0.02212%	0.01101%	0.01099%
Bureau's proportion of the total pension liability	$ 4,627,336	$ 4,900,801	$ 293,134	$ 3,084,506

Notes to Schedule:

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

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

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

As of June 30,	2024	2023	2022	2021
Bureau's proportionate share of the total OPEB liability	0.01230%	0.01186%	0.00517%	0.00528%
Bureau's proportion of the total OPEB liability	$ 79,547	$ 82,474	$ 41,256	$ 46,183

Notes to Schedule:

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

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

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

1. The schedules are intended to show information for ten years. Additional years will be displayed as they become available. The information presented relates solely to the **Bureau** and not Employees' Retirement System of the Government of the Commonwealth of Puerto Rico as a whole.

2. The data provided in the schedules is based as of the measurement date of the total pension and total other postemployment benefits liabilities, which is as of the prior fiscal year ended June 30th.

3. On August 23, 2017, was enacted the Act No. 106, known as the "Act to Guarantee Payment to Our Retirees and Establish a New Plan for Defined Contributions for Public Employees". This Act determined and declared that the ERS, JRS and TRS are in a financial emergency. Also, by this Act is hereby created the Account for the Payment of Accumulated Pensions, a trust account, separated from the general assets and accounts of the Government, designated to pay the Accumulated Pensions by the ERS, JRS and TRS under the "Pay-As-You-Go" scheme, as established in Chapter 2 of this Act. Once Retirement Systems exhaust their assets, the Accumulated Pension Payment Account, which will be largely nourished by the General Fund, as provided in this Act, will assume and guarantee the payment of the Accumulated Pensions as established in this Act. However, the Municipalities, the Legislative Branch, the Public Corporations, the Government and the Administration of the Courts will be obliged to pay the PayGo Charge as appropriate to each one to nurture the Account for the Payment of the Accumulated Pensions.