GOVERNMENT OF PUERTO RICO
PUERTO RICO TRAFFIC SAFETY COMMISSION
(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

BASIC FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION AND INDEPENDENT AUDITORS' REPORT (WITH THE ADDITIONAL REPORTS REQUIRED BY THE *GOVERNMENT AUDITING STANDARDS* AND THE UNIFORM GUIDANCE)

For the Fiscal Year Ended June 30, 2022

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INDEPENDENT AUDITORS' REPORT

To the Executive Director of
Puerto Rico Traffic Safety Commission
(an Executive Agency of the Commonwealth
of Puerto Rico)
San Juan, Puerto Rico

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the **Puerto Rico Traffic Safety Commission (an Executive Agency of the Commonwealth of Puerto Rico) (the Commission)** as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the **Commission's** basic 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 governmental activities and each major fund of the **Commission**, as of June 30, 2022, and the respective changes in financial position, thereof for the year then ended in accordance 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the **Commission** 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.

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 **Commission'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.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditor's 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 auditor's report that includes our opinions. 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in 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 and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the **Commission'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 **Commission's** ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages **4** through **12**, the budgetary comparison information on pages **49** and **50,** the schedule of proportionate share of collective total pension liability and the schedule of proportionate share of OPEB liability on pages **51** through **53** be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2023 on our consideration of the **Commission's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the **Commission's** internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Commission's** internal control over financial reporting and compliance.

López-Vega, CPA, PSC

LOPEZ VEGA, CPA, PSC

San Juan, Puerto Rico
March 3, 2023

Stamp No. E486926 of the
Puerto Rico Society of Certified
Public Accountants was affixed to
the record copy of this report.

The following discussion and analysis of the financial performance and activity of the **Puerto Rico Traffic Safety Commission, an Executive Agency of the Commonwealth of Puerto Rico, (the Commission)** provides an introduction and understanding of the basic financial statements of the **Commission** for the fiscal year ended June 30, 2022. This discussion was prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Financial Highlights

- Total assets and deferred outflows of resources as of June 30, 2022, amounted to $5,414,332 and total liabilities and deferred inflows of resources amounted to $9,814,647.

- Net position (deficit) as restated overall at June 30, 2022 amounted to $(4,400,315).

- Net position (deficit) overall decreased by $318,675, from $(4,718,990) in 2021 to $(4,400,315) in 2022.

The **Commission's** basic financial statements consist of two kinds of statements, each with a different view of the **Commission's** finances. The Government-Wide Financial Statements provide both long-term and short-term information about the **Commission's** overall financial position. The Fund Financial Statements focus on major aspects of the **Commission's** operations, reporting those operations in more detail than the government-wide financial statements.

Overview of the Financial Statements

This discussion and analysis provided here is intended to serve as an introduction to the **Commission's** basic financial statements. The **Commission's** basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the **Commission's** finances, in a manner similar to a private sector business. The statement of net position presents information on all of the **Commission's** assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the **Commission** is improving or deteriorating.

Government-wide Financial Statements (continued)

The statement of activities presents information showing how the **Commission's** net position changed during the most recent fiscal year. 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, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The Government-Wide Financial Statements of the **Commission** can be found on pages **13** and **14** of this report.

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 **Commission**, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the **Commission** are included in the 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, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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. By doing so, readers may better understand the long-term impact of the **Commission's** near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The **Commission** maintains two individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and Special Revenue Fund.

The **Commission** received annual appropriated funds from the Commonwealth of Puerto Rico Automobile Accidents Compensations Administration (AACA) for its planning and administration expenditures in the General Fund.

Fund Financial Statements (continued)

The Special Revenue Fund accounts for all funds received under federal grants from the U.S. Department of Transportation and restricted to specific programs.

The **Commission's** basic governmental fund financial statements can be found on pages **15** and **17** of this report.

Also, the reconciliation of the balance sheet of governmental funds to the statement of net position and the reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities can be found on pages **16** and **18**, respectively.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages **19** through **48** of this report.

Government-wide Overall Financial Analysis

Net Position

As described before, net position over time, may serve as a useful indicator of a government's financial position at the end of the fiscal year. In the case of the **Commission**, the balance of total liabilities and deferred inflows of resources of the **Commission's** governmental activities exceeded the balance of total assets and deferred outflows of resources by $4,400,315 at June 30, 2022, resulting in a decrease of deficit of $318,675 when compared to the net deficit of $4,718,990 as of June 30, 2021. As of June 30, 2022, the **Commission's** net position includes an investment in capital assets amounting to $71,617 and an unrestricted deficit of $4,471,932.

The largest portion of the **Commission's** assets is the accounts receivable from federal grants, which represents 58.76% of total assets and deferred outflows of resources as of June 30, 2022. The **Commission** is the administrator of the National Highway Traffic Safety Administration (NHTSA) grants received from the U.S. Department of Transportation as a pass-through agency. The **Commission** delegates funds to many agencies and municipalities of the Commonwealth of Puerto Rico and has the obligation of monitoring the proper use of those funds by sub-recipients.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A condensed summary of the statement of net position (deficit) of the governmental activities of the **Commission** as of June 30, 2022 and 2021 is as follows:

CONDENSED STATEMENTS OF NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2022 AND 2021

	2022	2021
Assets:		
Current assets	$ 4,321,946	$ 3,857,488
Capital assets, net	71,617	87,466
Deferred outflows of resources	1,020,769	1,255,373
Total assets and deferred outflows of resources	5,414,332	5,200,327
Liabilities:		
Accounts payable and accrued liabilities	3,558,510	3,378,467
Accrued compensated absences and pension and OPEB liabilities	5,964,109	6,291,544
Deferred inflows of resources	292,028	249,306
Total liabilities and deferred inflows of resources	9,814,647	9,919,317
Net position (deficit):		
Net invested in capital assets	71,617	87,466
Unrestricted	(4,471,932)	(4,806,456)
Total net position (deficit)	$ (4,400,315)	$ (4,718,990)

Total assets and deferred outflows of resources increased by $214,005 or 4.12% compared with prior fiscal year. This result was mainly caused by the effect of an increase in cash by $1,005,031, a decrease in accounts receivable by $540,573, a decrease in capital assets by $15,849 and a decrease in pension and OPEB related deferred outflows of resources by $234,604. The largest portion of the **Commission's** assets is the accounts receivable from federal grants, which represent 58.76% of total assets and deferred outflows of resources as of June 30, 2022.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Changes in Net Position

The change in net position of the **Commission's** governmental activities amounted to $318,675 during the year ended June 30, 2022. Total revenues increased by $446,785 or 5.15%, and total expenses increased by $421,915 or 5.03% in comparison with fiscal year 2021. The increase in revenues is mostly related to the increase of federal assistance to finance the operations of certain **Commission's** operational programs. The increase in expenses is due to a net change in federal program expenses.

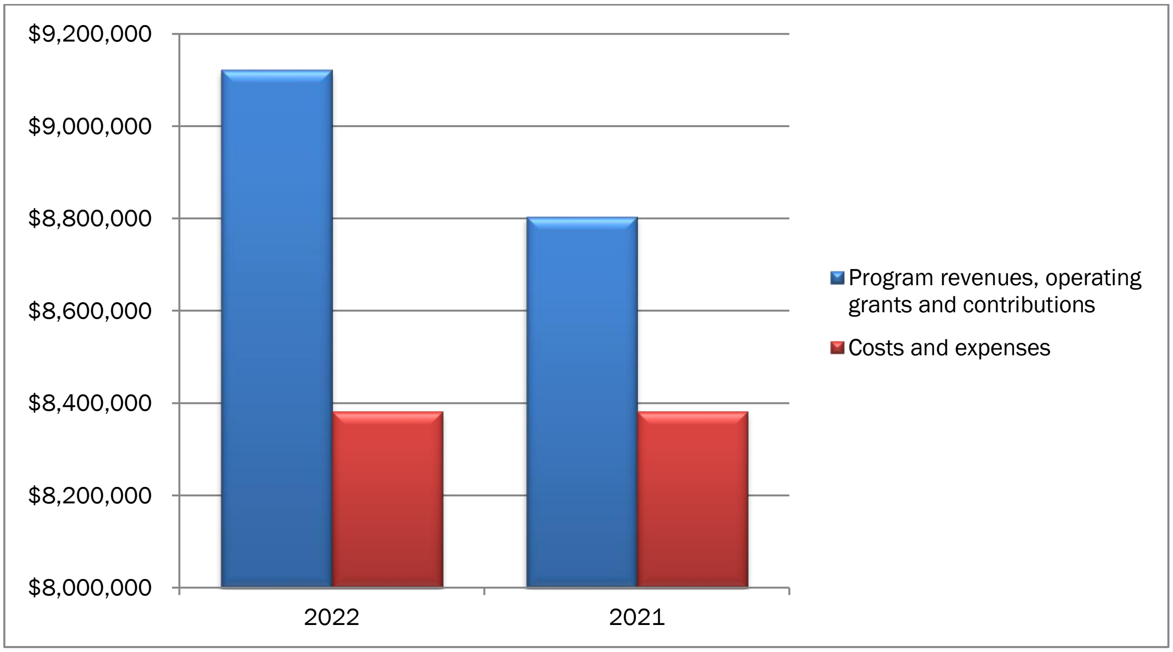
The following table presents a summary of revenues and expenses and changes of financial position of governmental activities for the fiscal years ended June 30, 2022 and 2021.

CONDENSED STATEMENTS OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021	Change
Program Revenues:			
Operating grants and contributions	$ 9,122,759	$ 8,675,974	$ 446,785
Expenses:			
Planning and administration	1,777,538	1,335,139	442,399
Impaired driver	1,789,135	1,162,624	626,511
Youth impaired driver	577,084	532,830	44,254
Police traffic safety	444,656	610,314	(165,658)
Occupant protection	479,976	546,451	(66,475)
Community programs	706,939	632,994	73,945
Non-occupant safety	73,807	133,355	(59,548)
Paid media	2,035,156	2,517,259	(482,103)
Motorcycle safety	18,155	15,513	2,642
Fatality analysis reporting system	48,495	48,633	(138)
Traffic records	586,008	551,727	34,281
Distracting driving	96,928	295,330	(198,402)
Coronavirus Relief Fund	128,207	-	128,207
American Rescue Plan Act Fund	42,000	-	42,000
Total expenses	8,804,084	8,382,169	421,915
Change in net position	318,675	293,805	24,870
Net position (deficit) at beginning of year	(4,718,990)	(5,012,795)	293,805
Net position (deficit) at end of year	$ (4,400,315)	$ (4,718,990)	$ 318,675

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the **Commission's** program revenues, operating grants and contributions for the fiscal years ended June 30, 2022 and 2021. Also, shows the costs and expenses incurred for those fiscal years.



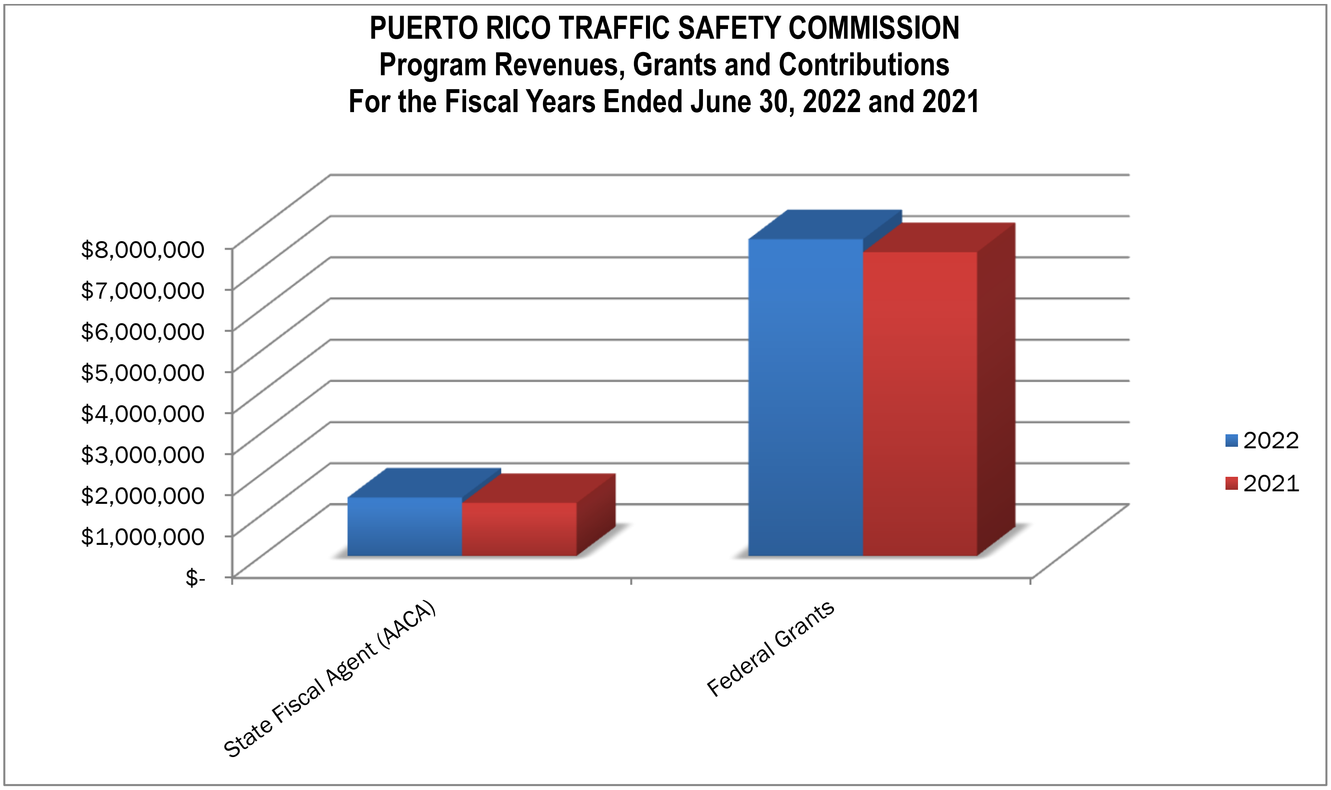
Program revenues, operating grants and contributions consist of state funds in the amount of $1,422,936, federal awards (mostly received from the NHTSA) in the amount of $7,698,665 and other income amounting to $1,158. Most of the **Commission's** programs are financed with federal awards received from NHTSA.

During the year ended June 30, 2022, total revenues increased by $446,785. The increase in total revenues was caused by an increase in federal awards by $313,997, an increase in state funds by $145,521 and a decrease in other revenues by $12,733.

Also, total expenses increased by $421,915. This increase was mainly caused by the increase in impaired driver by $626,511, the increase in planning and administration by $442,399, the decrease in paid media by $482,103 and the net decrease in other expenses incurred by $164,892.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following chart presents revenues comparison by program of the **Commission** activities for the years ended June 30, 2022 and 2021:

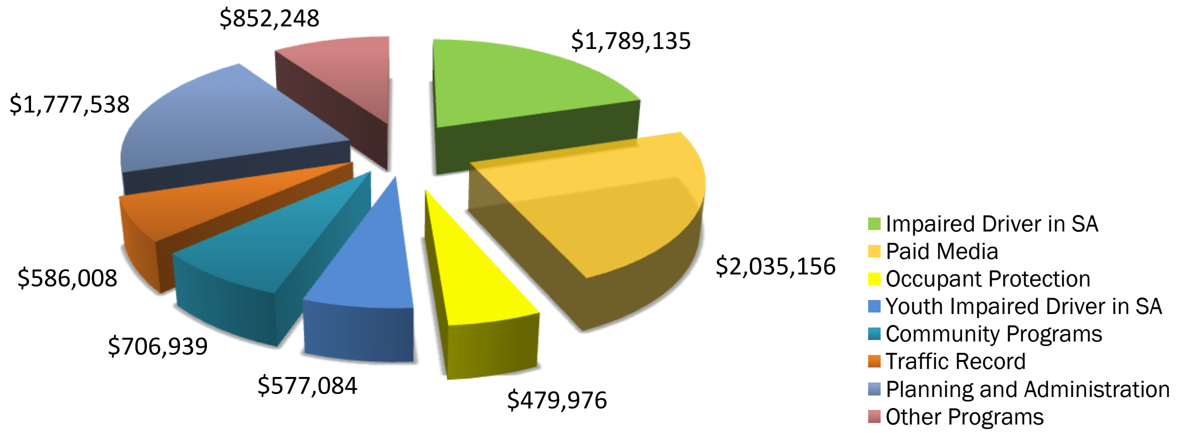


Planning and administration expenses consist principally of personnel compensation and related benefits and are financed principally with the state funds received from AACA and, with certain limitation, with federal awards received from NHTSA. All other programs are financed with funds received from NHTSA. The amount expended during the year depends on the amounts assigned or approved by NHTSA. These funds are restricted to specific activities pursuant to federal awards acts and regulations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following chart presents expenses by program of the **Commission** for the year ended June 30, 2022:

PUERTO RICO TRAFFIC SAFETY COMMISSION
Costs and Expenses
For the Fiscal Year Ended June 30, 2022



Financial Analysis of the Commission's Funds

The **Commission** uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the **Commission's** governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Commission's financing requirements. In particular, unassigned fund balance may serve as a useful measure of government's net resources available for spending at the end of the fiscal year. As of the end of the fiscal year 2022, the **Commission's** governmental funds reported combined ending fund balance amounting to $763,436, which represents an increase of $284,415 compared with the balance of prior fiscal year 2021.

The general fund is the primary operating fund of the **Commission**. At the end of the current fiscal year, assigned fund balance of the general fund amounted to $488,575.

For the year ended June 30, 2022, total general fund revenues amounted to $1,424,094, while total general fund expenditures amounted to $1,414,540.

Financial Analysis of the Commission's Funds (continued)

General

Operating Budget

Under Act No. 14 of August 21, 1990, the Automobile Accidents Compensation Administration (AACA) shall appropriate and provide the **Commission** with funds needed for its operations. The **Commission** is required to prepare a budget each year to be presented to the AACA for approval. For the year ended June 30, 2022, the AACA approved a budget amounting to $1,491,000, to provide funds for the **Commission's** general fund operations.

Capital Assets and Debt Administration

The capital assets of the **Commission** 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, 2022 amounted to $71,617. Additional information on the **Commission's** capital assets can be found in the **Note 4** of the basic financial statements on page **28** of this report.

Total accrued compensated absences and Christmas bonus owed by **Commission's** amounted to $473,568 as of June 30, 2022. Additional information on the **Commission's** long-term liabilities can be found in the **Note 7** of the basic financial statements on page **29** of this report.

Contacting the Commission's Financial Management

This financial report is designed to provide a general overview of the **Commission's** finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information, contact the Commonwealth of Puerto Rico Traffic Safety Commission, Finance Department; P.O. Box 41289 Minillas Station, Santurce, Puerto Rico 00940.

	Governmental Activities
Assets	
Cash with fiscal agent	$ 1,139,118
Accounts receivable:	
Federal grants	3,181,394
Other	1,434
Capital assets net of accumulated depreciation	71,617
Total assets	4,393,563
Deferred outflows of resources	
Pension related	1,012,569
Other postemployment benefits related	8,200
Total deferred outflows of resources	1,020,769
Total assets and deferred outflows of resources	5,414,332
Liabilities	
Accounts payable and accrued liabilities	3,343,828
Due to AACA	214,682
Liabilities payable within one year:	
Compensated absences and Christmas bonus	57,051
Pension liability	259,085
Other postemployment benefits liability	8,200
Liabilities payable over one year:	
Compensated absences	416,517
Pension liability	5,119,821
Other postemployment benefits liability	103,435
Total liabilities	9,522,619
Deferred inflows of resources	
Pension related	292,028
Total liabilities and deferred inflows of resources	9,814,647
Net position	
Net investment in capital assets	71,617
Unrestricted	(4,471,932)
Total net position (deficit)	$ (4,400,315)

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR
ENDED JUNE 30, 2022

Functions/Programs	Costs and Expenses	Program Revenues Operating Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position Governmental Activities
Program activities:			
Planning and administration	$ 1,777,538	$ 1,821,077	$ 43,539
Impaired driver program	1,789,135	1,789,135	-
Youth impaired driver	577,084	577,084	-
Police traffic safety	444,656	444,656	-
Occupant protection	479,976	479,976	-
Community programs	706,939	706,939	-
Non-occupant safety	73,807	73,807	-
Paid media	2,035,156	2,035,156	-
Motorcycle safety	18,155	18,155	-
Fatality analysis reporting system	48,495	48,495	-
Traffic record	586,008	586,008	-
Distracting driving	96,928	96,928	-
Coronavirus Relief Fund	128,207	403,343	275,136
American Rescue Plan Act Fund	42,000	42,000	-
Total governmental activities	$ 8,804,084	$ 9,122,759	
Change in net position			318,675
Net position (deficit), at beginning of year			(4,718,990)
Net position (deficit), at end of year			$ (4,400,315)

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

	General Fund	Special Revenue Fund	Total
Assets			
Cash and cash equivalents	$ 215,427	$ 923,691	$ 1,139,118
Accounts receivable:			
Federal grants	-	3,181,394	3,181,394
Due from other fund	764,658	-	764,658
Other	1,434	-	1,434
Total assets	$ 981,519	$ 4,105,085	$ 5,086,604
Liabilities and fund balance			
Liabilities			
Accounts payable and accrued liabilities	$ 281,293	$ 3,062,535	$ 3,343,828
Due to other fund	-	764,658	764,658
Due to AACA	211,651	3,031	214,682
Total liabilities	492,944	3,830,224	4,323,168
Fund balances			
Assigned	488,575	274,861	763,436
Total fund balances	488,575	274,861	763,436
Total liabilities and fund balances	$ 981,519	$ 4,105,085	$ 5,086,604

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

Total fund balances of governmental funds	$ 763,436
Amounts reported to governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements	71,617
Deferred outflows of resources – pension related	1,012,569
Deferred outflows of resources – OPEB related	8,200
Liability of accrued compensated absences is not to be paid with current financial resource, therefore, is not reported in the fund financial statements	(473,568)
Pension liability	(5,378,906)
OPEB liability	(111,635)
Deferred inflows of resources – pension related	(292,028)
Net position of governmental activities	$ 4,400,315

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

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	General Fund	Special Revenue Fund	Total
REVENUES:			
Annual appropriations from the			
State fiscal agent	$ 1,422,936	$ -	$ 1,422,936
Federal grants	-	7,698,665	7,698,665
Other	1,158	-	1,158
Total revenues	1,424,094	7,698,665	9,122,759
EXPENDITURES:			
Planning and administration	1,414,540	397,258	1,811,798
Impaired driver	-	1,789,135	1,789,135
Youth impaired driver	-	577,084	577,084
Police traffic safety	-	444,656	444,656
Occupant protection	-	479,976	479,976
Community programs	-	706,939	706,939
Non-occupant safety	-	73,807	73,807
Paid media	-	2,035,156	2,035,156
Motorcycle safety	-	18,155	18,155
Fatality analysis reporting system	-	48,495	48,495
Traffic record	-	586,008	586,008
Distracting driving	-	96,928	96,928
Coronavirus Relief Fund	-	128,207	128,207
American Rescue Plan Act Fund	-	42,000	42,000
Total expenditures	1,414,540	7,423,804	8,838,344
NET CHANGE IN FUND BALANCE	9,554	274,861	284,415
FUND BALANCE, AT BEGINNING OF YEAR	479,021	-	479,021
FUND BALANCE, END OF YEAR	$ 488,575	$ 274,861	$ 763,436

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

Net change in fund balance-total governmental funds	$ 284,415
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 expense for the fiscal year.	(15,849)
Decrease in accrued compensated absences reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditure in the governmental funds.	65,021
Pension and OPEB benefit expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditure in the governmental funds.	(14,912)
Change in net position of governmental activities	$ 318,675

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

Note 1 – Governmental environment

Reporting Entity

The **Puerto Rico Traffic Safety Commission (the Commission)** is an agency of the Commonwealth of Puerto Rico created by the Act No. 33 of May 25, 1972, as amended, to plan, coordinate and evaluate the Highway Safety Programs carried out by various governmental agencies in Puerto Rico in conjunction with civic organizations and communication media.

On August 21, 1990, the Legislature of Puerto Rico enacted Act No. 14 amending Act No. 33 of May 25, 1972. Under this legislation, the Automobile Accidents Compensations Administration (AACA) is a public corporation and a component unit of the Commonwealth of Puerto Rico, shall appropriate and provide the **Commission** with the funds needed for its operations. The **Commission** is required to prepare a budget each year that will be presented to AACA for approval. The **Commission** is included for financial reporting purposes as an agency fund in the financial statements of AACA, which is included as a non-major component unit in the Commonwealth of Puerto Rico's financial statements.

The basic financial statements of the **Commission** are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities of the Commonwealth of Puerto Rico attributable to the transactions of the **Commission**. It does not intend to, and does not present fairly, the financial position and changes in financial position of the Commonwealth of Puerto Rico in conformity with accounting principles generally accepted in the United States of America.

In determining its financial reporting entity, the **Commission** has considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the **Commission**, or the significance of their relationship with the **Commission** are such that exclusion would be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability and other legally separate organizations for which the **Commission** is not financially accountable but the nature and significance of their relationship with the **Commission** may be such that exclusion of their basic financial statements from those of the **Commission** would cause the accompanying basic financial statements to be misleading or incomplete. These criteria include: (1) appointing a voting majority of an organization's governing body and the ability of the **Commission** to impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens to the **Commission**; (2) the economic resources for which the **Commission** is entitled, either received or held by the separate organization, are entirely or almost entirely for the direct benefit of the **Commission**. Based on the above criteria, there are no potential component units which should be included in the basic financial statements for the fiscal year ended June 30, 2022.

Note 2 – Summary of significant accounting policies

a. GASB 34

The accompanying basic financial statements of the **Commission** have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America 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 **Commission** has adopted the provisions of GASB No. 34 as well as others statements referred to below.

b. Basic of presentation – fund accounting

The accounts of the **Commission** are organized on the basis of governmental fund. 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 **Commission'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 fund

The **Commission** reports the following major governmental funds:

General fund – This is the **Commission's** primary operating fund. It reflects transactions related to resources received from the AACA, which are expended for those services traditionally provided by a government and that are not accounted for in any other fund.

Special revenue fund – This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specific purposes. This legal restriction may be imposed either by governments that provides funds, or by outside parties. This fund accounts for substantially all federal monies received by the **Commission**.

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.

Note 2 – Summary of significant accounting policies (continued)

d. Measurement focus and basis of accounting (continued)

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, while available means collectible within the current period or in a soon enough period after the balance sheet date to pay current budget period expenditures. 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

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 **Commission** as a whole. The **Commission's** activities are considered governmental type. The government-wide 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

f. Net position

Net position is the difference between assets and liabilities in 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 and reduced by the outstanding balances of debt that is attributable to the acquisition, construction or improvements of those assets.

2) **Restricted net position** - results when constraints placed on net position's use is 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** - it 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.

Note 2 – Summary of significant accounting policies (continued)

f. Net position (continued)

The **Commission's** governmental activities generally are financed through local and federal intergovernmental revenues and other non-exchange revenues. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Indirect expenses are reflected in the general government function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and annual budget appropriations and allocations by AACA.

g. Net position flow assumption

Sometimes, the **Commission** will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts 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 **Commission's** policy to consider restricted – net position to have been depleted before unrestricted – net position applied.

h. Use of estimates

The preparation of 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 fiscal year-end and revenues and expenses during the reporting period. Actual results could differ from those estimates.

i. Cash with fiscal agent

The **Commission's** cash with fiscal agent consists of demand deposits in a commercial bank and mainly held by AACA.

j. Receivables

Receivables in the special revenue fund represent amounts owed to the **Commission** for reimbursement of expenditures incurred pursuant to federally funded or state funded programs.

Note 2 – Summary of significant accounting policies (continued)

k. Deferred outflows/inflows of resources

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

In the government-wide Statement of Net Position, the **Commission** reports deferred outflows/inflows of resources that result from the following transactions:

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. The amounts deferred would be recognized as an inflow of resources (revenue) in the period in which the time requirements are fulfilled. 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.

2. **Implementation 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 GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"** – Amounts reported for changes in the calculation of the total 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 **Commission's** contributions and proportionate share of contributions; and e) **Commission's** contributions subsequent to the measurement date.

In the governmental funds Balance Sheet, the **Commission** reports deferred inflows of resources that result from the following transactions:

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. The amounts deferred would be recognized as an inflow of resources (revenue) in the period in which the time requirements are fulfilled.

Note 2 – Summary of significant accounting policies (continued)

k. Deferred outflows/inflows of resources (continued)

2. **Unavailable revenue reported under the modified-basis of accounting –** Amounts are recognized as unavailable revenue from the following sources: property taxes, sales and use taxes and intergovernmental revenues collected or to be collected after the availability period. 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 FFS.

l. Capital assets

All buildings and infrastructure occupied by the **Commission** are recorded as capital assets in the accounting records of other Agencies of the Commonwealth of Puerto Rico and of other private entities. Accordingly, all major modernizations and betterments, if any, done by the **Commission** are charged to expenditures in its fund accounting and reported as expense in the government-wide statements when incurred.

All other assets used in the governmental operations are accounted for in the government-wide financial statements of net position, rather than in the governmental funds. When capital assets are purchased, they are recorded as expenditures in the governmental funds. Fixed assets are stated at cost. When assets are sold, retired or otherwise disposed of, the cost is removed. Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets range from five (5) to ten (10) years.

Also, the **Commission** periodically reviews long-lived assets for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. No evidence of impairment is evident as a result of such review.

m. 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 and revenue, respectively, when all eligibility requirements are satisfied.

Note 2 – Summary of significant accounting policies (continued)

n. Accounting for pension costs

Effective on July 1, 2017, the **Commission** and other participants of the ERS converted to a new "pay-as-you-go" (PayGo) model. Under the PayGo funding, the participant employers directly pay the pension benefits as they are due rather than attempt to build up assets to pre-fund future benefits. PayGo payments are recorded as expenditures/expenses in the financial statements. Accordingly, the **Commission** implemented the requirements set forth by GASB Statement No. 73 *"Accounting for Financial Reporting for Pensions and Related Assets That Are Not Within The Scope of GASB No. 68".*

o. Accounting for other postemployment benefits (OPEB)

GASB Statement No. 75 "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"* is effective for the **Commission** starting on July 1, 2017. As required by the accounting pronouncement, OPEB transactions should be accounted based on its proportional share of the collective total OPEB liability, OPEB expense and deferred outflows/inflows of resources reported by the Plan. For purposes of measuring, OPEB costs should have all been determined on the same basis as they are reported by the Plan. The **Commission's** contribution for OPEB is included as part of the PayGo charges billed on a monthly basis by the Puerto Rico Department of Treasury (PRDT). PayGo payments are recorded as expenditures/expenses in the financial statements.

p. Vacation and sick leave

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 recognized 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 hired before the effectiveness of this Law will be granted annually eighteen (18) days of sick leave. However, the employees hired after the effectiveness of this Law, will be granted annually twelve (12) days of sick leave. In both cases, the sick leave days may be accumulated to a maximum of ninety (90) days. The estimated values of leave earned by employees, that may be used in subsequent years or paid upon termination or retirement, are accounted for in the governmental activities Statement of Net Position rather than in the governmental funds.

Note 2 – Summary of significant accounting policies (continued)

q. 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 and Special Revenue Fund are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the Special Revenue Fund have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. GASB No. 54 requires the fund balance amounts to be properly reported within one of the fund balance category listed below:

Non-spendable fund balance - such as 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 fund balance - this category includes amounts that can be spent only for the specific purpose stipulated by constitution, external source providers, or through enabling legislation.

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

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

Unassigned fund balance - is the residual classification for the government's general fund and includes all expendable amounts not contained in the other classifications.

r. Fund balance flow assumptions

Sometimes, the **Commission** 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 **Commission'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)

s. Risk financing

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

t. Leases

The **Commission** evaluates its leases agreements to determine whether they meet the requirements of Government Accounting Standards Board Statement No. 87 (GASB 87), which requires recognition of certain assets and liabilities for leases that meet any of the criteria set forth in the GASB 87. The lease accounting model established by GASB 87 is based on the fundamental principle that leases are financings of the right to use an underlying asset, and therefore requires the lessee to recognize a lease liability and an intangible right to use the leased asset.

The criteria to be used to determine whether a lease should be recognized in the financial statements is as follows:

- The lease provides that the asset will be transferred to the lessee at the end of the lease.
- The lease gives the lessee an option to purchase the asset that the lessee intends to exercise.
- The lease period is for most of the remaining economic life of the asset.
- The present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments is equal to or substantially exceeds the entire fair value of the underlying asset.
- The asset is of such a specialized nature that it is expected to have no alternative use for the lessor at the end of the lease term.

u. Reclassification

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

v. Subsequent events

Subsequent events have been evaluated through March 3, 2023, which is the date the financial statement were available to be issued, for events requiring recording or disclosure in the financial statements for the fiscal year ended June 30, 2022.

Note 3 – Cash

Cash at June 30, 2022 consist of **Commission's** state and federal awards funds which are deposited in a commercial bank and held in custody by AACA in accordance with the requirements of Act No. 33 of the Commonwealth of Puerto Rico, as amended.

Note 4 – Capital assets

Capital assets' activity of the **Commission** for fiscal year ended June 30, 2022 was as follows:

	Balance as of July 1, 2021	Additions	Reclassifications and Retirements	Balance as of June 30, 2022
Capital assets, being depreciated:				
Equipment	$ 537,453	$ 23,157	$ -	$ 560,610
Vehicles	96,974	-	-	96,974
Total capital assets being depreciated	634,427	23,157	-	657,584
Less accumulated depreciation:				
Equipment	(449,987)	(39,006)		(488,993)
Vehicles	(96,974)	-	-	(96,974)
Total accumulated depreciation	(546,961)	(39,006)	-	(585,967)
Capital assets, net of accumulated depreciation	$ 87,466	$ (15,849)	$ -	$ 71,617

Depreciation expense amounting to $39,006 was charged to the planning and administrative expense function on the Statement of Activities for the year ended June 30, 2022. The **Commission** 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 **Commission** did not recognize any impairment loss during the fiscal year ended June 30, 2022.

Note 5 – Interfund receivable/payable

Interfund receivable/payable at June 30, 2022 consists of advances made by the General Fund to the Special Revenue Fund for the payment of program expenditures. The Special Revenue Fund has reimbursed most of the advances received from the general fund after June 30, 2022.

Note 6 – Due to AACA

The **Commission** has an account payable of $214,682 with the AACA. This represents amounts provided, with a requirement for repayment, to cover certain expenses/expenditures in excess of related revenue or grant.

Note 7 – Long-term liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2022 was as follows:

	Balance as of July 1, 2021	Net Change	Balance as of June 30, 2022	Due within one year
Accrued compensated absences	$ 526,339	$ (65,021)	$ 461,318	$ 44,801
Christmas bonus	12,250	-	12,250	12,250
Pension liability	5,628,517	(249,611)	5,378,906	259,085
Other postemployment benefits liability	124,438	(12,803)	111,635	8,200
	$ 6,291,544	$ (327,435)	$ 5,964,109	$ 324,336

Note 8 – Pension plan

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 (Employee Retirement System [ERS] of the Government of the Commonwealth of Puerto Rico, the Teachers' Retirement System and the Judiciary Retirement System), because the retirement plan have depleted the assets set aside to pay benefits.

Under the provisions of Act No. 106, the **Commission** assumed the proportional share of the pension benefits of the **Commission'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 fund 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.

Note 8 – Pension plan (continued)

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.

As of June 30, 2022, the **Commission** disclosed a liability of $5,378,906 for its proportionate share of the total pension liability. This liability was determined as of June 30, 2021 (measurement date), based on the requirements of the GASB Statements No. 73. Accordingly, this total pension liability is recorded in the **Commission's** accounting records as of June 30, 2022. The amount was measured as of June 30, 2021 and the total pension liability used to calculate the liability was determined by an actuarial valuation as of July 1, 2020, rolled forward to the measurement date of June 30, 2021.

The **Commission's** share of total pension liability was based on a projection of the **Commission's** long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. On June 30, 2021, the **Commission's** proportionate share was 0.01979% which was a decrease of 0.00026% from its proportionate share measured on June 30, 2020.

The pension expense recognized during fiscal year ended June 30, 2022 amounted to $35,915.

Also, as of June 30, 2021 (measurement date), the reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 8,592	$ 160,249
Change in assumptions	550,627	63,560
Change in proportions and difference between the employer's contributions and proportionate share of contributions	194,265	68,219
Benefits payments subsequent to measurement date	259,085	-
Total	$ 1,012,569	$ 292,028

Note 8 – Pension plan (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions at June 30, 2021 (measurement date) will be recognized in pension expense (benefit) in future years as follows:

Fiscal Year Ending June 30,		Amount
2022	$	(139,752)
2023		(139,752)
2024		(181,952)
Total	$	(461,456)

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.

The mortality tables used in the June 30, 2021 valuation were as follows:

Pre-Retirement Mortality: For general employees not covered by Act No. 127, PubG-2010 employee rates, for males 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.

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Note 8 – Pension plan (continued)

Actuarial Methods and Assumptions (continued)

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

The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for female, projected using MP-2021 on a generational basis. 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 Improvement Scale MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Post-Retirement Beneficiary Mortality: Prior to retiree's death, beneficiary mortality is assumed to be the same as the post-retirement 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 2.16% on June 30, 2021. 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.

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Note 8 – Pension plan (continued)

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

The following table presents the **Commission's** total pension liability calculated using the discount rate of 2.16%**,** as well as what it would be if it were calculated using a discount rate that is one-percentage-point lower (1.16%) or one-percentage-point higher (3.16%) than the current rate:

	1% Decrease	At Current Discount Rate	1% Increase
	1.16%	2.16%	3.16%
Total pension liability	$ 6,145,616	$ 5,378,906	$ 4,757,615

Note 9 – Other Postemployment Benefits (OPEB)

Plan description

The **Commission** is a participating employer in the Employee's Retirement System of the Government of the Commonwealth 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.

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 **Commission'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.

Note 9 – Other Postemployment Benefits (OPEB) (continued)

Benefits payment (continued)

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 **Commission'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, 2022, the **Commission** reported a liability of $111,635 for its proportionate share of total collective OPEB liability. The total OPEB liability as of June 30, 2022, was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021 (measurement date). As of June 30, 2021, the **Commission's** proportionate share was 0.01399%. Also, for the year ended June 30, 2021, the **Commission** recognized an OPEB benefit of $21,003.

The **Commission's** total OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. The actuarial valuation used the following actuarial assumptions applied to all periods in the measurement period.

Actuarial assumptions

Discount rate

The discount rate for June 30, 2021 was 2.16%. 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.

Note 9 – Other Postemployment Benefits (OPEB) (continued)

Mortality

Pre-retirement Mortality

For general employees not covered under Act No. 127, PubG-2010 employee 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 for members covered under Act No. 127.

Post-retirement Healthy Mortality

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

Post-retirement Disabled Mortality

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

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.

Note 9 – Other Postemployment Benefits (OPEB) (continued)

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the **Commission** at June 30, 2021, (measurement date), calculated using the discount rate of 2.16%, as well as the Plan total OPEB liability if it were calculated using the discount rate of 1-percentage point lower (1.16%) or 1-percentage point higher (3.16%) than the current rate:

	1% Decrease	At Current Discount Rate	1% Increase
	1.16%	2.16%	3.16%
Total OPEB liability	$ 122,539	$ 111,635	$ 102,350

Deferred Outflows of Resources and Deferred Inflows of Resources

GASB 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, 2022, $8,200 was 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, 2022.

Note 10 – Contingencies

Litigation and claims

The Law No. 104 of June 30, 1955, as amended, known as Claims and Lawsuits against the State provides that lawsuits initiated against an agency or instrumentality of the Commonwealth of Puerto Rico, present and former employees, directors and other may be represented by the Department of Justice of the Commonwealth of Puerto Rico. Any adverse claims to the defendants are to be paid by the General Fund. However, the Secretary of the Treasury has the discretion of requesting reimbursement of the funds expended for these purposes from the public corporations, governmental institutions and municipalities of the defendants. The **Commission** is involved in litigation arising in the normal course of operations. The **Commission** believes that the ultimate liability, if any, in connection with these matters will not have a material effect on the **Commission's** financial position and results of operations.

Federal awards

The **Commission** participates in a number of federal assistance programs funded by the Federal Government. Expenditures financed by these programs are subject to financial and compliance audits by the appropriate grantor.

Note 10 – Contingencies (continued)

Claim from NHTSA

On May 18, 2011, the National Highway Traffic Safety Administration (NHTSA) designated the **Commission** as high risk grantee due to lack of compliance with terms and conditions of highway safety grants awards. When this designation was notified, NHTSA was questioning the expenditure of approximately $5,119,737 related to the programs in Sections 154 and 164 of Alcohol-Impaired Driving Fund. Subsequent reviews resulted in allegations of additional improper grant expenditures related to the funds under Sections 154, 164 and 410 used to purchase vehicles in the fiscal years 2009 and 2010 amounting to $796,190. NHTSA argues that the **Commission** and the Commonwealth of Puerto Rico (CPR) were unable to substantiate the use of the grant funds in accordance to federal regulations. The total questioned costs assessed by the NHTSA amounted to $5,915,927.

Based on the above, on June 4, 2014, the U.S. Department of Transportation (USDOT) issued a formal request to the CPR and the **Commission** for the reimbursement of those funds.

On October 1, 2014, a formal response to the reimbursement request issued by the USDOT was made by the Secretary of the Department of Transportation and Public Works of Puerto Rico (DTOP, by its spanish acronym). The Secretary argues that the repayment of the amount requested would hinder the major accomplishments being made by the **Commission** in the reduction of alcohol-impaired deriving related deaths, crashes and injuries. As an alternative, the Secretary requested a payment credit for various expenditures made by the CPR on related matters.

On November 2, 2016, as a result of coordinated and comprehensive efforts between NHTSA and the **Commission**, the designation of a high risk grantee was removed.

At the date of the financial statements, the course of action for the resolution of the reimbursement request is still under NHTSA scrutiny. No formal answer to the credit request has been issued by NHTSA.

Note 11 – Commitments

Operating leases - The **Commission** leases office and parking space, and equipment under operating lease agreements, which generally have terms of one year or less and are automatically renewed if sufficient funds are available. Lease agreements covering periods in excess of one-year are cancelable at the **Commission's** option upon 30 days written notice to the lessor. Rental expenditures for the year ended June 30, 2022 amounted to approximately $32,207.

As of July 1, 2021, the **Commission** 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 **Commission** 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, 2022.

Note 12 – Adoption of new accounting pronouncements

Effective July 1, 2021, the **Commission** adopted the provisions of the following GASB Statements:

- **GASB Statement No. 87, *"Leases"*:** The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

- **GASB Statement No. 89, *"Accounting for Interest Costs Incurred Before the End of a Construction Period"*:** The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements",* which are superseded by this Statement.

  This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

  This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

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Note 12 – Adoption of new accounting pronouncements (continued)

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

  This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

- **GASB Statement No. 92, "*Omnibus 2020*":**

  Effective Date: The requirements of this Statement, which were postponed one year by GASB Statement No. 95, are effective as follows:

  - The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
  - The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
  - The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
  - The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

  Earlier application is encouraged and is permitted by topic.

Note 12 – Adoption of new accounting pronouncements (continued)

- **GASB Statement No. 93, *"Replacement of Interbank Offered Rates":*** Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

    - Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment.
    - Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate.
    - Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.
    - Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap.
    - Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap.
    - Clarifying the definition of reference rate, as it is used in Statement 53, as amended.
    - Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

    The requirements of this Statement were postponed one year by GASB Statement No. 95. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021.

The implementation of these statements has no significant impact in the **Commission's** financial statements for the fiscal year ended June 30, 2022.

Note 13 – Future adoption of accounting pronouncements

- **GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements":** The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs).

  As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

  Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

  This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs).

  As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

  The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

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Note 13 – Future adoption of accounting pronouncements (continued)

- **GASB Statement No. 96, "*Subscription-Based Information Technology Arrangements":*** This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.

  To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *"Leases"*, as amended. 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.

  This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented.

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

Note 13 – Future adoption of accounting pronouncements (continued)

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

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

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

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

Note 13 – Future adoption of accounting pronouncements (continued)

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

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

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

  The requirements of this statement are effective for fiscal years ending after December 15, 2021. Earlier application is encourage.

- **GASB Statement No. 99, *"Omnibus 2022"*:** The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

  - Classification and reporting of derivative instruments within the scope of Statement No. 53, *"Accounting and Financial Reporting for Derivative Instruments"*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.

Note 13 – Future adoption of accounting pronouncements (continued)

- **GASB Statement No. 99, *"Omnibus 2022"* (continued):**

  - Clarification of provisions in Statement No. 87, *"Leases"*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.

  - Clarification of provisions in Statement No. 94, *"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.

  - Clarification of provisions in Statement No. 96, *"Subscription-Based Information Technology Arrangements"*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

  - Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.

  - Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).

  - Disclosures related to nonmonetary transactions.

  - Pledges of future revenues when resources are not received by the pledging government.

  - Clarification of provisions in Statement No. 34, *"Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments"*, as amended, related to the focus of the government-wide financial statements.

  - Terminology updates related to certain provisions of Statement No. 63, *"Financial Reporting of Deferred Outflows of* Resources, *Deferred Inflows of Resources, and Net Position*".

  - Terminology used in Statement 53 to refer to resource flows statements.

Note 13 – Future adoption of accounting pronouncements (continued)

- **GASB Statement No. 99, *"Omnibus 2022"* (continued):**

  The requirements of this Statement that are effective as follows:

  - The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.

  - The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

  - The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

- ***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.

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Note 13 – Future adoption of accounting pronouncements (continued)

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

  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.

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

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Note 13 – Future adoption of accounting pronouncements (continued)

- ***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 impact of the implementation of these statements on the **Commission's** financial statements, if any, has not yet been determined.

Note 14 – Subsequent events

Subsequent events were evaluated through March 3, 2023, 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.

END OF NOTES

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
AACA appropriations	$ 1,430,000	$ 1,488,000	$ 1,422,936	$ 65,064
Other	3,000	3,000	1,158	1,842
Total revenues	1,433,000	1,491,000	1,424,094	66,906
Expenditures				
Salaries and fringe benefits	1,208,000	1,267,984	1,226,869	41,115
Professional services	41,000	47,860	42,115	5,745
Capital outlays	9,000	9,000	8,174	826
Supplies	20,000	20,000	13,971	6,029
Rent	20,000	20,100	17,981	2,119
Repairs and maintenance	26,000	26,000	16,390	9,610
Other	109,000	100,056	89,040	11,016
Total expenditures and encumbrances	1,433,000	1,491,000	1,414,540	76,460
Excess of revenues over expenditures And emcumbrances	$ -	$ -	$ 9,554	$ 9,554

The accompanying notes are an integral part of this Schedule.

Note 1 – Stewardship, Compliance and Accountability

Budgetary Control

The Budgetary Comparison Schedule – General Fund only presents the information for the general 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 **Commission's** budget is prepared for the General Fund following state requirements. Budget amendments are approved by the AACA, the fiscal agent. 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 **Commission** 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, 2022 is presented below for the general fund:

Uses/outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedule	$ 1,414,540
Expenditures considered for budget but not for GAAP	-
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance – governmental funds	$ 1,414,540

As of June 30,	2022	2021	2020
Commission's proportionate share of the pension liability	0.01979%	0.02005%	0.01930%
Commission's proportion of the total pension liability	$ 5,378,906	$ 5,628,517	$ 4,795,152

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 2020 was the first year that the **Commission** transitioned from GASB Statement No. 68 to GASB Statement No. 73 as a result of the Pay-Go 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,	2022	2021	2020
Commission's proportionate share of the total OPEB liability	0.01399%	0.01423%	0.01260%
Commission's proportion of the total OPEB liability	$ 111,635	$ 124,438	$ 104,857

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 2020 was the first year that new requirements of GASB Statement No. 75 were implemented by the **Commission**. 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 **Commission** and not Employee's 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.

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed-Through To Subrecipients	Federal Expenditures
US Department of Transportation / National Highway Traffic Safety Administration				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	N/A	$ 891,148	$ 2,229,687
National Priority Safety Programs	20.616	N/A	2,401,383	2,880,052
Total Highway Safety Cluster			3,292,531	5,109,739
Alcohol Open Container Requirements	20.607	N/A	363,130	987,136
Minimum Penalties for Repeated-Offenders for Driving While Intoxicated	20.608	N/A	255,442	1,108,227
NHTSA Discretionary Safety Grants - Fatality Analysis Reporting System	20.614	N/A	-	48,495
Total US Department of Transportation			3,911,103	7,253,597
US Department of Treasury				
Pass-through the Puerto Rico Department of Treasury				
Coronavirus Relief Fund	21.019	N/A	-	128,207
Coronavirus State and Local Fiscal Recovery Fund	21.027	N/A	-	42,000
Total US Department of Treasury			-	170,207
Total Expenditures of Federal Awards			$ 3,911,103	$ 7,423,804

The accompanying notes are an integral part of this Schedule.

GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the funds expended by the **Commission** from all federal programs for the year ended June 30, 2022. The **Commission's** reporting entity is defined in **Note 1** to the financial statements.

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some of the amounts presented in the schedule may differ from the amounts presented in, or used in the presentation of, the basic financial statements. Because the schedule presents only a selected portion of the operations of the **Commission**, it is not intended to and does not present the financial position and changes in net position of the **Commission**.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures presented on the Schedule are reported on the modified basis of accounting. Expenditures are recognized when the related liability is incurred following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Federal Assistance Listing Number, formerly known as Catalog of Federal Domestic Assistance Number (CFDA), is a program identification number. The first two digits identify the federal department of agency that administers the program and the last three numbers are assigned by numerical sequence.

State or local government redistributions of federal awards to the **Commission**, known as "pass-through awards" should be treated by the **Commission** as though they were received directly from the federal government. The Uniform Guidance requires the Schedule to include the name of the "pass-through entity" and the identifying number assigned by the "pass-through entity" for the federal awards received as a sub-recipient. Numbers identified as N/A are not applicable and numbers identified as N/AV are not available.

RECONCILIATION TO FINANCIAL STATEMENTS

Information reported in the accompanying Schedule of Expenditures of Federal Awards agreed with or has being reconciled to the information reported in the **Commission's** basic financial statements.

INDIRECT COST RATE

The **Commission** has elected not to use the ten percent of the minimums indirect cost rate allowed under the Uniform Guidance.

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

To the Executive Director of
Puerto Rico Traffic Safety Commission
(an Executive Agency of the
Commonwealth of Puerto Rico)
San Juan, Puerto Rico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the **Puerto Rico Traffic Safety Commission (an Executive Agency of the Commonwealth of Puerto Rico) (the Commission)** as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the **Commission's** basic financial statements, and have issued our report thereon dated March 3, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Calle Paraná #1686, El Cerezal, San Juan, P.R. 00926-3144 – Tel. (787) 777-8044 / Fax (787) 764-9377

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

López-Vega, CPA, PSC

LOPEZ-VEGA, CPA, PSC
San Juan, Puerto Rico
March 3, 2023

Stamp No. E486927 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

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

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

To the Executive Director of
Puerto Rico Traffic Safety Commission
(an Executive Agency of the
Commonwealth of Puerto Rico)
San Juan, Puerto Rico

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the **Puerto Rico Traffic Safety Commission (an Executive Agency of the Commonwealth of Puerto Rico)** (**the Commission**) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have direct and material effect on each of the **Commission's** major federal programs for the year ended June 30, 2022. The **Commission's** major federal programs are identified in the Summary of Auditors' Results Section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the **Commission** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the **Commission** and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the **Commission's** compliance with the compliance requirements referred to above.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding **Commission's** compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the **Commission's** internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the **Commission's** internal control over compliance. Accordingly, no such opinion is expressed.

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item **2022-001**. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditors to perform limited procedures on the **Commission's** response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The **Commission's** response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance Section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirements of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item **2022-001** to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* requires the auditor to perform limited procedures on the **Commission's** response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The **Commission's** response was not subject to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Purpose of this Report

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

López-Vega, CPA, PSC

LOPEZ-VEGA, CPA, PSC

San Juan, Puerto Rico
March 3, 2023

Stamp No. E486928 of the
Puerto Rico Society of Certified
Public Accountants was affixed
to the record copy of this report.

Section I – Summary of Auditors' Results

Financial Statements

Opinion Unit	**Type of Opinion**
Governmental Activities	Unmodified
General Fund	Unmodified
Special Revenue Fund	Unmodified

Internal control over financial reporting:		
Material weakness (es) identified?	☐Yes	☒No
Significant deficiency (ies)?	☐Yes	☒None Reported
Noncompliance material to financial statements noted?	☐Yes	☒No

Federal awards

Internal Control over major programs:		
Material weakness (es) identified?	☐Yes	☒No
Significant deficiency (ies)?	☒Yes	☐No
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section 200.516(a) of the Uniform Guidance?	☒Yes	☐No

Identification of Major Programs:

Federal Assistance Listing Number	**Name of Federal Program or Cluster**
20.600 & 20.616	Highway Safety Cluster
20.608	Minimum Penalties for Repeated-Offenders for Driving While Intoxicated

Dollar threshold used to distinguish between Type A and Type B programs	**$750,000**	
Auditee qualified as low-risk auditee?	☐Yes	☒No

Section II – Financial Statements Findings

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

Section III – Federal Awards Findings and Questioned Costs

Finding Reference:	**2022-001**
Compliance Requirement:	**Reporting**
Federal Program:	**US Department of Transportation** **Highway Safety Cluster – Assistance Listing #20.600 & 20.616** **Minimum Penalties for Repeated Offenders for Driving While Intoxicated – Assistance Listing #20.608**
Type of Finding:	**Significant Deficiency (SD) and Instance of Noncompliance (NC)**

This Finding is similar to prior year Finding 2021-001

Statement of Condition:

During our test over the FFATA reporting, we selected 13 first-tier subawards subject to reporting under the Transparency Act. We were unable to identify if the information regarding the subawards has been properly input into the system (FSRS).

Criteria:

Aspects of the Federal Funding Accountability and Transparency Act (Pub. L.109-282) (Transparency Act), as amended by Section 6202(a) of the Governmental Funding Transparency Act of 2008 (Pub. L. No. 111-252), that relate to sub-award reporting (1) under grants and cooperative agreements were implemented in OMB in 2 CFR part 170 and (2) under contracts, by the regulatory agencies responsible for Federal Acquisition Regulation (FAR) at 5 FR 39414 et seq., July 8, 2010. The requirements pertain to recipients (i.e., direct recipients) of grants or cooperative agreements who make first-tier sub-awards and contractors (i.e., prime contractors) that award first-tier subcontracts. There are limited exceptions as specified in 2 CFR part 170 and FAR. The guidance at 2 CFR part 170 currently applies only to federal financial assistance awards in the form of grants and cooperative agreements (e.g., it does not apply to loans made by a federal agency to a recipient), however, the sub-award reporting requirement applies to all types of first-tier sub-awards under a grant or cooperative agreement.

As provided in 2 CFR part 170 and FAR Subpart 4.14, respectively, federal agencies are required to include the award term specified in Appendix A to 2 CFR part 170 or the contract clause in FAR 52.204-10, Reporting Executive Compensation and First-Tier Subcontract Awards, as applicable, in awards subject to the Transparency Act. This Appendix established requirements for recipients to report information about first-tier sub-awards and executive compensation. In this sub-part is stated the applicability, where, when and what to report.

Section III – Federal Awards Findings and Questioned Costs (continued)

Finding Reference: 2022-001 (continued)

Cause of Condition:

During fiscal year ended June 30, 2022, the **Commission** registered into the FSRS and initiated the process to enter several of the subawards subject to the FFATA reporting for this year. However, it was difficult for the management to search for records previously reported in the System. In addition, procedures have not yet been designed and established to assure that the **Commission** complies with the special reporting requirement applicable to the programs.

Effect of Condition:

The **Commission** is not in compliance with the 2 CFR, part 170.

Recommendation:

We recommend that the **Commission** design, develop and implement procedures regarding to sub-award reporting, in order to assure that all the sub-awards data required by the programs, be reported to the federal agencies as stated in regulation. Technical assistance may be requested in order to achieve this goal.

Questioned Cost:

None

View of Responsible Officials and Planned Corrective Actions:

The **Commission** will comply with Federal Funding Accountability and Transparency Act reporting requirements for all first-tier sub-awards (sub-grants and subcontracts). A procedure will be established delineating the threshold, responsibilities in data collection and reporting.

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

Audit Period: July 1, 2021 – June 30, 2022

Fiscal Year: 2021-2022

Principal Executive: Mr. Luis Rodríguez Díaz - Executive Director

Contact Person: Mr. Luis Rodríguez Díaz - Executive Director

Phone: (787) 721-1600

Original Finding Number	Statement of Concurrence or Non concurrence	Corrective Action
2022-001	We concur with the finding.	We concur with the auditors' recommendations. The **Commission** will comply with Federal Funding Accountability and Transparency Act reporting requirement for all first-tier sub-awards (sub-grant and subcontracts). A procedure will be established delineating the threshold, responsibilities in data collection and reporting. Implementation Date: During the 2022-2023 fiscal year Responsible Person: Ms. María I. Malavé Rodríguez Finance Director

I CERTIFY THAT THE INFORMATION ABOVE IS CORRECT

Mr. Luis Rodríguez Díaz - Executive Director

March 3, 2023
Date

Finding Reference: 2021-001

Finding Type: **Reporting**

Statement of Condition:

During our test over the reports submitted to the grantor agency, we found that the **Commission** did not submit the required information regarding the Federal Funding Accountability and Transparency Act.

Status:

Still prevails. See current year Finding 2022-001