AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)

BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2024

(With Independent Auditors' Report Thereon)

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)

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AQUINO,
DE CÓRDOVA, LLC
cpa + advisors

Jerry De Córdova, CPA, CICA, Esq.
Eduardo González-Green, CPA, CFF, CFE, FCPA, CICA
Maritza Rivera Serrano, CPA, CICA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Automobile Accidents Compensation Administration
(a Component Unit of the Commonwealth of Puerto Rico)

Opinion

We have audited the accompanying financial statements of the Automobile Accidents Compensation Administration (a Component Unit of the Commonwealth of Puerto Rico) (the "Administration"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Administration'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 financial position of the Administration, as of June 30, 2024, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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

P.O. Box 70262, San Juan, Puerto Rico 00936-8262 • Cecilia's Place Suite C-1, #7 Rosa Street
Isla Verde, P.R. 00979 • Phone (787) 253-9595 • Fax (787) 253-9511

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Administration's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Administration's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4 thru 11 and required supplementary information by GASB Statements No. 73 and 75 on pages 69 and 70 and the schedule of ten – years claims development information on page 71, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2025, on our consideration of the Administration's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Administration's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Administration's internal control over financial reporting and compliance.

Carolina, Puerto Rico

June 19, 2025

Aquino, De Córdova, LLC
by Eduardo González-Green
Lic. # 3171

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Automobile Accidents Compensation Administration

This section of the financial report of the Automobile Accidents Compensation Administration (A Component Unit of the Commonwealth of Puerto Rico) (hereinafter referred to as the "Administration"), represents a narrative overview and analysis of the financial performance and activities for the fiscal years ended June 30, 2024 and 2023. The information presented herein should be read in conjunction with the attached Basic Financial Statements, including the notes thereto.

Summarized Basic Financial Statements information, relevant financial and operational indicators operational budgets and other management tools were used for purpose of this analysis.

Background

The Administration was created by Law No. 138 of 1968 (as amended) to provide death, disability and health benefits for victims of automobile accidents, subject to certain limitations and conditions. On August 14, 2020, Law No. 111 was approved named "Law on Social Protection for Motor Vehicle Accidents". This Law revokes Law No. 138 of 26 June 1968, as amended. Law No. 111 establishes a system of insurance and compensation for traffic accidents through a mandatory premium for any authorized motor vehicle, to provide a cover for health services to any person who suffers bodily injury, illness or death as a result of a traffic accident; recognize the existence, continuity and legal personality of the Administration.

The annual premium amounts to $35 per vehicle and is paid during the vehicle's registration renewal. This premium was established in 1968 and has remained unchanged since then. New vehicles pay a fee of $37.50 during the first year. The insurance premium is collected by the Puerto Rico Treasury Department (from now on "PRTD") and recognized ratably as income during the policy year. The portion of premiums that will be earned in the future is deferred and reported as Unearned Premiums in the Statement of Net Position.

Financial Highlights

- During fiscal year 2024, the Administration generated operating income from insurance operations of approximately $62.9 million, compared to $60.9 million in fiscal year 2023. The $2.0 million increase in operating income resulted primarily from a $5.1 million increase in insurance premiums earned and other income, partially offset by a $3.1 million increase in operating expenses.

- The Administration's net position increased by approximately $71.7 million, or 99.14%, compared to an increase of $69.4 million in 2023. This represents a year-over-year increase of $2.3 million, or 3.3%. The growth in net position is primarily attributable to a $2 million, or 3.4%, increase in operating income, from $60.9 million in 2023 to $62.9 million in 2024, and a $4.4 million increase in nonoperating revenues, which rose from $11.3 million in 2023 to $15.7 million in 2024.The increase in nonoperating revenues is mainly due to investment results, shifting from an unrealized loss of $3.6 million in 2023 to a realized gain of $1.1 million in 2024, resulting in a favorable variance of approximately $4.7 million.

- Operating revenues increased by approximately $5.2 million, or 5.5%, from $94.7 million in fiscal year 2023 to $99.9 million in 2024. This growth was primarily driven by a $2.7 million increase in insurance premiums earned.

- Operating expenses amounted to approximately $37.0 million for the year ended June 30, 2024, representing a net increase of $3.1 million compared to $33.9 million in 2023. This increase was primarily driven by a $2.4 million rise in general administrative expenses, and a

(Continued)

$2.5 million increase in beneficiary services. These increases were partially offset by larger pension and OPEB credits totaling $3.1 million in 2024, compared to the prior year.

- During fiscal year 2024, the Administration recorded interest and dividend income of approximately $6.8 million, compared to $4.7 million in 2023. In addition, the Administration recognized a realized gain on the sale of investments of $1.1 million in 2024, in contrast to a realized loss of $3.6 million in 2023. Unrealized gains due to changes in the market value of investments amounted to $7.7 million in 2024, compared to $10.2 million in 2023. No impairment losses were recorded in either 2024 or 2023.

- Contributions to other governmental agencies increased significantly during the year, rising from $2.8 million in 2023 to $7 million in 2024, an increase of $4.2 million, or approximately 150%. This increase had a partial offsetting effect on the overall net position growth.

- The Administration's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by approximately $621,161, compared to a deficit of $72.3 million as of June 30, 2023. This represents a decrease in the deficit of approximately $71.7 million during fiscal year 2024, following a deficit reduction of $69.4 million in 2023.

- Deferred outflows of resources decreased by $13.2 million, or 41.7%, primarily due to changes in pension and OPEB-related balances. Deferred inflows of resources increased by $29.6 million, or 89.7%, largely due to the recognition of lease-related activity and other pension/OPEB adjustments.

- As of June 30, 2024, the Administration reported Right-to-Use capital assets for equipment and office/storage space totaling $2,689,148, net of accumulated amortization. The related Right-to-Use liability amounted to $2,937,864. In addition, the Administration recognized a lease receivable of $1,751,237 for office space rented to third parties, with a corresponding deferred inflow of resources in the same amount.

Overview of the Financial Report

The Administration is a component unit of the Commonwealth of Puerto Rico (hereinafter referred to as the Commonwealth) and is included in the Commonwealth's government-wide financial statements as an enterprise fund.

The Basic Financial Statements provide detailed information about the Administration's financial activities. These statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as promulgated by the Governmental Accounting Standards Board (GASB).

The accompanying Basic Financial Statements present the financial position of the Administration as of June 30, 2024, and the results of operations and cash flows for the fiscal year then ended.

The Basic Financial Statements consist of the: (1) S**tatemen**t of Net Position, (2) Statement of Revenues, Expenses, and Changes in Net Position, (3) St**atement of** Cash F**lows, and (4) notes to** the financial statements. The Basic Financial Statements **are prepared on the accrual basis of accounting, meaning** that all expenses are recorded when incurred and all revenues are recognized when earned, in accordance with GAAP.

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Statement of Net Position

This statement presents the Administration's financial position as of June 30, 2024, including all assets, liabilities, and the resulting net position. It provides a snapshot of the Administration's financial condition and includes an evaluation of various external factors such as investment quality, market conditions, medical cost inflation, and actuarial assumptions used for estimating future benefit obligations.

Statement of Revenues, Expenses, and Changes in Net Position

This statement reflects how the Administration's net assets changed during the fiscal year. Revenues and expenses are recognized on the accrual basis, meaning they are recorded when earned and incurred, respectively, regardless of when cash is received or paid.

Statement of Cash Flows

This statement details the sources and uses of cash, categorized by operating, non-capital financing, capital and related financing, and investing activities. It reconciles the change in cash and cash equivalents with operating results and provides insight into the Administration's liquidity and financial flexibility.

Notes to the Basic Financial Statements

The notes are an integral part of the Basic Financial Statements. They provide essential disclosures regarding accounting policies, investments, capital assets, long-term liabilities, retirement plans, commitments, contingencies, and other relevant information. Readers are encouraged to review the notes in conjunction with the Management's Discussion and Analysis and the Basic Financial Statements themselves.

Required Supplementary Information - Employee's Retirement System

The annual financial report includes the required supplementary schedule following the notes to the Basic Financial Statements. The Schedule of the Proportionate Share of the Total Pension Liability is presented in accordance with the implementation of GASB Statement No. 73.

Required Supplementary Information - Postemployment Benefits Other Than Pensions (OPEB)

Similarly, the annual financial report includes the required supplementary schedule related to other postemployment benefits. The Schedule of the Proportionate Share of the Other Postemployment Benefits Liability is presented as required by GASB Statement No. 75.

New Significant Accounting Standards Implemented

The Administration implemented the following Governmental Accounting Standards Board (GASB) Statement during the fiscal year ended June 30, 2024, with no material impact on the Basic Financial Statements:

- Statement No. 100, "Accounting Changes and Error Corrections - an Amendment of GASB Statement No. 62".

Additional information regarding this standard is provided in Note 2(W) to the Basic Financial Statements.

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Detailed Financial Analysis of the Administration

The Administration was established in 1968 pursuant to Law No. 138 as a public corporation of the Commonwealth of Puerto Rico. It operates a compulsory vehicle insurance system for automobiles licensed for use within the Commonwealth. This insurance covers bodily injuries resulting from automobile accidents and has maintained a statutory annual premium since inception, $37.50 for new vehicles and $35.00 for renewals. As the entity responsible for managing the risks associated with this compulsory insurance program, the Administration ensures the availability of adequate resources for insured beneficiaries by overseeing the collection of premiums, processing of claims, and administration of related expenses.

The following table presents the Administration's condensed net position as of June 30, 2024 and 2023:

Statement of Net Position

The following represents major changes in the Statement of Net Position items:

	2024	2023	Differences
Assets:			
Current Assets	$ 86,707,403	$ 88,593,773	$ (1,886,370)
Restricted Asset	1,071,036	178,657	892,379
Capital Assets, Net	12,574,596	8,141,905	4,432,691
Other Noncurrent Assets	197,728,269	155,714,933	42,013,336
Total Assets	298,081,304	252,629,268	45,452,036
Deferred Outflow of Resources	18,516,316	31,751,431	(13,235,115)
Total Assets and Deferred Outflow of Resources	$ 316,597,620	$ 284,380,699	$ 32,216,921
Liabilities:			
Current Liabilities	$ 104,202,493	$ 87,142,485	$ (17,060,008)
Noncurrent Liabilities	209,599,302	236,589,792	26,990,490
Total Liabilities	313,801,795	323,732,277	9,930,482
Deferred Inflows of Resources	3,416,986	33,039,773	29,622,787
Net Position:			
Investment in Capital Assets	12,574,596	5,255,319	7,319,277
Unrestricted (Deficit)	(13,195,757)	(77,646,670)	64,450,913
	(621,161)	(72,391,351)	(71,770,190)
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 316,597,620	$ 284,380,699	$ (32,216,921)

The following represents major changes in the Statement of Net Position items:

(Continued)

Current Assets

Current assets decreased by approximately $1.9 million, or 2.1%, from $88.6 million as of June 30, 2023, to $86.7 million as of June 30, 2024. This net decrease was primarily driven by a decline of $11.4 million in cash and cash equivalents, which fell from $57.2 million to $45.8 million, reflecting timing differences in cash disbursements and operating activities. The decrease in cash was partially offset by increases in other current asset categories, including: Premiums receivable, which increased by $8.5 million, from $26.9 million in 2023 to $35.4 million in 2024; Investments, which increased by $0.8 million, from $2.2 million to $3 million, reflecting portfolio adjustments during the year; Accrued interest and dividends, which increased by approximately $297,916,consistent with improved investment yields; and other receivables, which rose from $952,000 to $1.13 million. Receivables from investment sales and lease receivables remained relatively stable year over year.

Capital Assets

During the fiscal year ended June 30, 2024, Right-to-Use (RTU) assets related to equipment and office/storage space increased by $740,420, primarily due to new regional offices opened in the municipalities of Arecibo and Mayagüez, as well as the renewal and extension of storage facility contracts for an additional five-year term.

In addition, depreciable and nondepreciable capital assets increased by $4,061,485, reflecting the net effect of capital asset additions totaling $5,439,648, asset retirements with a book value of $349,813, and current year depreciation expense of $1,028,350. As a result of these combined changes in RTU assets and other capital assets, the Administration's total capital assets increased by $4,043,519 during the fiscal year.

Other Noncurrent Assets

Other noncurrent assets increased by approximately $47.3 million, from $164 million in 2023 to $211.4 million in 2024. This increase was primarily driven by a $41.2 million rise in long-term investments, reflecting favorable investment performance and the reinvestment of operating surpluses. In addition, lease receivables increased by $1 million, and depreciable capital assets rose by $4.4 million, further contributing to the growth in noncurrent assets.

Deferred Outflows of Resources Related to Pension Plan and OPEB

Deferred outflows of resources amounted to $18.5 million as of June 30, 2024, representing a decrease of approximately $13.3 million, or 41.7%, compared to the balance of $31.8 million reported in 2023. The decrease is primarily related to changes in pension and OPEB-related assumptions, actuarial experience, and the amortization of prior years' deferred outflows, in accordance with GASB Statements No. 73 and No. 75.

Current Liabilities

Total current liabilities increased by approximately $17.1 million, or 19.6%, from $87.1 million as of June 30, 2023 to $104.2 million as of June 30, 2024. Major components of this change are as follows:

- **Unpaid Claims Liability and Reserve for Future Benefits**

  The current portion of this liability increased by $8.2 million, from $8.4 million in 2023 to $16.6 million in 2024, an increase of 97.15%. This reflects an actuarial reassessment of the near-term obligations for claims incurred but not yet paid, including funeral, disability, and medical-related benefits.

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According to the actuarial report, the Unpaid Claims Liability and Reserve for Future Benefits is segregated into various major areas: benefits for death, funeral, disability, dismemberment and medical/hospital coverage with basic (less than two years) and extended (over two years) benefits. It also includes the incurred but unpaid claim liability, and the loss adjustment expenses. Each major area is evaluated separately, and a reserve is estimated for each. It should be noted that most payments for funeral, dismemberment and disability benefits are settled within two years, while other benefits settlements may depend on the composition and age distribution of the beneficiaries and on the severity of the accident and related trauma.

- **Accounts Payable and Accrued Liabilities**

  Increased by $5 million, from $16.1 million to $21.1 million, or 30.98%, reflecting higher operational payables and pending claims settlements at year-end.

- **Unearned Premiums**

  Increased by $3.8 million, or 8.2%, from $45.8 million to $49.6 million, consistent with growth in billed but unearned premiums from the compulsory vehicle insurance program.

Other current liabilities, including accrued compensated absences, lease liabilities, pension and OPEB related liabilities and payables for the acquisition of investments, remained relatively stable from 2023 to 2024, with only minor fluctuations.

Noncurrent Liabilities

Total noncurrent liabilities decreased by $27 million, or 11.4%, from $236.6 million in 2023 to $209.6 million in 2024. Key movements include:

- **Unpaid Claims Liability and Reserve for Future Benefits**

  Decreased by $7.2 million, from $53 million in 2023 to $45.7 million in 2024, as actuarial adjustments reduced the estimated portion of benefits expected to settle beyond one year.

- **Total Pension Liability**

  Decreased by $18.9 million, or 10.96%, from $172.4 million to $153.5 million, due to favorable demographic experience, investment-related factors, or updated actuarial assumptions.

Balances such as the reserve for litigation, termination benefits, lease liability and the noncurrent portion of the OPEB liability, remained relatively stable from 2023 to 2024, with no significant year-over-year variations.

Deferred Inflows of Resources

Deferred inflows of resources decreased from $33 million in 2023 to $3.4 million in 2024, a reduction of $29.6 million or 89.7%. This decrease primarily reflects the amortization of prior-year actuarial gains related to pensions and OPEB, and the satisfaction of timing differences related to lease-related deferred inflows.

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Net Position at Year-End

Total net position for the fiscal year ended June 30, 2024 improved by $71.7 million, compared to an increase of $69.4 million in 2023. The improvement reflects both a continued positive operating surplus and favorable investment performance.

It should be noted that, as required by the Law that created the Administration, the excess of revenues collected during any fiscal year over the payment of benefits and operational expenses must be kept by the Administration to cover all unanticipated claims. If, in any year, the receipts and the reserves accrued are not sufficient to cover the losses and the expenses incurred, the Secretary of the Treasury shall provide, as an advance to the Administration, the sums required to remediate the deficiency. Such advance would be obtained from any funds available in the General Government Fund of the Commonwealth of Puerto Rico.

Statement of Revenues, Expenses and Changes in Net Position

The following presents a detailed description of the Administration's revenues, expenses and changes in net position:

	2024	2023	Variance Dollars	Variance Percentage
Operating Revenues	$ 99,972,245	$ 94,778,052	$ 5,194,193	5.48 %
Operating Expenses	35,194,117	32,472,269	2,721,848	8.38 %
Depreciation and Amortization Expense	1,790,303	1,390,020	400,283	28.80 %
Operating Income/(Loss)	62,987,825	60,915,763	2,072,062	3.40 %
Nonoperating Revenue/(Expenses)	15,765,217	11,310,631	4,454,586	39.38 %
Contributions to Other Governmental Agencies	(6,982,852)	(2,798,146)	(4,184,706)	149.55 %
Net Change in Net Position	$ 71,770,190	$ 69,428,248	$ 2,341,942	3.37 %

Revenues from Insurance Premiums

Insurance premiums earned for the year ended June 30, 2024, amounted to approximately $94.1 million, representing an increase of $2.7 million, or 3.0%, compared to $91.4 million in 2023. Premiums continue to be earned ratably over the one-year term of coverage, and the premium rate per vehicle, $37.50 for new vehicles and $35.00 for renewals, has remained unchanged for more than four decades. Barring significant changes in the number of vehicles covered, revenues are expected to remain stable.

The Administration has been able to continuously generate Net Operating Revenues on a steady basis. The average Net Operating Revenues during the last ten (10) years was approximately $84.8 million. Average covered vehicles for the past ten years amounted to approximately 2.2 million vehicles.

Starting on September 2022, the Administration began offering two new coverages, including extended coverage. Premium coverage is being sold at $70 per vehicle, with a $35 deductible over the Premium. In addition, Plus Coverage is being sold at $50 per vehicle, with a $15 excess over regular coverage.

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Operating Expenses

Total operating expenses, including depreciation, amounted to approximately $37 million in 2024, compared to $33.9 million in 2023, an increase of $3.1 million, or 9.2%. Key components contributing to this increase include:

- Accident and Health Benefits, which rose by $586,644, from $29 million to $28.4 million,
- General and Administrative Expenses, which decreased by $2.4 million, from $13.3 million to $10.9 million, and
- Beneficiary Services, which increased by $2.5 million, from $16.6 million to $19.1 million.

These increases were partially offset by a reduction in:

- Pension Credit, which decreased by $2.4 million, from ($25.9) million in 2023 to ($23.5) million in 2024.

Operating Income

As a result of the increase in operating revenues and higher operating expenses, operating income increased by approximately $2.1 million, or 3.4%, from $60.9 million in 2023 to $63 million in 2024.

Contributions to Other Governmental Agencies

Contributions to other governmental agencies totaled $7.0 million in 2024, a significant increase of $4.2 million, or 150%, compared to $2.8 million in 2023. These contributions are mandated by legislation and support various public programs, including transfers to the Puerto Rico Traffic Safety Commission, in accordance with Act 33 of 1972; and transfers to the Fund for Services and Therapies for Special Education Students, as required by Act No. 3-2017.

Act No. 3-2017, titled "Act to Address the Economic, Fiscal and Budgetary Crisis in Order to Guarantee the Operations of the Government of Puerto Rico", was enacted on January 23, 2017, to implement temporary emergency measures. Among other provisions, it mandates that participating entities, such as the Administration, transfer any savings generated under its provisions to the special-purpose fund for special education services. For the fiscal year ended June 30, 2024, the Administration accrued $5,549,798 for this purpose from budgetary savings.

Contacting the Administration's Financial Management

This financial analysis, including the Basic Financial Statements and accompanying notes, is intended to provide a general overview of the Administration's financial condition and to comply with the reporting requirements of the Commonwealth of Puerto Rico. It also reflects the Administration's ongoing commitment to transparency and public accountability.

For questions regarding this report or to request additional information, please contact the Administration's Finance Department at Chardón Avenue #249, Arterial Hostos Square, Hato Rey, PR 00918, telephone: (787) 753-8495.

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENT OF NET POSITION
JUNE 30, 2024

ASSETS:	
Current Assets:	
Cash and Cash Equivalents	$ 45,812,791
Investments	2,956,984
Accrued Interest and Dividends	903,860
Receivables:	
Investments Sales	114,960
Premiums, Net	35,387,375
Leases	397,093
Others, Net	1,134,340
Total Current Assets	86,707,403
Noncurrent Assets:	
Restricted Cash	1,071,036
Investments	196,179,193
Leases Receivable	1,354,144
Other Assets	194,932
Capital Assets:	
Nondepreciable	900,882
Depreciable Net	11,673,714
	12,574,596
Total Noncurrent Assets	211,373,901
Total Assets	298,081,304
DEFERRED OUTFLOWS OF RESOURCES:	
Pension Related	18,146,917
Other Postemployment Benefits Related	369,399
Total Deferred Outflows of Resources	18,516,316
Total Assets and Deferred Outflows of Resources	$ 316,597,620

See accompanying notes which are an integral part of the Basic Financial Statements.

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2024

LIABILITIES:	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	$ 21,069,825
Unearned Premiums	49,591,020
Unpaid Claim Liability and Reserve for Future Benefits	16,625,400
Acquisition of Investments	704,462
Accrued Compensated Absences	2,050,392
Total Pension Liability	12,417,937
Total Other Postemployment Benefits Liability	369,399
Termination Benefits	587,291
Lease Liability	786,767
Total Current Liabilities	104,202,493
Noncurrent Liabilities:	
Unpaid Claims Liability and Reserve for Future Benefits	45,745,920
Reserve for Litigations	2,000,000
Total Pension Liability	153,548,148
Total Other Postemployment Benefits Liability	3,132,182
Termination Benefits	3,021,955
Lease Liability	2,151,097
Total Noncurrent Liabilities	209,599,302
Total Liabilities	313,801,795
DEFERRED INFLOWS OF RESOURCES:	
Pension Related	1,665,749
Lease Related	1,751,237
Total Deferred Inflows	3,416,986
NET POSITION:	
Net Investment in Capital Assets	9,636,732
Unrestricted/(Deficit)	(10,257,893)
Total Net Position (Deficit)	(621,161)
Total Liabilities, Deferred Inflows of Resources and Net Position (Deficit)	$ 316,597,620

See accompanying notes which are an integral part of the Basic Financial Statements.

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024

OPERATING REVENUES:	
Insurance Premiums Earned	$ 94,139,511
Other Income	5,832,734
Total Operating Revenues	99,972,245
OPERATING EXPENSES:	
Disability Benefits	515,663
Death, Funeral, Accident and Health Benefits	28,369,647
Beneficiary Services	19,117,011
General and Administrative Expenses	10,947,010
Pension Credit	(23,515,712)
Other Postemployment Benefits Credit	(239,502)
Depreciation and Amortization Expense	1,790,303
Total Operating Expenses	36,984,420
Operating Income	62,987,825
NONOPERATING REVENUES / (EXPENSES)	
Interests and Dividend Income	6,867,338
Realized Gain on Sales of Investments	1,173,129
Unrealized Gain on Investments	7,724,422
Contributions to Commonwealth of Puerto Rico	(6,982,852)
Others	328
Total Nonoperating Revenues - Net	8,782,365
Change in Fund Net Position	71,770,190
Net Position (Deficit) at Beginning of Year	(72,391,351)
Net Position (Deficit) at End of Year	$ (621,161)

See accompanying notes which are an integral part of the Basic Financial Statements.

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

Cash Flows from Operating Activities:	
Receipts from Policyholders	$ 89,433,177
Payments for Benefits to Policyholders	(28,077,210)
Payments to Employees and Related Benefits	(34,052,314)
Payments to Suppliers for Goods and Services	(3,044,223)
Other Receipts	3,763,834
Net Cash Provided in Operating Activities	28,023,264
Cash Flows From Noncapital Activities:	
Contributions to Governmental Agencies	(6,982,852)
Cash Flows From Capital and Related Financing Activities:	
Purchase of Capital Assets	(5,439,648)
Cash Flows From Investing Activities:	
Proceeds from Sales of Investments	144,921,448
Purchase of Investments	(177,597,282)
Distribution From Investments and Collection of Interest and Dividends Income	6,569,423
Net Cash Used in Investing Activities	(26,106,411)
Net Decrease in Cash, Cash Equivalents and Restricted Cash	(10,505,647)
Cash at the Beginning of the Year	57,389,474
Cash at End of Year	$ 46,883,827
Summary of Cash, Cash Equivalents, and Restricted Cash:	
Unrestricted	$ 26,270,915
Cash Equivalents	19,541,876
	45,812,791
Restricted	1,071,036
Total Cash, Cash Equivalents and Restricted Cash	$ 46,883,827

See accompanying notes which are an integral part of the Basic Financial Statements.

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	$ 62,987,825
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	1,790,303
Loss on Disposition of Capital Assets	39,659
Changes in Assets and Liabilities:	
Increase in Receivable from Premiums	(8,468,218)
Increase in Other Receivables	(182,374)
Increase in Lease Receivable	(974,224)
Decrease in Other Assets	197,001
Increase in Unpaid Claim Liability and Reserve for Future Benefits	969,320
Increase in Unearned Premiums Reserve	3,761,884
Increase in Accounts Payable and Accrued Expenses	4,983,693
Decrease in Lease Liability	(740,420)
Decrease in Termination Benefits	(844,894)
Increase in Compensation Absences	33,811
Decrease in Other Postemployment Benefits Liability	(255,803)
Decrease in Deferred Outflows of Resources	13,235,115
Decrease in Deferred Inflows of Resources	(29,622,787)
Decrease in Total Pension Liability	(18,886,627)
Net Cash Provided by Operating Activities	$ 28,023,264
Summary of Noncash Transactions:	
Net Increase in the Fair Value of Investments	$ 8,897,551
Securities Sold, but not yet Delivered	$ 114,960
Securities Purchased, but not yet Received	$ (704,462)
Right-to-Use Assets Obtained from Lease Liability	$ 740,420

See accompanying notes which are an integral part of the Basic Financial Statements.

1. ORGANIZATION

The Automobile Accidents Compensation Administration (the “Administration” or “ACAA”) is a public corporation and a component unit of the Commonwealth of Puerto Rico, created by Law No. 138 of June 26, 1968 known as the "Law on Social Protection for Automobile Accidents"; and for other purposes (as amended). The Administration operates a system of compulsory insurance for vehicles licensed to be used on public roads and highways in Puerto Rico. This insurance covers bodily injuries caused by automobile accidents and compensation for beneficiaries (and their dependents). The annual premium is $35 per motor vehicle (new vehicles pay a fee of $37.50 during the first year). On August 14, 2020, Law Number 111 was approved named "Law on Social Protection for Motor Vehicle Accidents". This Law revoke Law Number No. 138 of 26 June 1968, as amended. Law Number 111 establishes a system of insurance and compensation for traffic accidents through a mandatory premium for any authorized motor vehicle, to provide a cover for health services to any person who suffers bodily injury, illness or death as a result of a traffic accident; recognize the existence, continuity and legal personality of the Administration.

The basic financial statements presented herein relate solely to the financial position and results of operations of the Administration and are not intended to present the financial position of the Commonwealth or the results of its operations or its cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Administration conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting policies.

The Administration follows GASB Statement No. 76, "The Hierarchy of Generally Accepted Principles for State and Local Governments", in the preparation of its basic financial statements.

The following is a description of the most significant accounting policies:

(A) FINANCIAL REPORTING ENTITY

The financial reporting entity included in this report consists of the basic financial statements of the Administration (primary government). To fairly present the financial position and the results of operations of the financial reporting entity, management must determine whether its reporting entity consists of only the legal entity known as the primary government or one or more organizations called component units. The inclusion of a potential component unit in the primary government's reporting entity depends on whether the primary government is financially accountable for the potential component unit or on whether the nature and significance of the relationship with the primary government is such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

GASB Accounting Standards Codification Section 2100, "Defining the Financial Reporting Entity", describes the criteria for determining which organizations, functions, and activities should be considered part of the Administration for financial reporting purposes. Following GASB Sections 2100 and 2600 "Reporting Entity and Component Unit Presentation and Disclosure", there are two methods of presentation of the component unit in the basic financial statements: (a) blending

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(A) FINANCIAL REPORTING ENTITY (CONTINUED)

the financial data of the component units' balances and transactions in a manner similar to the presentation of the Administration's balances and (b) discrete presentation of the component unit's financial data in columns separate from the Administration's balances and transactions.

The Administration does not have component units.

Other organizations should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government. Professional judgment is applied in determining whether the relationship between a primary government and other organizations for which the primary government is not accountable and that do not meet these criteria is such that exclusion of the organization would render the basic financial statements of the reporting entity misleading or incomplete.

GASB Statement 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34", provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude.

The Administration is presented as a discretely presented component unit of the Commonwealth of Puerto Rico, and its basic financial statements are included in the Commonwealth of Puerto Rico's basic financial statements. The Administration operates a system of compulsory insurance coverage for all registered motor vehicles and compensates citizens for injuries arising from motor vehicle accidents. The Administration is a component unit of the Commonwealth of Puerto Rico, since the Commonwealth has the ability to significantly influence rates charged by the Administration and has access to its resources, and the Governor of the Commonwealth also appoints the Administration's governing body.

(B) BASIS OF ACCOUNTING

The Administration accounts for insurance premiums, claim costs, acquisition costs, loss contingencies and other related costs in accordance with provisions of the GASB Statement No. 10, "Accounting and Financial Reporting/or Risk Financing and Related Insurance Issues", as amended, which requires that the basic financial statements of the Administration be presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (US GAAP).

(C) BASIS OF PRESENTATION

The Administration's activities are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) BASIS OF PRESENTATION (CONTINUED)

The statement of net position and the statement of revenues, expenses, and changes in net position report information on all activities of the Administration. The statement of net position presents the Administration's assets, deferred outflows of resources liabilities, and deferred inflows of resources, with the residual of all elements presented in a financial position statement reported as net position. Net position is reported in three categories:

- Net investment in capital assets, consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes, leases, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

- Restricted component of net position consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. As of June 30, 2024, the Administration has no restricted component of net position.

- Unrestricted component of net position consists of net position that does not meet the definition of the preceding categories. Unrestricted net position often is designated, in order to indicate that management does not consider it to be available for general operations. Unrestricted net position often has constraints on use that are imposed by management, but such constraints may be removed or modified.

The statement of revenues, expenses, and changes in net position presents information on how the Administration's net position changed during the reporting period. The Administration distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses are those that result from the Administration providing the services that correspond to their principal ongoing operations, which include those that result from providing insurance coverage and compensation benefits to the injured, including death benefits. Revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

The statement of cash flows shows changes in cash and cash equivalents, resulting from operating, noncapital and capital financing and investing activities, which include cash receipts and cash disbursements information.

The notes to the basic financial statements provide information that is essential to a user's full understanding of the data provided in the basic financial statements.

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) CASH AND CASH EQUIVALENTS

For basic financial statements purposes, the Administration considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents as of June 30, 2024, consists of funds invested in short term bills, notes and investments funds.

(E) INVESTMENTS

Investments mainly include U.S. government and agencies' obligations, mortgage-backed securities, and corporate debt and equity obligations. Investments are recorded at fair value in accordance with GASB Statement No. 72, "Fair Value Measurement and Application". Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Investments in equity securities with readily determinable fair values and all investments in debt securities are carried at fair value. Money market investments with a remaining maturity at time of purchase of one year or less are carried at cost.

Investment positions in 2a-7 from the Securities and Exchange Commission (SEC), like external investment pools are carried at the pools share price. Fair value is determined based on quoted market prices and quotations received from independent broker/dealers or pricing service organizations. The Administration has private equity investment, whose fair vales have been estimated in the absence of readily determinable fair values. This estimate is based on information provided by the underlying fund managers.

Securities transactions are accounted for on the trade date. Realized gains or losses from the sale of securities and unrealized changes in the fair value of outstanding securities are included in net increase (decrease) in fair value of investments. Realized gains or losses are computed as the difference between the proceeds of the sale and the original cost of the investment sold. Gains and losses on the sale of securities are determined based on the specific identification method.

(F) RECEIVABLES OR PAYABLES RESULTING FROM THE SALE OR ACQUISITION OF INVESTMENTS

Investment transactions at or close to June 30, 2024, for which the settlement date occurs after the fiscal year ends, are recorded separately for basic financial statements purposes.

(G) ACCOUNTS RECEIVABLE

Receivables from premiums collected are estimates based on the amounts reported by the Treasury Department of the Commonwealth of Puerto Rico (PRTD), which could be subject to change. Any change in estimate is recorded in the year that it is identified.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(G) ACCOUNTS RECEIVABLE (CONTINUED)

For the year ended June 30, 2024, the Administration has a receivable for remittances of premiums collected by the PRTD amounting to $35,387,375.

Receivables are unsecured and presented net of estimated allowances for uncollectible accounts. Such allowances are determined based upon past collection experience and current economic conditions.

The allowance for uncollectible accounts insurance premiums and other receivables is an amount that management believes will adequate to absorb possible losses on existing receivables that may become uncollectible based on evaluations of the collectability of the receivables and prior credit loss experience. Because of uncertainties inherent in the estimation process, the related allowance may change in the future.

Accrued interest and dividends represent uncollected income earned on investments.

(H) CAPITAL ASSETS

Capital assets are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization is provided using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the respective lease terms or the estimated useful lives of the improvements, whichever is shorter. Expenditures for maintenance and repairs that do not extend the live of the assets are charged to operations, while those for renewals and improvements are capitalized. Capital assets subject to capitalization are defined by the Administration as those which have a cost of $500 or more at the date of acquisition and have an expected useful live of two or more years. At the time capital assets are sold or otherwise disposed, the cost and related accumulated depreciation are removed from the books and the resulting gain or loss, if any, is credited or changed to operations.

Intangible right-to-use lease assets are recorded at the present value of future lease payments over the contract term. See also Note 1 (I) and 9.

Estimated useful lives of the capital assets are as follows:

Description	Estimated Useful Live
Building	45 Years
Equipment	10 - 20 Years
Computer and Software	5 - 7 Years
Vehicles	4 Years
Office Furniture and Fixtures	5 - 10 Years
Intangible Right-To-Use Lease Assets	2 to 5 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(H) CAPITAL ASSETS (CONTINUED)

The Administration accounts for asset impairment under the provisions of GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries". This statement establishes accounting and financial reporting standards for impairments of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances are outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the Administration should be reported at the lower of carrying value or fair value.

The Administration evaluated its capital assets and determined that there were no impairments as of June 30, 2024.

(I) LEASES

GASB Statement No. 87 "Leases" defines a lease as a contract that transfers the right to use another entity's asset for a specific period of time in an exchange or exchange-like transaction. The Administration has entered into various lease agreements, primarily for office space for their regional offices providing services to citizens, for office equipment, and for documents handling and storage. Under these contracts, the Administration recognizes a lease liability and a lease asset (intangible right-to-use asset) at the commencement of the lease term in the Statement of Net Position, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset is measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

Likewise, the Administration leases some of its real property, structures and improvements to third parties, which include a cafeteria for the use of employees and visitors of the Administration's central office and for office space. Under these contracts, the Administration recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term in the Statement of Net Position. The lease receivable is measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

An amendment to a lease contract is considered a lease modification, unless the lessee's right to use the underlying asset decreases, in which case it is considered a partial or full lease termination. A lease termination is accounted for by reducing the carrying values of the lease liability and lease asset by a lessee, or the lease receivable and deferred inflows of resources by the lessor, with any difference being recognized as a gain or loss.

The future lease payments are discounted using the interest rate implicit in the lease contract. If the interest rate is not available, the incremental borrowing rate determined by the Administration is used. The lease term is determined by the sum of the non-cancelable periods, plus renewal options when they are reasonably certain of being exercised or early termination options when they are reasonably certain of not being exercised. See also Note 9.

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(J) DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The Administration reports deferred outflows and inflows of resources in addition to assets and liabilities. A deferred outflow of resources is a consumption of net position by the Administration that is applicable to a future reporting period. A deferred inflow of resources represents an acquisition of net position by the Administration that is applicable to a future period. Pension related deferred outflows and inflows of resources may include changes in proportionate share contributions, contributions to the pension plan subsequent to the measurement date, differences between expected and actual experience in the total pension liability and net difference between projected and actual earnings on pension plan investments.

(K) UNEARNED PREMIUMS RESERVE

The insurance offered by the Administration has an annual premium, which is collected in advance, when the vehicle is purchased or when the vehicle's registration is renewed. The Administration records the premium as unearned revenue and amortizes if for the twelve-month period of its duration.

(L) INSURANCE PREMIUMS

Insurance premiums are collected in advance by the PRTD and recognized ratably as income during the policy year. The portion of premiums that will be earned in the future is deferred and reported as Unearned Premiums in the accompanying Statement of Net Position. Law Number 111, of August 14, 2020, named "Law on Social Protection for Motor Vehicle Accidents", Article 15 named "Financing", Part C, states that no governmental agency shall withhold any share or administrative charge from premiums earned. For fiscal years ended June 30, 2024 and 2023, PRTD has not withhold such share or administrative charge after the effective date of Law 111.

(M) BENEFITS EXPENSES

Benefits expenses are recorded when claims are incurred. In addition, management has established reserves to cover for the estimated cost of all future benefits related to claims incurred but not reported during the year. These reserves are adjusted annually following the advice of an independent actuary. Management believes that these reserves are reasonable and reflective of anticipated ultimate experience. Since the reserves are based on estimates, the net amounts that will ultimately be paid to settle the liability may change from the estimated amounts provided for.

The Law that created the Administration limits medical hospitalization benefits to a maximum of two years after an accident, except in severe trauma cases. The Law allows a Medical Committee to extend payment of medical benefits beyond the two-year period as deemed necessary.

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
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FOR THE FISCAL YEAR ENDED JUNE 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(M) BENEFITS EXPENSES (CONTINUED)

In addition, the Law that created the Administration requires that the excess of revenues collected during any fiscal year over the payment of benefits and operational expenses must be kept by the Administration to cover all unanticipated claims. Also, if in any year the receipts and the reserves accrued are not sufficient to cover the losses and the expenses incurred, the Secretary of the Treasury of Puerto Rico shall provide, as an advance to the Administration the sums required to remedy the deficiency. Such advance would be obtained from any funds available in the General Fund of the Commonwealth of Puerto Rico.

Beginning on January 3, 2020, ACAA invoices through the fee for service system, following ACAA's rates manual. Based on Law Number 138 of June 26, 2018, and ruling 6911 of December 1, 2004, as amended both, the Medical Services Administration (ASEM) must deliver all payment claims using ACAA's formularies to that effect, within 120 days since services were rendered, together with all required supporting documentation. ACAA is required to pay for medical services rendered to those individuals eligible to receive such services.

(N) ACCOUNTING FOR PENSION COSTS

The Administration implemented the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68".

The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions", as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of GASB Statement No. 67, "Financial Reporting for Pension Plans", and Statement No. 68 for pension plans and pensions that are within their respective scopes. The Statement requires supplementary information that include the Schedule of Proportionate Share of the Total Pension Liability.

Act No. 3 enacted on April 4, 2013, amended the Act No. 447 for the purpose of establishing a major reform of the Employee's Retirement System (ERS) effective on July 1, 2013. After that, and based on the fiscal crisis of the Commonwealth, was enacted the Act No. 106 of 2017 to establish a New Define Contribution Plan and create the pay-as-you-go (PayGo) scheme for

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(N) ACCOUNTING FOR PENSION COSTS (CONTINUED)

payment of pensioners of the ERS and the other two retirement systems. As a result of the implementation of the PayGo system, the plan does not meet the criteria in paragraph 4 of GASB Statement No. 68, to be considered a plan that is administered through a trust or equivalent arrangement, and therefore, is required apply the guidance on GASB Statement No. 73. See also Note 10.

(O) POSTEMPLOYMENT BENEFITS OTHER THAT PENSIONS (OPEB)

Other postemployment benefits ("OPEB") expense is recognized and disclosed using the accrual basis of accounting. The Administration recognizes the total OPEB liability since the Administration's OPEB program is funded on a pay-as-you-go basis, and not by an OPEB trust. Changes in the total OPEB liability during the period are recorded as OPEB expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in total OPEB liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the average of the remaining service life of all participants including retirees and recorded as a component of OPEB expense beginning with the period in which they arose. The Administration accounted for postemployment benefits other than pensions (OPEB) under the provisions of GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions".

This Statement replaces GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", changes similar to those implemented on GASB Statement No. 67, "Financial Reporting for Pension Plans", and Statement No. 68, "Accounting and Financial Reporting for Pensions" should be made. The Statement requires supplementary information that include the Schedule of Proportionate Share of the Total OPEB Liability. See also Note 11.

(P) TERMINATION BENEFITS

The Administration accounts for termination benefits in accordance with the provisions of GASB Statement No. 47, "Accounting for Termination Benefits". This Statement establishes accounting standards for termination benefits. Pursuant to this Statement, the Administration should recognize a liability and expense for voluntary termination benefits (for example, early retirement incentives) when the offer is accepted, and the amount can be estimated. See also Note 12.

(Q) COMPENSATED ABSENCES

As of the effectiveness of Act No. 8 of February 26, 2017, named "Law for the Administration and transformation of Human resources in the Government of Puerto Rico", every government employee shall be entitled to accrue one and one-fourth (1¼) day of vacation leave for every month of service. The employees shall begin to accrue the vacation leave upon completion of a three (3)-month period and said leave shall be retroactive to the employment commencement date. Furloughed or part-time employees shall accrue vacation leave proportionately to the number of hours regularly worked.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(Q) COMPENSATED ABSENCES (CONTINUED)

The vacation leave may be accrued up to a maximum of sixty (60) workdays at the end of any calendar year. Vacation leave is granted to employees to allow them a reasonable annual rest period. As a general rule, said leave shall be used during the calendar year in which employees shall enjoy their vacation time in the manner that is more compatible with thee needs for service. Said plan shall be completed no later than on December 31st day of every year, so that it takes effect on January 1st of the following year.

The vacation policy of the Administration provides for the annual accumulation of leave as follows: 1) Employees hired prior to the approval of Act No. 26-2017 generally accumulate thirty (30) days of vacation and eighteen (18) days of sick leave per year, and 2) Employees hired on or after the approval of Act No. 26-2017 accumulate twelve (12) days of vacation and sick leave annually, in accordance with the provisions of Act No. 8-2017 and Act No. 26-2017. Vacation and sick leave are fully vested from the first day of work. The excess of accumulated vacation over thirty (30) days, and over three (3) days of sick leave, is paid periodically to employees covered under collective bargaining agreements. For administrative employees, any excess over fifteen (15) days of sick leave is also paid periodically. Upon retirement, employees are entitled to a lump-sum payment equal to one (1) day's worth of salary for each year of service, up to thirty (30) years, provided that the last ten (10) years were served at ACAA. As a result of Act No. 66 of 2014, some of these excess accumulations are no longer payable to employees.

The Administration accrued a liability for compensated absences, which meet the following criteria: (1) the Administration's obligation relating to employee's rights to receive compensation for future absences is attributable to employee's services already rendered; (2) the obligation relates to rights that vest or accumulate; (3) payment of the compensation is probable; and (4) the amount can be reasonably estimated.

In accordance with the above criteria and requirements in conformance with GASB Accounting Standards Codification Section C60, "Compensated Absences", the Administration has accrued a liability for compensated absences, which has been earned but not taken by the Administration's employees, including its share of social security and Medicare payments made on behalf of the employees in the accrual for vacation and sick leave pay using salary rates effective as of June 30, 2020. All vacation pay is accrued when incurred. The current portion is the amount estimated to be used in the following year.

As of June 30, 2024, the Administration accrual for compensated absences amounts to $2,050,392 which represents the Administration's commitment to fund such compensated absences due during the next fiscal year.

(R) NET POSITION CLASSIFICATION

Net position represents the difference between assets and liabilities and is presented in three components as follows:

- Net **Investment in Capital Assets** - consists of capital assets net of accumulated depreciation, reduced by the outstanding balance of lease liabilities.

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
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FOR THE FISCAL YEAR ENDED JUNE 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(R) NET POSITION CLASSIFICATION (CONTINUED)

Net Investment in Capital Assets is comprised of the following:

Capital Assets, Net of Accumulated Depreciation and Amortization	$ 12,574,596
Less: Outstanding Balance of Lease Liability	(2,937,864)
Investment in Capital Assets, Net	$ 9,636,732

- **Restricted Net Position** - consists of net position with constraint placed on the use either by: (1) external groups such as creditors, grantors, contributions, or law or regulations of other government; (2) law through constitutional provisions or enabling legislation.

- **Unrestricted Net Position** - consists of all other assets that do not meet the definitions of "restricted" or "invested" in capital assets.

(S) INCOME TAXES

The Administration, as a component unit of the Commonwealth, is exempt from the payment of income taxes.

(T) STATEMENT OF CASH FLOWS

The accompanying Statement of Cash Flows is presented in accordance with the provisions of GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting". The provisions of GASB Statement No. 34 requires that the direct method be used to present the funds inflows and outflows of the Administration. For purposes of the Statement of Cash Flows, the Administration considers all highly liquid debt instruments with maturities of three months or less when purchased to be cash equivalents.

(U) RISK MANAGEMENT

The Administration is exposed to the risk of loss from torts theft, damages to, and destruction of assets, errors and omissions, employee injuries and illnesses, natural disasters, environmental and other losses. Commercial insurance coverage is obtained for claims that may arise from such matters. The commercial insurance coverage is negotiated by the PRTD and the cost is paid by the Administration. No additional payments were made after the annual insurance costs were determined.

(V) USE OF ESTIMATES

The preparation of the basic financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The accounts requiring the use of significant estimates include certain receivables,

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(V) USE OF ESTIMATES (CONTINUED)

reserve for future benefits, unearned premiums reserve, useful lives of property and equipment, pension and OPEB liabilities, and deferred outflows and inflows of resources. The current economic environment has increased the degree of uncertainty inherent in these estimates and assumptions. Therefore, Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation.

(W) NEW ACCOUNTING STANDARDS

a. New Accounting Standards Adopted

The provisions of the following Governmental Accounting Standards Board (GASB) Statements were implemented when applicable during the year ended June 30, 2024:

- In June 2022, GASB issued Statement No. 100, “Accounting Changes and Error Corrections - an Amendment of GASB Statement 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. The requirements of this statement effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023 (FY 2023-2024), and all reporting periods thereafter. This Statement does not have any impact on the Administration's basic financial statements.

b. Future Adoption

The Governmental Accounting Standards Board issued the following pronouncements that have effective dates after June 30, 2024. The Administration is currently evaluating its accounting practices to determine the potential impact on the basic financial statements for the GASB Statements:

- In June 2022, GASB issued Statement No. 101, “Compensated Absences”. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(W) NEW ACCOUNTING STANDARDS (CONTINUED)

b. Future Adoption (Continued)

- In December 2023, the GASB issued Statement No. 102, “Certain Risk Disclosures”. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024.

- In April 2024, the GASB issued Statement No. 103, “Financial Reporting Model Improvements”. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues regarding MDA, unusual or infrequent items, presentation of the proprietary fund statements of revenues, expenses and changes in fund net position, major component unit presentation and budget comparison information. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reports period thereafter.

- In September 2024, the GASB issued Statement No. 104, "Disclosure of Certain Capital Assets" The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

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3. CASH AND CASH EQUIVALENTS

The Administration is restricted, by law, to deposit funds only in institutions approved by the Puerto Rico Treasury Department (from now on PRTD), and such deposits are required to be maintained in separate accounts in the Administration's name.

Under the laws and regulations of the Government, public funds deposited by the Administration in local commercial banks must be fully collateralized for the amounts deposited in excess of the Federal Deposit Insurance Corporation (from now on FDIC) coverage. All securities pledged as collateral are held by agents designated by the Government's Secretary of the PRTD, but not in the Administration's name.

As of June 30, 2024, cash and cash equivalents mainly consist of deposits in banks and short-term investments categorized as follows:

Category	Description
1	Cash deposits in local banks collaterized or insured by the Federal Deposit Insurance Corporation (FDIC).
2	Uncollaterized Deposits.

A summary of the Administration's cash and cash equivalents by category of risk as of June 30, 2024, is shown below:

	Credit Risk Category 1	Credit Risk Category 2	Bank Balance	Carrying Amount
Unrestricted Cash	$ 30,216,677	$ -	$ 30,216,677	$ 26,270,915
Restricted Cash	1,314,979	-	1,314,979	1,071,036
Cash Equivalents	-	19,541,876	19,541,876	19,541,876
	$ 31,531,656	$ 19,541,876	$ 51,073,532	$ 46,883,827

The restricted cash represents funds of the Puerto Rico Traffic Safety Commission held for custody by the Administration.

Segregated in the Statement of Net Position as:

Unrestricted	$ 45,812,791
Restricted	1,071,036
Total	$ 46,883,827

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3. CASH AND CASH EQUIVALENTS (CONTINUED)

Credit Risk

This is the risk that an issuer or other counterpart to an investment will not fulfills its obligations. As of June 30, 2024, the Administration has invested only in cash in commercial banks approximately $31.5 million, which are insured by the FDIC generally up to a maximum of $250,000. As mentioned before, public funds deposited by the Administration in commercial banks must be fully collateralized for the amounts deposited in excess of the FDIC coverage.

Also, all securities pledged as collateral are held by the Secretary of the PRTD of the Commonwealth. Therefore, the Administration's management has concluded that the credit risk related to any possible loss related to defaults by commercial banks on the Administration's deposits is considered low as of June 30, 2024.

Interest Rate Risk

This is the risk that changes in interest rates of debt and equity investments will adversely affect the fair value of an investment. The Administration manages its exposure to declines in fair values by: (1) limiting the weighted average maturity of its investments in certificates of deposit to periods of three months or less, and (2) keeping most of its banks deposits and certificates of deposit in interest bearing accounts generating interests at prevailing market rates. Therefore, as of June 30, 2024, the interest risk associated with the Administration's cash and cash equivalents is considered low.

Foreign Exchange Risk

This is the risk that changes in exchange rates will adversely affect the value of an investment or a deposit. According to the aforementioned investment guidelines, adopted by the Administration, the Administration is prevented from investing in foreign securities or any other types of investments for which foreign exchange risk exposure may be significant. Accordingly, management has concluded that the foreign exchange risk related to the Administration's deposits is considered low as of June 30, 2024.

4. INVESTMENTS

The Administration invests in stocks, bonds, real estate, United States obligations, and cash equivalents as described more fully in its investment policy. Also, it can invest in international securities.

The Administration’s investment policy, taken as a whole, requires money managers to maintain, with certain limitations subject to periodic review, the following composition of the assets: not more than 75% and not less than 50% in fixed income securities; not more than 35%, and not less than 10% in listed equity securities. The fixed income portfolio shall always maintain an average quality rating of “A”. Also, within the equity securities position in the portfolio, not more than 15% may be invested in international markets. In addition, not more than 20% in Alternative Investment. Alternative investment includes real estate, venture capital funds, as well as hedging and tactical allocation strategies. In addition, not more than 10% in Private Equity Investment; and not more than 20% in Cash or Cash Equivalent.

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4. INVESTMENTS (CONTINUED)

The investments are made based on Asset Classes that include equities of U.S. companies as well as equities of companies domiciled outside of the United States, debt or fixed income securities from U.S., Puerto Rico and non-US governments and corporations. These categories are then diversified by capitalization, issuers, investment styles, types of securities, and other diversifiers that can optimize return and volatility. Common investment strategies in private equity are venture capital, mezzanine capital, growth capital, leveraged buyouts and distressed investments. Investment in companies whose primary source of revenues is related to the alcohol industry as defined by the Standard Industry Code is expressly prohibited.

According to the Statement of Investment Policy, the Administration's cash reserve should be invested in high quality, short term investments, including commercial paper, US Treasury obligations, certificates of deposits, bankers' acceptances, and repurchase agreements collateralized by US Government securities. The Administration's Statement of Investment Policy, Objectives and Guidelines provide specific information regarding investment requirements.

The accompanying basic financial statements were prepared based on the accounting policies required by GASB Statement No. 31 “Accounting Financial Reporting for Certain Investment and For External Investments Pools”, as amended and enhanced by GASB Statement No. 72, “Fair Value Measurement and Application.” Accordingly, all investment securities are accounted for at fair value rather than cost.

As of June 30, 2024, the investment portfolio is held primarily for the purpose of income or profit and serves as the funding for the estimated Unpaid Claim Liability and Reserve for Future Benefits presented in the noncurrent section of the statement of net position. As a result, investments were classified as current and noncurrent in the accompanying Statement of Net Position as follows:

Current Assets:

Investments in Corporate Bonds and Others with Maturities Within One Year	$ 2,956,984
Total Current Assets	2,956,984
Noncurrent Assets	196,179,193
Total	$ 199,136,177

During the fiscal year ended June 30, 2024, the Administration sold a number of investments as part of its investment strategy. The results of said sales are as follows:

Proceeds from the Sale of Investments	$ 144,712,876
Amortized Costs of Investments	(143,539,747)
Realized Gain on Sales of Investments	$ 1,173,129

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4. INVESTMENTS (CONTINUED)

On the accompanying Statement of Cash Flows, proceeds from sale of investments is reconciled as follows:

Proceeds from Sale of Investments	$144,712,876
Add: Investments Sold During 2023, Collected in 2024	323,532
Less: Investments Sold in 2024, But not Yet Delivered	(114,960)
Proceeds from Sales of Investments per Cash Flows Statement	$144,921,448

Thus, the accompanying Basic Financial Statements as of June 30, 2024 reflect changes in the market value as well as realized losses and impairment of the Administration's investment portfolio as follows:

Realized Gain on Sales of Investments	$ 1,173,129
Change in Fair Value of Investment	7,724,422
Net Change on Fair Value of Investments	$ 8,897,551

Fair Value of Investments

The Administration measures and records its investments using fair value measurement guidelines established by US GAAP. These guidelines recognize a three tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
-
- Level 2: Observable inputs other than quoted market prices; and
-
- Level 3: Unobservable inputs.

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4. INVESTMENTS (CONTINUED)

As of June 30, 2024, the Administration had the following recurring fair value measurements:

		Fair Value Measurements Using		
	June 30, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment Type:				
Corporate Bonds	$ 11,368,450	$ -	$ 11,368,450	$ -
U.S. Sponsored Agencies Notes:				
Federal Home Mortgage				
Corporation (FHLMC)	2,587,939	-	2,587,939	-
Federal Home Mortgage				
Association (FNMA)	4,910,732	-	4,910,732	
U.S. Government Bonds	28,772,241	-	28,772,241	-
Mortgage and Asset-Backed Securities:				
Government National Mortgage				
Association (GNMA)	397,687	-	397,687	-
FNMA	309,789	-	309,789	-
Asset Backed Securities	2,865,611	-	2,865,611	-
Commercial Mortgage-Backed	1,226,204	-	1,226,204	-
Municipal/Provincial Bonds	6,036,495	-	6,036,495	-
Non-US Fixed Income	12,217,655	-	12,217,655	-
U.S. Corporate Stocks	38,380,578	38,380,578	-	-
Non-U.S. Corporate Stocks	9,333,339	9,333,339	-	-
Sub-Total investments	118,406,720	$ 47,713,917	$ 70,692,803	$ -
Invesments Measured at the Net Assets				
Value (NAV)				
Private equity funds	11,091,383			
Alternative investments	6,472,845			
External investment pools	63,165,229			
Subtotal	80,729,457			
Total investments	$ 199,136,177			

The Administration's custodian bank, as well as the investment managers, generally use the market approach to value the investment securities, which uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities or a group of assets and liabilities. Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features and ratings. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Equity securities, namely private equity funds, classified in Level 3 are valued using financial information provided by individual capital fund managers, adjusted if deemed appropriate. As of June 30, 2024, the Administration does not have any items classified as level 3.

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4. INVESTMENTS (CONTINUED)

Investments valued using the net asset value (NAV) per share (or its equivalent) are considered "alternative investments" and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships.

The Administration values these investments based on the partnerships' audited or unaudited financial statements and/or confirmations. If June 30 statements are available, those values are used. However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is rollforward from the most recently available valuation taking into account subsequent calls and distributions.

The following table presents the unfunded commitments, redemption frequency (if currently eligible), and the redemption notice period for the Entity's alternative investments measured at NAV:

Description		Investments Measured at the Net Assets Value (NAV)	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds	1	Guayacán Fund Of Funds IV, LP	$ 3,116,802	$ 20,927	N/A	N/A
Private equity funds	2	Guayacan Privte Equity Fund LP III	601,839	168,168	N/A	N/A
Private equity funds	3	Puerto Rico Fund For Growth, L.P.	7,372,742	1,304,864	N/A	N/A
Alternative Investment	4	Kinetic Funds I, LLC	1	-	Quarterly	65 business days prior notice
Alternative Investment	5	X Square Alternative Dividend Alpha Fund, Inc.	6,472,844	-	Bi-monthly	10 business days prior notice
External Investment Pools	5	Eaton Vance Institutional Senior Loan Fund	5,816,806	-	Monthly	65 business days prior notice
External Investment Pools	6	Eaton Vance High Yield BondMutual Fund (EIHIX)	21,482,887	-	Daily	N/A
External Investment Pools	7	Eaton Vance Emerging Market Debt Mutual Fund (EELDX)	9,119,139	-	Daily	N/A
External investment pools	8	Baird Advisor Aggregate Bond Fund (BAGIX)	19,267,081	-	Daily	N/A
External investment pools	9	Fidelity 500 Index Fund (FXAIX)	7,479,316	-		
			$ 80,729,457	$ 1,493,959		

The fair value of investments in limited partnerships and alternative investments as of June 30, 2024 amounted to $80,729,457. An alternative investment is a financial asset that does not fall into one of the conventional equities / fixed income / cash categories. The fair values of these investments have been estimated by the corresponding general partner or fund manager of these partnerships and disclosed in its respective separate audited or unaudited financial statements. The allocations of net gain and net loss to the limited partners are based on certain percentages, as established in the limited partnership agreements.

4. INVESTMENTS (CONTINUED)

The investments in limited partnerships were as follows:

- During the fiscal year 2024, the Administration made no contributions to the Guayacán Fund of Funds IV, LP, a Delaware limited partnership organized on February 23, 2015, by Grupo Guayacán, Inc. as General Partner. The net cumulative amount invested as of June 30, 2024, was $2,479,073 with a fair market value (capital balance) of $3,116,802. The Administration has a total commitment of $2.5 million. The Administration received cash return distribution of $168,246 during fiscal year 2024. The term of the Partnership shall continue until December 31, 2026, with a three (3) one-year period extensions.

- During the fiscal year 2024, the Administration made an additional contribution of $147,183 to the Guayacán Private Equity Fund, LP III, a Delaware limited partnership organized on October 28, 2016, by Advent Morro Equity Partners GP III, as General Partner. The original contribution of $25,000 to the partnership was made in December 2016, with additional contributions made during the past several fiscal years for a cumulative contribution total of $831,832; with a fair market value (capital balance) of $601,839. The Administration has a total commitment of $1,000,000. The Administration did not receive cash return during fiscal year 2024. The Partnership's purpose is to achieve superior rates of return by investing in a diversified portfolio in the United States and International private equity investment partnerships and other limited liability vehicles that operate as pooled investment vehicles that, in turn, primarily make equity and equity related investments in private businesses.

- During the fiscal year 2024, the Administration made no additional contribution nor received any Return of Capital from the Limited Partnership for the investment in the Puerto Rico Fund for Growth (PRFG). The General Partner of PRFG is Community Development Venture Capital Alliance (CDVCA). The Capital Commitment is for $10 million and for a twelve (12) years period. Additional Capital Commitment and period could be extended in accordance with the Limited Partnership Agreement. The Investment in this fund is expected to be primarily in Economically Targeted Investment (ETI). Investment may include housing, community economic development, business development, and collective transport investment, and may also include in securities from Private Equity by local investment manager or USA committed to investing, in part, within Puerto Rico. The total cumulative contribution as of June 30, 2024, was $8,695,136, with a fair market value (capital balance) of $7,372,742.

- As of June 30, 2024, Kinetic Funds I, LLC had a fair market value of $1. In summary, at the end of the years 2018 and 2016 in order to maintain the target allocations in the alternative asset class, the Administration contributed a total of $4,000,000 to Kinetic Funds I, LLC, a Delaware limited liability company which is part of the Kinetic Investment Group. Originally the investment fund focused on income generation, investment in Government Bonds, Corporate Bonds Preferred Shares, Real Estate, among others. It should be noted that the fair market value was written down to $1,179,000 during the fiscal year ended June 30, 2020, as an impairment, after learning that the Securities and Exchange Commission (SEC) was investigating Mr. Williams.

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4. INVESTMENTS (CONTINUED)

Kinetic Executive Director. The investigation indicated that Mr. Williams transferred, without authorization, money from the capital investment of Kinetic Funds to the account of KCL Services, another of its related companies, from which he withdrew money in the form of loans to finance personnel and operational expenses of Kinetic International. As part of the SEC case investigation during December 2021 the Administration received a pro rata partial distribution of $1,600,00. Also, a second pro rata partial liquidation payment of $423,727 was received during February 2023.

- X2 Alternative Dividend Alpha Fund, Inc. (the “Fund”) is a non-diversified, open-end management investment company registered under the Puerto Rico Investment Companies Act of 1954, as amended (the “PR Investment Companies Act”) organized in 2013. During the fiscal year 2024, the Administration received $313,516 in dividends, which then were used to purchase 29,404.96 shares of the Fund at an average price of $10.66 under the reinvest capital gains instructions. Due to the investment market conditions, during 2024, the “Fund” experienced a significant favorable result of approximately $1,462,295 or a 29.18% increase. The fair market value as of June 30, 2024, was $6,472,844. The Administration holds 541,207.71 shares in the X2 Alternative Dividend Alpha Fund at an average price of $11.96 per share. The X2 Alternative Dividend Alpha Fund invests in Class A Open and Mutual Funds.

- As of June 30, 2024, the Administration holds 692,476.95 shares in the Eaton Vance Institutional Senior Loan Fund at an average price of $8.40 per share. It received dividends and redemptions of approximately $492,890. As of June 30, 2024, this fund had accrued interest income of $41,051 and a fair market value of $5,816,806. The Eaton Vance Fund is part of the alternative investment held by the Administration. Eaton Vance Management in senior secure loans managed by Eaton Vance Management and is a separate investment Fund of Eaton Vance Institutional Funds, an exempt limited liability company incorporated in the Cayman Islands, but has its headquarters in Boston, Massachusetts. The Fund's investment objective is to provide high levels of current income as is consistent with the preservation of capital by investing in a portfolio primarily of senior floating rate loans. The original commitment in the Eaton Vance Senior Secured Loans Funds was $3 million. An additional contribution of $2,682,500 was made on December 27, 2019, in which 301,743.53 shares were purchased at a $8.89 price per share. Also, on December 20, 2023, an additional contribution was made for a total of $500,000, in which 59,241.71 shares were purchased at an average price of $8.44. During the fiscal year 2024, the Eaton Vance Institutional Senior Loan Fund experienced a favorable result of approximately $12,429 or 0.22% increase.

- On August 25, 2020, the Administration purchased 2,341,920.38 shares of Eaton Vance High Yield Bond Mutual Fund (EIHIX – Class I) at a net price of $4.27 for a total amount of $10,000,000. On July 14, 2021, 1,548,672.57 additional shares were purchased at a $4.52 price for a total of $7,000,000. On December 20, 2023, 361,445.78 additional

4. INVESTMENTS (CONTINUED)

shares were purchased at a $4.15 price for a total of $1,500,000. The Fund investments are actively managed, and the primary investment objective is to provide a high level of current income. The Fund seeks growth of capital as a secondary investment objective. The Fund principal investment strategy is to invest at least 80% of its net assets in fixed-income securities, including preferred securities and other hybrid securities, senior floating rate loans and secured and unsecured floating rate loans and convertible securities. The Fund may invest up to 25% of its total assets in foreign securities. As of June 30, 2024, this fund had an accrued interest income of $117,420 and a fair market value of $21,482,887, which represents a total of 5,139,446.64 shares. During the fiscal year 2024, the Eaton Vance High Yield Bond Mutual Fund experienced a favorable result of approximately $1,907,847 or 10.07% increase. Also, under the reinvest capital gains instructions, 304,504.64 shares of the Fund were purchased at an average price of $4.10 for a total of $1,248,294.

- Originally, on July 14, 2021, the Administration purchased shares 1,571,268.24 shares for a total of $14,000,000 at a $8.91 price per share of Eaton Vance Emerging Markets Debt Opportunities Fund (EELDX). During the fiscal year 2023, due to investment market conditions, the Administration decided to limit the international exposure, and as a result the fund sold 818,553.89 shares for $6,000,000. As of June 30, 2024, the Administration holds 1,172,125.87 shares in the Eaton Vance Emerging Markets Debt Opportunities Fund at an average price of $7.78 per share for a fair market value of $9,119,139. On December 20, 2023, 66,401.06 shares were purchased at an average price of $7.53 for a total of $500,000. Also, under the reinvest capital gains instructions it received dividends and redemptions of approximately $739,313, which represents the purchase of 97,527.47 shares at a $7.58 price per share. The Fund investments are actively managed, and the investment objective is total return, which is defined as income plus capital appreciation. During the fiscal year 2024, the Eaton Vance Emerging Markets Debt Opportunities Fund experienced a favorable result of approximately $1,047,577 or 13.39% increase. The fund invests at least 80% of net assets on income instruments issued by emerging market entities or sovereign nations, as a result it will have a significant exposure to foreign currencies and duration. Investments were made, among other countries, in Top major international countries such as Egypt, Turkey, Uzbekistan, Kazakhstan and Dominican Republic.

- Originally, on August 25, 2020, the Administration purchased 1,010,951.98 shares of Baird Advisor Aggregate Bond Fund (BAGIX - Institutional Class Share) at a net price of $11.87 for a total of $12,000,000. On July 14, 2021, the Administration purchased 259,740.26 shares for $3,000,000 at a $11.55 price per share. On December 20, 2023, the Administration purchased 559,511.70 shares at a $9.83 price per share for $5,500,000. As of June 30, 2024, the Administration holds 1,994,521.89 shares with a fair market value of $19,267,081. Also, under the reinvest capital gains instructions it received dividends and redemptions of approximately $636,627.03, which represents the purchase of 66,376.97 shares at a $9.59 price per share. The Fund investments are actively managed, and the primary investment objective is to seek an annual rate of return, before fund expenses, greater than the annual rate of total return of the Bloomberg Barclays U.S. Aggregate Bond Index.

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4. INVESTMENTS (CONTINUED)

The Fund principal investment strategy is to invest at least 80% of its net assets in fixed-income debt obligations from US Government and other public sector entities, Assets-backed and mortgage-backed obligations of US and foreign issuers, as well as to Corporate debt of US and foreign issuers. The Fund only invests in investment grade debt obligations, rated at the time of the purchase. During the fiscal year 2024, the Baird Advisor Aggregate Bond Fund experienced a favorable result of approximately $518,712 or 3.24% increase.

- Originally, on December 29, 2022, the Administration purchased 26,687 shares of Fidelity 500 Index (FXAIX) at a net price of $131.15 for a total of $3,500,000. Also, on December 20, 2023, there was another purchase of 12,093,360 shares at $165.38 price per share for a total of $2,000,000. Also, under the reinvest capital gains instructions it received dividends and redemptions of approximately $71,790, which represents the purchase of 441.90 shares at a $162.46 price per share. The Fund Investments Objectives is to seek to provide investment results that corresponds to the total return, which represents the combination of capital appreciation and dividend income performance of common stocks publicly traded in the United States. Also, the investment strategy is to passively manage, attempting to track the performance of an unmanaged index of securities, contrary to the typical actively managed fund that seeks to outperform a benchmark index. In line with the primarily investment strategy, that normally invest at least 80% of assets in common stocks publicly traded in the United States. As of June 30, 2024, the Administration holds 39,323.42 shares at an average price per share of $190.20 and had a fair market value of $7,479,316. During the fiscal year 2024, the Fidelity 500 Index (FXAIX) experienced a significant favorable result of approximately $1,326,882 or 25.75% increase.

The estimated market value of the investments as of June 30, 2024, by contractual maturity is shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call penalties:

	Contracted Maturity					
Investment Type:	Within One Year	After One to Five Years	After Five to Ten Years	After Ten Years	Without Maturity	Total
Corporate Bonds	$ 860,135	$ 7,130,684	$ 8,875,176	$ 3,621,594	$ 46,566,775	$ 67,054,364
U.S. Sponsored Agencies Notes:						
Federal Home Mortgage Corporation (FHLMC)	-	-	8,847	2,579,092	-	2,587,939
Federal Home Mortgage Association (FNMA)	-	40,746	5,081	4,864,905	-	4,910,732
U.S. Government Bonds	1,174,413	19,919,543	7,416,032	262,253	-	28,772,241
Mortgage and Asset-Backed Securities:						
Government National Mortgage Association (GNMA)	-	-	72,019	325,668	-	397,687
FNMA	-	274,011	35,778	-	-	309,789
Asset Backed Securities	-	1,688,929	857,279	319,403	-	2,865,611
Commercial Mortgage-Backed	-	137,191	-	1,089,013	-	1,226,204
Municipal/Provincial Bonds	757,859	2,293,255	1,923,541	1,061,839	-	6,036,494
Hedge Fund	-	-	-	-	6,472,845	6,472,845
Venture Capital and Partnerships	-	-	-	-	11,091,383	11,091,383
Non-US Fixed Income	164,577	1,166,801	1,536,505	224,598	9,125,174	12,217,655
U.S. Corporate Stocks	-	-	-	-	45,859,894	45,859,894
Non-U.S. Corporate Stocks	-	-	-	-	9,333,339	9,333,339
Total investments	$ 2,956,984	$ 32,651,160	$ 20,730,258	$ 14,348,365	$ 128,449,410	$ 199,136,177

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4. INVESTMENTS (CONTINUED)

As of June 30, 2024, investment maturities as a percentage of total investments are as follows:

Maturity	Maturity %
Within One Year	1.5 %
After One to Five Years	16.4 %
After Five to Ten Years	10.4 %
After Ten Years	7.2 %
Without Maturity	64.5 %

The following is a summary of the credit quality rating for the investment securities portfolio estimated market value as of June 30, 2024:

	Credit Risk Rating 2024					
Investment Type:						
Standard & Poor's	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-		
Moody's Investors Service	Aaa	Aa1 to Aa3	A1 to A3	Baa1 to Baa3		
	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	Not Rated	Total
Corporate Bonds	$ 10,867,007	-	-	$ 9,601,558	$ 46,585,799	$ 67,054,364
U.S. Sponsored Agencies Notes:			-			
Federal Home Mortgage	-	-	-	-	-	-
Corporation (FHLMC)	2,587,939	-	-	-	-	2,587,939
Federal Home Mortgage						
Association (FNMA)	4,910,732	-	-	-	-	4,910,732
U.S. Government Bonds	28,772,241	-	-	-	-	28,772,241
Mortgage and Asset-Backed Securities:						
Government National Mortgage						
Association (GNMA)	397,687	-	-	-	-	397,687
FNMA	309,789	-	-	-	-	309,789
Asset Backed Securities	2,487,967	326,254	51,391		-	2,865,612
Commercial Mortgage-Backed	767,604	22,142	-	-	436,458	1,226,204
Municipal/Provincial Bonds	3,298,615	2,644,341	74,950		18,587	6,036,493
Hedge Fund	-	-	-	-	6,472,845	6,472,845
Venture Capital and Partnerships	-	-	-	-	11,091,383	11,091,383
Non-US Fixed Income	1,803,726	-	-	1,288,754	9,125,175	12,217,655
U.S. Corporate Stocks	-	-	-	-	45,859,894	45,859,894
Non-U.S. Corporate Stocks	-	-	-	-	9,333,339	9,333,339
Total Investments	$ 56,203,307	$ 2,992,737	$ 126,341	$ 10,890,312	$ 128,923,480	$ 199,136,177

- The credit risk related to investments is the risk that debt securities in the Administration's portfolio will decline in price or fail to make principal and interest payments when due because the issuer of the security experiences a decline in the financial condition. The Administration limits its credit risk by investing principally in high quality investments (rated BBB or better, according to Standard and Poor's or other equivalent rating agencies when maturities are longer than a year). In addition, the Administration restricts investment in certain securities to avoid concentration and/or increase duration. Also, it mitigates this risk by maintaining a diversified investment portfolio.

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4. INVESTMENTS (CONTINUED)

The custody of these investments is held by a custodial bank in the name of the Administration. The investments portfolio is managed by 8 asset management firms and external consultants, and the internal position is managed by the Director of Finance, Planning and Budgeting.

An interest risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Administration manages its exposure to declines in fair value by (1) maintaining a diversified portfolio of debt and equity investments and (2) diversifying the weighted average maturity of its investments in debt securities.

Foreign exchange risk is the risk that changes in exchanges rates will adversely affect the value of an investment or a deposit. According to the investment guidelines the Administration's investment in foreign securities (or any other types of investments for which foreign exchange risk exposure may be significant) is limited to 15% of the total portfolio. Accordingly, management has concluded that the foreign exchange risk related to the Administration's investments is considered low as of June 30, 2024.

5. OTHER RECEIVABLES

Other receivables as of June 30, 2024 consisted of:

Governmental Entities:	
State Insurance Fund Corporation	$ 1,065,918
Commonwealth of Puerto Rico	1,117,565
	2,183,483
Less: Allowance for Doubtful Accounts	(2,012,943)
Total Other Receivables - Governmental Entities	170,540
Others	
Recoveries from Beneficiaries	23,825,785
Insurance Companies	525,169
Others	2,254,831
	26,605,785
Less: Allowance for Doubtful Accounts	(25,641,985)
Total Other Receivables	963,800
Total Other Receivables - Net	$ 1,134,340

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6. CHANGES IN CAPITAL ASSETS

Increases and decreases in the Administration's capital assets during the fiscal year were as follows:

Description	Beginning Balance	Additions	Adjustments/ Retirements	Ending Balance
Capital Assets Not Being Depreciated:				
Land	$ 900,882	$ -	$ -	$ 900,882
Total Capital Assets Not Depreciable	900,882	-	-	900,882
Capital Assets Being Depreciated:				
Building	6,975,781	-	-	6,975,781
Equipment	981,743	-	(130)	981,613
Computer and Software	7,492,620	363,949	(150,971)	7,705,598
Motor Vehicles	400,520	74,119	-	474,639
Furniture and Fixtures	2,012,434	133,583	(73,228)	2,072,789
Building and Leasehold Improvements	5,430,281	4,867,997	(125,484)	10,172,794
Total Capital Assets Depreciable	23,293,379	5,439,648	(349,813)	28,383,214
Less: Accumulated Depreciation and Amortization				
Buildings and Leasehold Improvements	(9,681,126)	(505,357)	125,484	(10,060,999)
Others	(9,078,644)	(522,993)	263,988	(9,337,649)
Total Accumulated Depreciation and Amortization	(18,759,770)	(1,028,350)	389,472	(19,398,648)
Right-to-Use Assets				
Leased Equipment	615,687	(3,433)	-	612,254
Leased Office Space	3,402,037	743,853	-	4,145,890
Total Right-To-Use Assets	4,017,724	740,420	-	4,758,144
Less: Accumulated Amortization for:				
Leased Equipment	(166,358)	(76,879)	-	(243,237)
Leased Office Space	(1,143,952)	(681,807)	-	(1,825,759)
Total Accumulated Amortization	(1,310,310)	(758,686)	-	(2,068,996)
Total Right-To-Use Assets, Net	2,707,414	(18,266)	-	2,689,148
Total Capital Assets, Depreciable/ Amortizable (Net)	$ 7,241,023	$ 4,393,032	$ 39,659	$ 11,673,714
Total Capital Assets, Net	$ 8,141,905	$ 4,393,032	$ 39,659	$ 12,574,596

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7. UNPAID CLAIMS LIABILITY AND RESERVE FOR FUTURE BENEFITS

The activity in the liability for unpaid, losses and loss adjustment expenses for the year ended 2024 is summarized as follows:

Death and Funeral:	
Death	$ 5,842,100
Funeral	38,500
Disability	403,700
Accident and Health:	
Medical Hospitalization - Basic:	
Unpaid Claims Liability	9,207,000
Medical Hospitalization - Extended:	
Unpaid Claims Liability	36,368,200
Dismemberment	116,600
Loss Adjustment Expenses	10,395,220
	$ 62,371,320

The activity in the unpaid claims liability and reserve for future benefits for the year ended June 30, 2024, is as follows:

Unpaid Claims Liability and Reserve for Future Benefits at the Beginning of the Year, Presented Based on the Undiscounted Method	$ 61,402,000
Less - Loss Adjustment Expenses	(10,234,000)
Net Claims at the beginning of the Year	51,168,000
Insured Claims:	
Provision for Insured Events of Current Year	28,885,310
Payment of Claims:	
Current Year Insured Events	(15,198,637)
Prior Year Insured Events	(12,878,573)
Total Claims Payment	(28,077,210)
Net Claims at End of Year	51,976,100
Plus - Loss Adjustment Expenses	10,395,220
Unpaid Claims Liability and Reserve for Future Benefits at End of Year, Presented Based on the Undiscounted Method	$ 62,371,320

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8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As of June 20, 2024, accounts payable and accrued liabilities consisted of:

Accounts Payable:	
Governmental Agencies - Commonwealth of Puerto Rico:	
Puerto Rico Safety Traffic Commission	$ 932,594
Puerto Rico Department of Education	15,775,833
Commonwealth of Puerto Rico (Pay-Go)	1,056,772
Total Governmental Agencies	17,765,199
Suppliers, Professional Services, and Others	2,932,247
Total Accounts Payable	20,697,446
Accrued Liabilities:	
Accrual for Christmas Bonus and Other Fringe Benefits	372,379
Totals	$ 21,069,825

9. LEASES

Lessee

The Administration entered into noncancelable leases with various vendors, as a lessee, for the intangible right-to-use leased equipment, office space for the Administration's regional offices used to provide services to citizens, and for document handling and storage. Terms range from monthly payments of $4,393 to 13,822, contract years from 2 to 8 years, and expiration dates from June 1, 2024 to July 1, 2031. Interest rates range from 8.70% to 9.10%, as established by the Puerto Rico Fiscal Agency and Financial Advisory Authority (FAFAA). Also, the lease terms include the noncancelable period per the contract plus/minus any extension options or termination options the Administration is reasonably certain to exercise.

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

Fiscal Years Ending June 30,	Principal	Interests
2025	$ 786,767	$ 229,337
2026	678,132	166,096
2027	572,580	112,033
2028	439,703	69,486
2029	285,100	31,000
2030-2034	175,582	16,982
	$ 2,937,864	$ 624,934

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9. LEASES (CONTINUED)

Lessor

The Administration leases some of its real property, structures and improvements to third parties, which include a cafeteria for the use of employees and visitors of the Administration's central office and for office space. Terms range from monthly payments of $4,250 to $24,375, contract years from 4 to 6 years, and expiration dates from June 2, 2027 to June 30, 2029. Interest rates range from 9.00% to 9.10%, as established by the Puerto Rico Fiscal Agency and Financial Advisory Authority (FAFAA). Also, the terms of these noncancelable leases include the noncancelable period per the contract plus/minus any extension options or termination options the Administration is reasonably certain to exercise.

The following schedule presents, by fiscal year, the future minimum principal and interest revenue to be received:

Fiscal Years Ending June 30,	Principal	Interests
2025	$ 397,093	$ 143,804
2026	366,321	114,253
2027	400,954	81,816
2028	297,277	46,210
2029	289,592	18,001
	$ 1,751,237	$ 404,084

10. PENSION PLAN

The Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (ERS) is a single-employer defined benefit plan administered by the Retirement System Board.

The Administration accounts for pension liability based on actuarial valuations measured as of the beginning of the year (June 30, 2023). The Corporation retirement plan were administered as trusts following the guidance in GASB Statement No. 73 since there are no assets accumulated in trusts meeting the following criteria established by GASB Statement No. 68:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

10. PENSION PLAN (CONTINUED)

- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. Defined benefit pension plan assets also are legally protected from creditors of the plan members.

- On January 18, 2022, the Title III Court entered an order confirming the Eighth Amended Plan for the Commonwealth, ERS, and PBA. The Modified Eighth Amended Plan eliminated several benefits to certain Plan participants. In summary, participants within benefits for System 2000 and Act 3 members, as previously defined, who were not in payment status as of March 15, 2022 were transferred out from Plan benefits. Also, eliminated future cost of living adjustments, and benefits to active members under the Act 127-1958 (members in high-risk positions).

(A) ERS

Plan Description - Prior to Act No. 106-2017, ERS administered different benefit structures pursuant to Act No. 447-1951, as amended, including a cost sharing, multiemployer, defined benefit program, a defined contribution program (System 2000 program) and a contributory hybrid program. Benefit provisions vary depending on member's date of hire. Substantially all fulltime employees of the Commonwealth and its instrumentalities (the Commonwealth, 78 municipalities, and 55 public corporations) were covered by the ERS. These benefits were paid by the ERS until June 30, 2018. Through Act No. 106-2017, the Commonwealth transformed the retirement systems into a single pay-as-you-go system (whereby future benefit payments are guaranteed by the Commonwealth's General Fund) and created the Retirement System Board as the new Retirement Systems governing body.

Certain provisions are different for the three groups of members who entered ERS prior to July 1, 2013, as described below:

- Members of Act No. 447-1951 are generally those members hired before April 1, 1990 (contributory, defined benefit program).
- Members of Act No. 1-1990 are generally those members hired on or after April 1, 1990, and on or before December 31, 1999 (together with Act No. 447 participants, the Defined Benefit Program).
- Members of Act No. 305-1999 (Act No. 305-1999 or System 2000) were generally those members hired on or after January 1, 2000, and on or before June 30, 2013 (the System 2000 Program). All regular employees hired for the first time on or after July 1, 2013, and former employees who participated in the defined benefit program and the System 2000 program, and were rehired on or after July 1, 2013, became members of the Contributory Hybrid Program as a condition to their employment. In addition, participant employees of previous programs as of June 30, 2013, became part of the Contributory Hybrid Program on July 1, 2013. Pursuant to a settlement incorporated into the Eighth Amended Plan, on the effective date of the Eighth Amended Plan, all participants in the System 2000 Program will receive a one-time payment in the amount of their contributions (plus accrued interest) as of the Commonwealth's petition date in their defined contribution accounts established under Act No. 106-2017 (discussed below). Upon the payment of these refunds, all claims related to the System 2000 Program will be discharged.

10. PENSION PLAN (CONTINUED)

The Commonwealth, through Act No. 106-2017, created a “New Defined Contribution Plan” that consisted of a trust fund, not subject to the provisions of Act No. 219-2012, known as “The Trusts Act”, that will maintain an individual account for each participant of the Retirement Systems that becomes a participant of the plan.

The following employees will participate in the New Defined Contribution Plan:

- All active participants of the ERS as of July 1, 2017,
- New hires entering the public service workforce after July,1 2017, and
- Any business or public corporation with employees not participating in the Retirement Systems as of July 1, 2017, can, through an approved resolution by its board of directors or governing body, join the New Defined Contribution Plan. The Retirement Systems Board is responsible of establishing the eligibility requirements and procedures to be followed to join the New Defined Contribution Plan.

Enrollment in the New Defined Contribution Plan is optional for the chiefs of public corporations and for employees of public corporations of the Commonwealth of Puerto Rico working and living outside the territorial limits of Puerto Rico.

The following summary of ERS plan provisions is intended to describe the essential features of the plan. All eligibility requirements and benefit amounts should be determined in strict accordance with the applicable laws and regulations.

i. Service Retirements

(a) Eligibility for Act No. 447-1951 Members: Act No. 447-1951 members who were eligible to retire as of June 30, 2013 would continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 447-1951 members could retire upon (1) attainment of age 55 with 25 years of credited service; (2) attainment of age 58 with 10 years of credited service; and (3) any age with 30 years of credited service. In addition, Act No. 447-1951 members who would attain 30 years of credited service by December 31, 2013 would be eligible to retire at any time.

Act No. 447-1951 members who were not eligible to retire as of June 30, 2013 and did not attain 30 years of credited service by December 31, 2013 are eligible to retire upon attainment of the retirement eligibility age shown in the table below with 10 years of credited service.

Date of Birth	Attained Age as of June 30, 2013	Retirement Eligibility Age
July 1, 1957 or later	55 or less	61
July 1, 1956 to June 30, 1957	56	60
Before July 1, 1956	57 and up	59

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10. PENSION PLAN (CONTINUED)

In addition to the requirements in the table above, Act No. 447-1951 Public Officers in High-Risk Positions who were not eligible to retire as of June 30, 2013 and did not attain 30 years of credited service by December 31, 2013 are eligible to retire directly from active service upon the attainment of age 55 with 30 years of credited service.

(b) Eligibility for Act No. 1-1990 Members: Act No. 1-1990 members who were eligible to retire as of June 30, 2013 continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 1-1990 members could retire upon (1) attainment of age 55 with 25 years of credited service and (2) attainment of age 65 with 10 years of credited service.

Act No. 1-1990 members who were not eligible to retire as of June 30, 2013, are eligible to retire upon attainment of age 65 with 10 years of credited service.

(c) Eligibility for System 2000 Members: System 2000 members who were eligible to retire as of June 30, 2013, continue to be eligible to retire at any time. Prior to July 1, 2013, System 2000 members could retire upon attainment of age 60.

System 2000 members who were not eligible to retire as of June 30, 2013 are eligible to retire upon attainment of the retirement eligibility age shown in the table below otherwise:

Date of Birth	Attained Age as of June 30, 2013	Retirement Eligibility Age
July 1, 1957 or later	55 or less	65
July 1, 1956 to June 30, 1957	56	64
July 1, 1955 to June 30, 1956	57	63
July 1, 1954 to June 30, 1955	58	62
Before July 1, 1954	59 and up	61

(d) Eligibility for Members Hired after June 30, 2013: Attainment of age 67.

ii. Service Retirement Annuity Benefits

An annuity payable for the lifetime of the member equal to the annuitized value of the balance in the hybrid contribution account at the time of retirement, plus, for Act No. 447-1951 and Act No. 1-1990 members, the accrued benefit determined as of June 30, 2013. If the balance in the hybrid contribution account was $10,000 or less, it would have been paid as a lump sum instead of as an annuity.

(a) Accrued Benefit as of June 30, 2013 for Act No. 447-1951 Members: The accrued benefit as of June 30, 2013 was determined based on the average compensation, as defined, for Act No. 447-1951 members, the years of credited service, and the attained age of the member all as of June 30, 2013.

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10. PENSION PLAN (CONTINUED)

If the Act No. 447-1951 member had at least 30 years of credited service as of June 30, 2013, the accrued benefit equals 65% of average compensation if the member was under age 55 as of June 30, 2013, or 75% of average compensation if the member was at least age 55 as of June 30, 2013. For participants selecting the Coordination Plan, the benefit was recalculated at the Social Security Retirement Age (SSRA), as defined, as 1.5% of average compensation up to $6,600 multiplied by years of credited service, up to 30 years, plus 65% (75% if member was at least age 55 as of June 30, 2013) of average compensation in excess of $6,600.

If the Act No. 447-1951 member had less than 30 years of credited service as of June 30, 2013 and attained 30 years of credited service by December 31, 2013, the accrued benefit equaled 55% of average compensation if the member was under age 55 as of June 30, 2013 or 60% of average compensation if the member was at least age 55 as of June 30, 2013. For participants selecting the Coordination Plan, the benefit was recalculated at SSRA as 1.5% of average compensation up to $6,600 multiplied by years of credited service, up to 30 years, plus 55% (60% if member was at least age 55 as of June 30, 2013) of average compensation in excess of $6,600. Member contributions received from Act No. 447-1951 members eligible for this transitory benefit during the period beginning July 1, 2013 and ending upon the attainment of 30 years of credited service were considered pre July 1, 2013 contributions; the contributions to the hybrid contribution account begin after the member attains 30 years of credited service.

If the Act No. 447-1951 member had less than 30 years of credited service as of December 31, 2013, the accrued benefit equaled 1.5% of average compensation multiplied by years of credited service up to 20 years, plus 2% of average compensation multiplied by years of credited service in excess of 20 years. Maximum benefit is 75% of average compensation. For participants selecting the Coordination Plan, the basic benefit is recalculated at SSRA as 1% of average compensation up to $6,600 multiplied by years of credited service up to 20 years, plus 1.5% of average compensation up to $6,600 multiplied by years of credited service in excess of 20 years, plus 1.5% of average compensation in excess of $6,600 multiplied by years of credited service up to 20 years, plus 2.0% of average compensation in excess of $6,600 multiplied by years of credited service in excess of 20 years. The benefit was actuarially reduced for each year payment commences prior to age 58.

(b) Accrued Benefit as of June 30, 2013 for Act No. 1-1990 Members: The accrued benefit as of June 30, 2013 is determined based on the average compensation for Act No. 1-1990 members, the years of credited service, and the attained age of the member all as of June 30, 2013.

For Act No. 1-1990 members, the accrued benefit equaled 1.5% of average compensation multiplied by years of credited service. The benefit was actuarially reduced for each year payment commences prior to age 65.

iii. Compulsory Retirement

All Act No. 447-1951 were required to retire upon attainment of age 58 and 30 years of credited service.

10. PENSION PLAN (CONTINUED)

iv. Termination Benefits

a. Lump Sum Withdrawal

Eligibility: A Member was eligible upon termination of service prior to 5 years of service or if the balance in the hybrid contribution account is $10,000 or less.
Benefit: The benefit equaled a lump sum payment of the balance in the hybrid contribution account as of the date of the permanent separation of service.

b. Deferred Retirement

Eligibility: A Member was eligible upon termination of service with 5 or more years of service (10 years of credited service for Act No. 447-1951 and Act No. 1-1990 members) prior to the applicable retirement eligibility, provided the member had not taken a lump sum withdrawal of the accumulated contributions from the hybrid contribution account.

Benefit: An annuity payable for the lifetime of the member commencing at the applicable retirement eligibility age equal to the annuitized value of the balance in the hybrid contribution account at the time of retirement, plus, for Act No. 447-1951 and Act No. 1-1990 members, the accrued benefit determined as of June 30, 2013.

v. Death Benefits

a) Pre-retirement Death Benefit
Eligibility: Any current nonretired member was eligible.

Benefit: A refund of the hybrid contribution account, plus the accumulated contributions for Act No. 447-1951 and Act No. 1-1990 members.

b) High Risk Death Benefit under Act No. 127-1958

Eligibility: Employees in specified high risk positions who die in the line of work due to reasons specified in Act No. 127-1958, as amended. System 2000, Act 3 and Act 6 members who were not in payment status as of March 15, 2022 are no longer eligible based on the provisions of the 2022 Plan of Adjustment.

Spouse's Benefit: 50% of the participant's compensation at date of death, payable as an annuity until death or remarriage.

Children's Benefit: 50% of the participant's compensation at date of death, payable as an annuity, and allocated pro rata among eligible children. The annuity was payable for life for a disabled child, until age 18 for a nondisabled child not pursuing studies, and until age 25 for a nondisabled child who is pursuing studies.

Benefit if No Spouse or Children: The parents of the member should each receive 50% of the participant's compensation at date of death, payable as an annuity for life.

Post death Increases: Effective July 1, 1996, and subsequently every three-years, the above death benefits are increased by 3% provided that the beneficiary(ies) had been receiving payments for at least three-years. Future COLA's were eliminated effective March 15, 2022.

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10. PENSION PLAN (CONTINUED)

The cost of these benefits was paid by the Commonwealth.

(c) Postretirement Death Benefit for Members Who Retired prior to July 1, 2013

Eligibility: Any retiree or disabled member receiving a monthly benefit who had not elected a reversionary annuity and whose benefits commenced prior to July 1, 2013.

Benefit: The benefit is as follows (Act No. 105, as amended by Act No. 4):

i. For those married or with dependent children at the time of death, the annual income to a widow, or widower or dependent children is equal to 60% (50% if in the Coordination Plan - 30%, prior to January 1, 2004) of the retirement benefit payable for life for a surviving spouse and/or disabled children and payable until age 18 (age 25 if pursuing studies) for nondisabled children. If in the Coordination Plan, the benefit to the surviving spouse does not begin until the spouse's attainment of age 60 and the surviving spouse must have been married to the member for at least 10 years to be eligible for this benefit. The increase in the percentage from 30% to 50% if in the Coordination Plan is paid by the Commonwealth for former government employees or by the public enterprise or municipality for their former employees. See Act No. 105 of 1969, as amended by Act No. 158 of 2003.

ii. The benefit, when there is no relation as stated above, is equal to the remaining balance of accumulated contributions at the time of retirement after the deduction of lifetime annual income paid and is payable to a beneficiary or to the Member's estate. In no case may the benefit be less than $1,000. Either the Commonwealth for former government employees or the public enterprise or municipality for their former employees pays the difference, up to $250, between (1) the accumulated contributions less the lifetime annual income paid and (2) $1,000. ERS pays for the rest. See Article 2-113 of Act No. 447-1951, as amended by Act No. 524-2004.

(d) Postretirement Death Benefit for Members Who Retired after June 30, 2013

Eligibility: Any retiree or disabled member who began receiving a monthly benefit after June 30, 2013.

Benefit: If the member elected at the time of retirement to transfer a portion of the annuity to a beneficiary by selecting an actuarially equivalent optional form of payment, the applicable survivor benefit.

For all members, the excess, if any, of the hybrid contribution account, plus the accumulated contributions for Act No. 447-1951 and Act No. 1-1990 members, at the time of retirement over the total annuity payments paid to the member and any beneficiary per the terms of the optional form of payment must be payable to a beneficiary or the member's estate.

(e) Beneficiaries receiving occupational death benefits as of June 30, 2013, continue to be eligible to receive such benefits.

10. PENSION PLAN (CONTINUED)

vi. Disability Benefits

a. Disability

Eligibility: All members are eligible upon the occurrence of disability.
Benefit: The balance of the hybrid contribution account payable as lump sum distribution, an immediate annuity, or a deferred annuity at the election of the participant. Act No. 447-1951 and Act No. 1-1990 members remain eligible to receive the accrued benefit as of June 30, 2013, commencing at the applicable retirement eligibility age.

b. High Risk Disability under Act No. 127-1958

Eligibility: Employees in specified high-risk positions who are disabled in the line of work due to reasons specified in Act No. 127-1958 (as amended). System 2000, Act 3 and Act 6 members who were not in payment status as of March 15, 2022 are no longer eligible based on the provisions of the 2022 Plan of Adjustment.

Benefit: 80% (100% for Act No. 447-1951 members) of compensation as of date of disability, payable as an annuity. If the member died while still disabled, this annuity benefit continued to his beneficiaries. Beneficiaries include the surviving spouse and/or disabled children (for life), nondisabled children until age 18 (age 25 if pursuing studies), and the parents if no other beneficiaries. Effective July 1, 1996, and subsequently every three-years, the disability benefit was increased by 3% provided that the member (or beneficiary) had been receiving payments for at least three-years (Act No. 127-1958, as amended).

The cost of these benefits was paid by the Commonwealth.

c. Members who qualified for occupational or nonoccupational disability benefits as of June 30, 2013, continue to be eligible to receive such benefits.

vii. Special Benefits

a. Minimum Benefits

i. Past Ad hoc Increases: The Legislature, from time to time, increased pensions for certain retirees as described in Act No. 124-1973 and Act No. 23-1983. The benefits were paid 50% by the Commonwealth and 50% by ERS.
ii. Minimum Benefit for Members Who Retired before July 1, 2013 (Act No. 156-2003, Act No. 35-2007, and Act No. 3-2013): The minimum monthly lifetime income for members who retired or become disabled before July 1, 2013, is $500 per month effective July 1, 2013 ($400 per month effective July 1, 2007, and $300 per month up to June 30, 2007). The increase in the minimum monthly benefit from $200 per month to $300 per month was paid by the Commonwealth for former government and certain public corporations without their own treasuries' employees or by certain public corporations with their own treasuries or municipalities for their former employees. The increase in the minimum monthly benefit from $300 per month to $400 per month was to be paid by ERS for former

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10. PENSION PLAN (CONTINUED)

government and certain public corporations without their own treasuries' employees or by certain public corporations with their own treasuries or municipalities for their former employees.

iii. Coordination Plan Minimum Benefit: A minimum monthly benefit was payable upon attainment of SSRA such that the benefit, when added to the Social Security Benefit, was not less than the benefit payable prior to SSRA.

b. Cost of Living Adjustments (COLA) to Pension Benefits: The Legislature, from time to time, increased pensions by 3% for retired and disabled members. Beneficiaries were not entitled to COLAs granted after the retiree's death. The first increase was granted by Act No. 10-1992. Subsequent 3% increases have been granted every third year since 1992, with the latest 3% increase established on April 24, 2007, and effective July 1, 2007 (retroactive to January 1, 2007) for retired and disabled members that were receiving a monthly benefit on or before January 1, 2004 (Act No. 35-2007). In addition, effective July 1, 2008, any retired or disabled member that was receiving a monthly annuity on or before January 1, 2004, less than $1,250 per month received an increase of up to 3% without exceeding the limit of $1,250 per month (Act No. 35-2007). Future COLAs were eliminated effective March 15, 2022.

c. Special "Bonus" Benefits

(i) Christmas Bonus (Act No. 144-2005, as Amended by Act No. 3-2013): An annual bonus of $200 for each retiree, beneficiary, and disabled member has historically been paid in December provided the member retired prior to July 1, 2013. This benefit is paid from the supplemental contributions received from the Commonwealth for former government and certain public corporations without their own treasuries, or by certain public corporations with their own treasuries or municipalities for their former employees.

(ii) Medication Bonus (Act No. 155-2003, as Amended by Act No. 3-2013): An annual bonus of $100 for each retiree, beneficiary, and disabled member to cover health costs paid in July provided the member retired prior to July 1, 2013. Evidence of coverage is not required. The amount is prorated if there are multiple beneficiaries. This benefit is paid from the Supplemental Contributions received from the Commonwealth for former government and certain public corporations without their own treasuries, or by certain public corporations with their own treasuries or municipalities for their former employees.

Before July 1, 2017, the Commonwealth made contributions to the ERS for the special benefits granted by special laws. The funding of the special benefits was provided to the ERS through legislative appropriations each January 1 and July 1. Special benefits to eligible Act 447-1951 participants are being paid by each employer as they become due since July 1, 2017.

10. PENSION PLAN (CONTINUED)

viii. Contributions

Contributions by members consists, as a minimum, of an 8.5% of their compensation directly deposited by the Puerto Rico Department of Treasury in the individual member accounts under the New Defined Contribution Plan created pursuant to Act No. 106-2017. Also, as of that date, System's participants shall make no individual contributions or payments to the accumulated pension benefits payment account or additional contributions to ERS.

Participating employers are responsible for the payment of the PayGo fee to the accumulated pension benefits payment account, which is computed based on the amount of actual benefits paid to retirees, disabled and beneficiaries of each participating employer.

ix. Early Retirement Programs

On July 2, 2010, the Commonwealth enacted Act No. 70 establishing a program that provides benefits for early retirement or economic incentives for voluntary employment termination to eligible employees, as defined. Act No. 70-2010 also established that early retirement benefits will be provided to eligible employees that have completed between 15 and 29 years of creditable services and will consist of monthly benefits ranging from 37.5% to 50% of each employees' monthly salary. Benefits under this program will be paid by the General Fund of the Commonwealth and by the public corporations, covering their respective employees until the plan member reaches the later of age 55 for members under Act No. 447-1951 or age 65 for members under Act No. 1-1990, or the date the plan member would have completed 30 years of service had the member continued employment. In addition, the public corporations will also be required to continue making the required employee and employer contributions to ERS. The General Fund of the Commonwealth will be required to continue making its required employer contributions. ERS will be responsible for benefit payments afterward.

On December 8, 2015, the Commonwealth enacted the Voluntary Early Retirement Law, Act No. 211 of 2015 (Act No. 211-2015), establishing a voluntary program to provide pre-retirement benefits to eligible employees, as defined. Act 106-2017 repealed Act No. 211-2015, while creating an incentives, opportunities, and retraining program for public workers.

x. Changes in Plan Provisions Since Prior Valuation

The Modified Eight Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al. confirmed by the U.S. District of Puerto Rico on January 18, 2022, eliminated Act 127-1958 high-risk death and disability benefits for System 2000, Act 3, Act 106 members in high-risk positions, eliminated future cost of living adjustments, including those on the Act 127-1958 benefits, and eliminated all future ERS benefits for System 2000 and Act 3 members who were not in payment status as of March 15, 2022.

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10. PENSION PLAN (CONTINUED)

Total Pension Liability, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

1) Total Pension Liability and Actuarial Information

The Administration's total Pension Liability for each plan program is measured as the proportionate share of the total Pension Liability. The Total Pension Liability of each of the plan program was measured as of July 1, 2022, and the Total Pension Liability for each plan program used to calculate the Total Pension Liability was determined by an actuarial valuation as of July 1, 2022, rolled forward to June 30, 2023 using standard update procedures. The Administration's proportion of the total Pension Liability was based on a projection of the long-term share of contributions to the pension plans program relative to the projected contributions of all participating employers, actuarially determined.

As June 30, 2024, the Administration's used the proportion of .79904%, which was the June 30, 2023 base, as required by GASB Statement No. 73:

Proportion - June 30, 2023	0.79904 %
Proportion - June 30, 2022	0.08345 %
Change - Decrease	(0.71559)%

As of June 30, 2024, the Administration reported $165,966,085 as Total Pension Liability for its proportionate share of the Total Pension Liability of ERS, as follows:

	Total	**Proportion (.79904%)**
Total Pension Liability	$ 20,770,685,447	$165,966,085

2) Pension Expense

For the fiscal year ended June 30, 2024, the Administration recognized pension expense (credit) of $(23,515,712). Pension expense represents the change in the method of benefits payment from "pay-as-you-go" system.

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10. PENSION PLAN (CONTINUED)

3) Deferred Outflows/Inflow of Resources

As of June 30, 2024, the Administration reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Pension Benefits Paid Subsequent to Measurement Date	$ 12,417,937	$ -
Differences Between Actual and Expected Experience	115,657	-
Changes in Assumptions	5,494,462	-
Change in Employer's Proportion and Differences Between The Employer's Contributions and the Employer's Proportionate Share of Contributions	118,861	1,665,749
	$ 18,146,917	$ 1,665,749

Pension benefits paid subsequent to measurement date of $12,417,937 reported as deferred outflows of resources, will be recognized as a reduction of total pension liability in the year ending June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	Amounts
2025	$ 812,646
2026	812,646
2027	812,646
2028	812,646
2029	812,647
Total	$ 4,063,231

Actuarial Methods and Assumptions

Actuarial valuations of ERS involves estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future

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10. PENSION PLAN (CONTINUED)

employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2024, is provided below. Total pension liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of service for current and inactive employees.

The actuarial valuation used the following actuarial assumptions:

Inflation Rate	Not Applicable
Actuarial Cost Method	Entry Age Normal
Municipal Bond Index	3.65%, based on Bond Buyer General Obligation 20 - Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.
Discount Rate	3.65%
Salary Increases	3.00% 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. Based on professional judgment and System input.
Mortality	Pre-Retirement Mortality: For general employees not covered under Act No. 127, PubG-2010 Employee Mortality Rates, adjusted by 100% for males and 110% for females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. For members covered under Act 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 in active service are assumed to be occupational for members covered under Act 127-1958. Post-Retirement Retiree Mortality: Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date. This assumption is also used for beneficiaries prior to the member's death. Post-Retirement Disabled Mortality: Rates which vary by gender are assumed for disabled retirees based on a study of 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.

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10. PENSION PLAN (CONTINUED)

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

This valuation also reflects a salary freeze until July 1, 2017 due to Act No. 66 of 2014. While the Act No. 66 salary freeze only applies to Central Government employees, public corporations are mandated to achieve savings under Act No. 66, and actuaries have assumed that they will meet this mandate by freezing salaries. Also, while municipalities are not impacted by Act No. 66, the actuaries have also assumed the salary freeze for these employees due to the current economic conditions in Puerto Rico.

Discount Rate

The asset basis for the date of depletion projection is the ERS's fiduciary net position (the gross assets plus deferred outflows of resources less the gross liabilities, including the senior pension funding bonds payable, plus deferred inflows of resources). On this basis, the ERS's fiduciary net position was expected to be exhausted in the fiscal year 2015. After June 30, 2017, the Commonwealth enacted legislation that changed the structure of pension administration managed by ERS.

The ERS's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the single equivalent rate that result in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the ERS's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payments, to the extent that the ERS's fiduciary net position is not projected to be sufficient.

The discount rate on June 30, 2023, was as follows:

	June 30, 2023
Discount Rate	3.65%
Long-term expected rate of return net of investment expense	N/A
Municipal bond rate *	3.65%

* Bond Buyer General Obligation 20-Bond Municipal Bond Index.

As directed by the ERS, the asset basis for the date of depletion projection is the ERS's net assets (the gross assets less the Pension Obligation Bond proceeds). On this basis, net assets were exhausted in the 2014-2015 fiscal year and no projection was needed to be performed as of June 30, 2016, as the tax-free municipal bond index applies in all years, and is thus the single equivalent interest rate that is used as the discount rate in the determination of the Total Pension Liability.

10. PENSION PLAN (CONTINUED)

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability.

Sensitivity of the Proportionate Share of the Total Pension Liability to Changes in the Discount Rate

The following presents the Administration's proportionate share of the Total Pension Liability, calculated using the discount rate of 3.65%, as well as what the Administration's proportionate share of the Total Pension Liability would be if it were calculated using a discount rate that is 1 percent-point lower (2.65%) or 1 percent-point higher (4.65%) than the current rate:

	1% Decrease 2.65%	Current Discount Rate 3.65%	1% Increase 4.65%
Total Pension Liability as of June 30, 2023	$185,023,888	$165,966,085	$150,051,503

Pay-As-You-Go Funding

On June 27, 2017, the Treasury Department issued Circular Letter No. 1300-46-17 in order to convey to the central government agencies, public corporations and municipalities the new implementation procedures to adopt, effective July 1, 2017, a new "pay-as-you-go" (Pay-Go) mechanism for the ERS.

Subsequently, on August 23, 2017, the Governor signed into law the "Act to Guarantee the Payment to Our Pensioners and Establish a New Plan for Defined Contributions for Public Servants" (Act No. 106), which reformed the Commonwealth Retirement Systems. Act. No. 106 terminated the previously existing pension programs for the ERS's participants as of June 30, 2017. The members of the prior programs and new system members hired on and after July 1, 2017 are now enrolled in a new defined contributions program. Act No. 106 also established by law the Pay-Go mechanism for the payment of accumulated pension benefits and eliminated employers' contributions and other analogous contributions. Approximately $2 billion was allocated for the payment of Pay-Go benefits in each of the budgets for fiscal years 2018 through 2021.

Furthermore, Act No. 106 modified the ERS's governance. Under Act No. 106, the ERS' Board of Trustees was substituted with a new Retirement Board, which is currently responsible for governing all of the Commonwealth's Retirement Systems.

Act No. 106-2017 also ordered a suspension of the ERS's loan programs and ordered a merger of the administrative structures of the retirement systems. At the Retirement Board's discretion, the servicing of the ERS's existing loan portfolio may be externalized. Pursuant to Act No. 106-2017, the employees of the ERS that are not retained under the new administrative structure will be transferred to other public agencies in conformity with Act No. 8-2017.

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10. PENSION PLAN (CONTINUED)

At a basic level, ERS will need to hold some level of operating cash to account for any ongoing timing issues between receipt and disbursement of funds. The “pay-go” funding needed in a given year is the difference between actual contributions and actual disbursements:

- Contributions to ERS are primarily based on statutory percentage of payroll.
- Disbursements are comprised of benefit payments, administrative expenses, and Pension Obligation Bond debt service.

Contributions and disbursements will experience natural variation due to emerging demographic experience. Contributions and disbursements can also be greatly impacted by specific management decisions, such as an early retirement incentive program or other workforce reduction. A major issue that needs to be addressed by ERS and the Commonwealth is determining what the process of ERS budgeting for “pay-go” funding will be. While the ERS can set an expected “pay-go” amount at the time of budgeting for an upcoming fiscal year, both actual contributions and disbursements can vary from expectations during the fiscal year.

- If the budget is set based on expected contributions and disbursements, in the event of adverse experience during the fiscal year, should provide for additional funds from the sponsoring employers.
- If the ERS be permitted to develop a budget request of a “pay-go” amount for the fiscal year that includes a margin to provide a buffer against adverse outcomes.
- And how would the impacts of specific management decisions be handled.

There are certainly many more operational details to be considered. “Pay-go” operation is a complex issue that requires careful though and planning, constant monitoring, and the ability to respond to emerging events quickly.

11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB")

Program Description and Membership

The Administration provides postemployment benefits other than the pension benefits described in Note 10, for its retired employees (the “OPEB Program”). The plan is an unfunded, single-employer defined benefit other postemployment healthcare and insurance coverage benefit plan. The plan is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75 "Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions".

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11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB") (Continued)

Funding Policy

The Administration agreed to provide medical, pharmacy, dental, cancer and death insurance coverage to eligible retirees, its spouses and dependants, for a two-year period after retirement.

The obligations of the Plan members' employer are established by action of the Administration pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement.

The Administration currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Administration.

Relationship Between Valuation Date, Measurement Date and Reporting Date

The valuation date is July 1, 2022. This is the date as of which the actuarial valuation is performed. The measurement date is June 30, 2023. This is the date as of which total OPEB liability is determined. The reporting date is the Administration's fiscal year ending date. This report is for measurement year July 1, 2022 to June 30, 2023 for reporting periods ending June 30, 2023 through June 30, 2024.

Significant Changes

There have been no significant changes between the valuation date and measurement year end.

Total OPEB Liability, Expense and Deferred Outflows/Inflows of Resources

As permitted by GASB, the Administration's proportionate share of the total OPEB liability as of June 30, 2023 of approximately $3,501,581 was measured at June 30, 2023 by an actuarial valuation as of that date. An expected total OPEB liability was determined as of June 30, 2023, the valuation date, using standard roll back techniques. The roll back calculation begins with the total OPEB liability, as of the measurement date, June 30, 2023, adds the expected benefit payments for the year, deducts interest at the measurement date, June 30, 2023 adds the expected benefit payments for the year, deducts interest at the discount rate for the year, and then subtracts the annual normal cost (also called the service cost).

For the year ended June 30, 2024, the Administration recognized an OPEB expense (credit) of $(239,502), included as part of other postemployment benefits in the accompanying Statement of Revenues, Expenses and Change in Net Position.

As of June 30, 2024, the Administration reported deferred outflows of resources from OPEB activities as follows:

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11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB")(CONTINUED)

Source	
Other Postemployment Benefits Paid Subsequent to the Measurement Date	$ 369,399
Total Deferred Outflows	$ 369,399

Deferred outflows of resources related to OPEB resulting from the Administration's benefits paid subsequent to the measurement date which amounted to $369,399 as of June 30, 2024 is recognized as a reduction of the total OPEB liability in the year ending June 30, 2025. Therefore, it is presented as current portion of the Total OPEB Liability in the Statement of Net Position.

The Administration's proportion of the OPEB liability used was as follows:

Proportion - June 30, 2023	0.54157 %
Proportion - June 30, 2022	0.54016 %
Change - Increase	0.00141 %

Discount Rate

The discount rate as of June 30, 2023 was as follows:

	June 30, 2022
Discount Rate	3.65%
20 Year Tax-Exempt Municipal Bond Yield	3.65%

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Actuarial Methods and Assumptions

The actuarial cost method used to measure the total OPEB liability as of June 30, 2023 was the individual entry age normal cost method. The actuarial valuations used the following actuarial method and assumptions:

Measurement Date	June 30, 2023
Valuation Date	July 1, 2022
Actuarial Cost Method	Entry Normal Age
Medical Trend Rate	Not Applicable
Salary Increases	Current General Economy

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11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB")(CONTINUED)

Mortality	Pre-Retirement Mortality: for general employees not covered under Act No. 127-1958, PubG-2010 Employee Mortality Rates, adjusted by 100% for males and 110% for females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. For members covered under Act 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 in active service are assumed to be occupational for members covered under Act 127. Post-Retirement Mortality - Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date. Post-Retirement Disabled Mortality - Rates which vary by gender are assumed for disabled retirees based on a study of 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 the retiree's death, beneficiary mortality is assumed to be the same as the post-retirement retiree mortality. For periods after the retiree's death, the PubG-2010(B) contingent survivor rates, adjusted by 110% for males and 120% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about the actuarial value of program assets relative to the actuarial accrued liability for benefits.

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11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB")(CONTINUED)

Calculations are based on the types of benefits provided at the time of each valuation and on the pattern of sharing of costs between the employer and members to that point. The projections of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

The actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short term volatility in actuarial accrued liabilities and actuarial value of assets.

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

The following presents the total OPEB liability calculated using the discount rate of 3.65%, as well as what it would be if it were calculated using a discount rate of 1 percent-point lower (2.65%) or 1 percent-point higher (4.65%) than the current rate:

	1% Decrease 2.65%	Current Discount Rate 3.65%	1% Increase 4.65%
Total OPEB Liability as of June 30, 2023	$3,811,299	$3,501,581	$3,235,339

12. VOLUNTARY TERMINATION BENEFITS

During the fiscal year ended June 30, 2011, the Legislature of the Commonwealth of Puerto Rico approved a one-time retirement incentive plan for all regular employees of Central Government Agencies and certain Public Corporations, known as Act #70 of July 2, 2010. The program included early retirement incentives for certain eligible employees. Under the plan, employees could select one of three options as follows: Article 4(a) provides economic incentive based on the following parameters:

Years of Services in Public Sector	Incentive Gross Amount
Up to 1 Year	1 Month of Salary
From 1 Year and One Day Up to 3 Years	3 Months of Salary
from 3 Years and One Day and Up	6 Months of Salary

Article 4(b) provides, employees meeting certain years of service criteria (between 15 and 29 years) and opting for early retirement, to receive a higher pension benefit rate than they would otherwise be entitled to receive based on their current years of service, but such pension rate is lower than what they would have been entitled to if they had waited to meet the full vesting requirements. Annuity pension payments are based on the following parameters:

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12. VOLUNTARY TERMINATION BENEFITS (CONTINUED)

Credited Years of Service	Pension Payment (As a % of salary)
15	37.5%
16	40.0%
17	42.5%
18	45.0%
19	47.5%
20 to 29	50.0%

The Administration will be responsible for making the applicable employer contributions to the Employees Retirement System, as well as making the payments to cover the annuity payments to the employees opting for the early retirement window, until both; the years of service and age requirements for full vesting would have occurred, at which time the applicable Retirement System will continue making the annuity payments. However, after July 1, 2017, and based on Retirement System's Circular Letter No. 2019-01 of October 29, 2018, the applicable employer and employee contributions being made by the Administration were eliminated.

Employees selecting options 4(a) or (b) will be entitled to receive full payment of healthcare plan benefits for a period of up to 12 months or the date that the employee is eligible for a healthcare plan benefit offered by another employer, whichever occurs first.

Article 4(c) provides eligible employees that have 30 years of credited services contributing to the Commonwealth of Puerto Rico Retirement System and request to start receiving their pension benefits, will be entitled to receive the economic incentive disposed on article 4(a) but not entitled to the incentives provided on article 4(b). Employees that have the required retirement age but have not achieved the years of credited services contributing to the Commonwealth of Puerto Rico Retirement System will be entitled to an economic incentive of up to 6 months of salary to cover for the years of service not credited.

The administration has 31 participants in the plan, and termination benefits are measured at the discount present value of expected future benefit payments. Benefits are based on 50% of average pay (meaning the highest annual average salary of the participant during any of three years of credited services), in addition to social security and Medicare computed at 7.65% retirement benefits based on a percentage ranging from 25.5250% to 30.5250% from 2016 to 2031, and $618 of the medical plan through fiscal year 2020. Termination benefits will be completed during fiscal year 2030-2031.

As of June 30, 2024, the present value of future incentive payments reported as a liability amounted to approximately $3,609,246. The noncurrent portion of the early termination obligation amounted to $3,021,955 with a current portion of $587,291. Such amounts are disclosed respectively, as current and noncurrent liabilities in the accompanying Statement of Net Position. The liability under this program was discounted at approximately 2.10%.

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

13. LONG - TERM LIABILITY ACTIVITY

Changes in long - term obligations, for the year ended June 30, 2024, are as follows:

	Balance as of June 30, 2023	Increases	Decreases	Balance as of June 30, 2024	Due Within One Year
Unpaid Claims Liability and Reserve for Future Benefits	$ 61,402,000	$ 39,280,530	$ (38,311,210)	$ 62,371,320	$ 16,625,400
Reserve for Litigations	2,000,000	-	-	2,000,000	-
Total Pension Liability	184,852,712	-	(18,886,627)	165,966,085	12,417,937
Total OPEB Liability	3,757,384	-	(255,803)	3,501,581	369,399
Termination Benefits	4,423,164	-	(813,918)	3,609,246	587,291
Lease Liability	2,886,586	760,710	(709,432)	2,937,864	786,767
	$ 259,321,846	$ 40,041,240	$ (58,976,990)	$ 240,386,096	$ 30,786,794

Payments for long - term liabilities have been made mainly from operating revenues (insurance premiums earned less service fees) and other income.

14. CONTRIBUTIONS TO COMMONWEALTH OF PUERTO RICO

Contributions to the Commonwealth of Puerto Rico during the year ended June 30, 2024, are as follows:

Description	Amount
Puerto Rico Traffic Safety Commission (Act 33-1972)	$ 6,982,852

Act No. 33, “Prevention of Traffic Accidents” of May 25, 1972, as amended, provides that the Administration should contribute to the Puerto Rico Traffic Safety Commission (the Commission) the funds needed for the Commission’s operational expenses. For the year ended June 30, 2024, the Administration contributed to the Commission the amount of $1,443,054.

On January 23, 2017, the Legislature of the Commonwealth of Puerto Rico enacted Act No. 3-2017, named "Act to Address the Economic, Fiscal, and Budgetary Crisis in order to Guarantee the Operations of the Government of Puerto Rico". This Act requires that all instrumentalities, entities, agencies and public corporations of the Commonwealth of Puerto Rico reduce their operating expenses, specifically those related to payroll, professional services, contracted services and leases, among others measures that will be in effect until July 1, 2021. Among the measures, Act 3-2017 imposes a hiring freeze for new employees, freezes vacant positions, and orders a 20% reduction in positions of trust (political appointees). Act 3-2017 also orders a 10% reduction of operational expenses, limits and/or prohibits the use of governmental vehicles, credit cards, trips outside Puerto Rico, cellphones and other technological services, limits vacations and sick leave, and requires a review of all lease agreements with a view towards terminating or renegotiating them. The Administration is required to transfer the savings resulting from the enactment of this Act to Department of Education.

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

14. CONTRIBUTIONS TO COMMONWEALTH OF PUERTO RICO (CONTINUED)

For the fiscal year ended June 30, 2024, the Administration accrued $5,549,798 for such purposes, from budgetary savings.

15. CONTINGENCIES

a. Lawsuits

The Administration acts as defendant in various legal proceedings or claims mainly to insurance companies, from suppliers, employees and others, that arise in the ordinary course of its operations. Management, based on the opinion of its legal advisors, believes that the ultimate liability resulting from these legal proceedings and actions in the aggregate will not have a material effect on the Administration's financial statements.

b. Comptroller's Office of Puerto Rico Reports

The Administration is subject to audits by the Comptroller's Office of Puerto Rico (COPR). Most recent report was issued without any comments or findings.

16. SUBSEQUENT EVENTS

Investment in Kinetic Funds I, LLC

In early 2025, the Receiver communicated with claimants and counsel for the SEC regarding the Receiver's intent to wind down this Receivership during the 2025 calendar year. At present, the Receiver and his team are continuing to prepare, in all fashions, to position the Receivership to divest the Receivership Assets to the Claimant Investors in a final distribution. The Receiver and his team continue to work with their professionals on tax issues for Puerto Rican Receivership Entities and U.S. Entities in addition to handling any final corporate issues that need to be address prior to the final distribution of funds. The Receiver and his team will be prepared to issue a final distribution as soon as the wind-down can formally commence and be approved by the Court.

On May 7, 2025 the Receiver has been authorized to conduct a fourth interim distribution in the total amount of $1,899,999.98, Approximate cash on hand in the Receivership is $2.6 million. "The Receiver anticipates that this Fourth Interim Distribution will be the last interim distribution before a final distribution to Investor Claimants."

The Administration represents about 12% of the fund. The Administration can expect to receive approximately 12% of the $1,899,999.98 and a final residual amount of 12% of whatever cash is left after expenses. The retirement and investment consultants, CBIZ, estimates expenses of $50,000 per quarter, which would result in a final gross distribution of $400,000 to $500,000, of which 12% would go to the Administration.

16. SUBSEQUENT EVENTS (CONTINUED)

The Administration's management evaluated subsequent events until June 19, 2025, date in which the basic financial statements are available to be issued.

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE OF PROPORTIONATE SHARE OF TOTAL PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Last 10 Years (1)	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Proportion of Total Pension Liability	0.79904%	0.83446%	0.93786%	0.94771%	0.94539%	0.93786%	0.90207%
Proportionate Share of Total Pension Liability	$165,966,085	$184,852,712	$254,951,187	$ 266,021,546	$ 234,932,685	$ 229,676,645	$ 254,425,628

Benefit Changes: Beginning on July 1, 2017, the pension benefits were paid through pay-as-you-go method. Act No. 106-2017 closed participation in ERS to new members effective July 1, 2017, and moved prospective accruals for all current active members to a separate defined contribution plan outside of ERS. As a result of the implementation of the PayGo system, the plan does not meet the criteria in paragraph 4 of GASB Statement No. 68, to be considered a plan that is administered through a trust or equivalent arrangement, and therefore, is required apply the guidance on GASB Statement No. 73.

Date References: Employee's Retirement System of the Government of the Commonwealth of Puerto Rico: Actuarial Valuation Report.

Notes to the Schedule:

(1) Fiscal year 2019 was the first year of implementation. The schedule will be expanded to show 10 years once the information becomes available in the future. Amounts presented have a measurement date of the previous fiscal year end.

(2) There are no assets accumulated in a trust for payment of defined pension benefits participants, and the plan is not administered through a trust or equivalent arrangement.

See accompanying independent auditors' report.

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE OF PROPORTIONATE SHARE OF TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Last 10 Years (1)	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Proportion of Total OPEB Liability	0.54157%	0.54016%	0.58488%	0.54955%	0.56774%	0.54955%	0.49802%	0.45728%
Proportionate Share of Total OPEB Liability	$ 3,501,581	$ 3,757,384	$ 4,668,064	$ 5,096,496	$ 4,724,880	$ 4,628,083	$ 4,584,332	$ 5,419,328

Notes to the Schedule:

(1) Fiscal year 2018 was the first year of implementation. The schedule will be expanded to show 10 years once the information becomes available in the future. Amounts presented have a measurement date of the previous fiscal year end.

(2) There are no assets accumulated in a trust for payment of OPEB related benefits, and the plan is not administered through a trust or equivalent arrangement.

See accompanying independent auditors' report.

(A Component Unit of the Commonwealth of Puerto Rico)
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
TEN YEARS CLAIMS DEVELOPMENT INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Health Care Benefits				Financial Benefits					
	Basic Benefits		Extended Benefits							
	Hospital Medical	RX	Hospital Medical	RX	Death	Disability	Funeral	Dismemberment	Total	Net Premiums Collected
2014-15	$38,180,025	$447,662	$1,736,975	$149,833	$1,558,570	$812,784	$197,590	$80,350	$43,163,789	$78,000,000
2015-16	35,333,629	457,076	1,377,935	175,050	1,453,972	600,839	223,086	106,000	39,727,587	78,000,000
2016-17	26,679,595	472,227	1,912,464	169,573	1,409,186	583,923	191,608	95,900	31,514,476	78,000,000
2017-18	27,136,397	326,048	1,018,289	154,555	1,172,599	317,225	130,272	89,200	30,344,585	69,492,464
2018-19	25,473,331	351,382	1,017,862	156,835	1,171,570	427,603	183,505	77,250	28,859,338	78,398,389
2019-20	21,720,342	237,472	968,688	141,356	1,013,404	355,544	123,988	60,550	24,621,344	60,573,463
2020-21	22,652,401	88,206	567,213	189,242	936,501	251,388	105,701	51,300	24,841,952	77,257,122
2021-22	25,223,322	184,404	903,465	155,532	966,703	368,615	50,700	100,650	27,953,391	78,241,525
2022-23	25,058,041	232,242	654,420	195,113	960,090	368,769	39,385	74,100	27,582,160	81,648,043
2023-24	24,129,432	172,406	2,063,051	137,923	1,012,459	424,273	59,576	78,090	28,077,210	89,041,459
Totals	$271,586,515	$ 2,969,125	$12,220,362	$1,625,012	$11,655,054	$4,510,963	$1,305,411	$813,390	$306,685,832	$768,652,465

AQUINO,
DE CÓRDOVA, LLC
cpa + advisors

Jerry De Córdova, CPA, CICA, Esq.
Eduardo González-Green, CPA, CFF, CFE, FCPA, CICA
Maritza Rivera Serrano, CPA, CICA

INDEPENDENT AUDITOR'S 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 Board of Directors of
Automobile Accidents Compensation Administration
(A Component Unit of the Commonwealth of 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 Automobile Accidents Compensation Administration (the Administration), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Administration's basic financial statements, and have issued our report thereon dated June 19, 2025.

Report on Internal Control over Financial Reporting

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

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

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 have not been identified. We did identify certain deficiencies in internal control that we reported to Administration's management in a separate letter dated June 19, 2025.

P.O. Box 70262, San Juan, Puerto Rico 00936-8262 • Cecilia's Place Suite C-1, #7 Rosa Street
Isla Verde, P.R. 00979 • Phone (787) 253-9595 • Fax (787) 253-9511

Report on Compliance and Other Matters

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

Purpose of this Report

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

Carolina, Puerto Rico

June 19, 2025

Aquino, De Córdova, LLC

by Eduardo González-Green

Lic. # 3171

COLEGIO DE CONTADORES
PÚBLICOS AUTORIZADOS DE PUERTO RICO
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Automobile Accidents Compensation Administration