Comprehensive Annual Financial Report

FOR THE YEAR ENDED JUNE 30, 2021

19 TH LEGISLATIVE ASSEMBLY

House of Representatives
Of the Commonwealth of Puerto Rico

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30,2021

PREPARED BY: OFFICE OF FINANCE AND BUDGET

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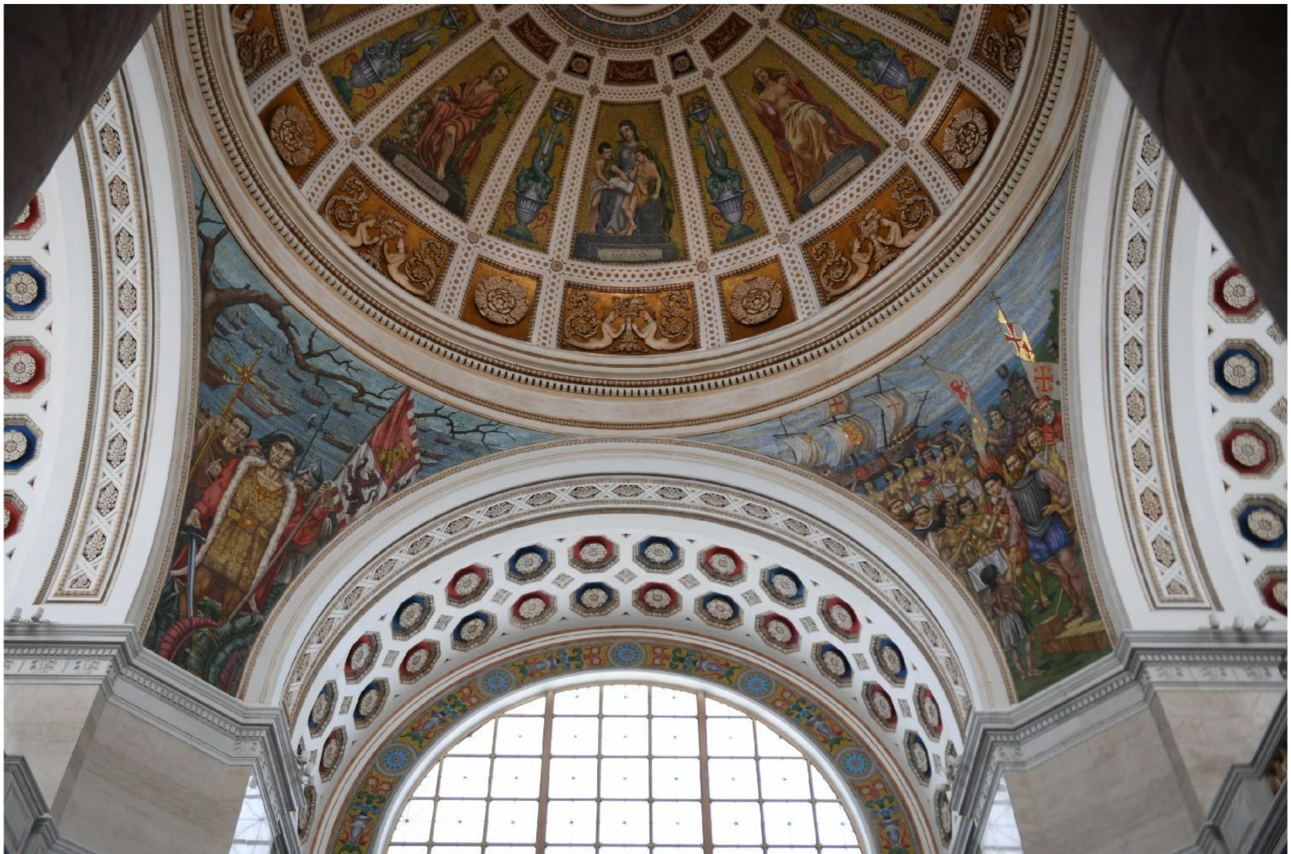


Comprehensive annual financial report
Introductory Section

HOUSE OF REPRESENTATIVES

January 31, 2023

The Honorable Pedro R. Pierluisi-Urrutia, Governor
Honorable Members of the House of Representatives
Citizens of Puerto Rico

Dear All:

The Comprehensive Annual Financial Report (CAFR) for the Puerto Rico House of Representatives (hereinafter referred to as the "House of Representatives" or the "House") for the fiscal year ended June 30, 2021, is submitted herewith. The responsibility for both the accuracy of the presented data, and the completeness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the presented data is accurate in all material respects and is reported in a manner that fairly represents the financial position, and the result of the financial activities of the House of Representatives.

Commonwealth Law requires financial statements to be presented in accordance with the Generally Accepted Accounting Principles in the United States of America (GAAP), as applicable to governmental entities and to be audited in accordance with Generally Accepted Government Auditing Standards (GAGAS). This report serves to fulfill those requirements.

The CAFR is organized and presented in three sections. The Introductory Section includes this Transmittal Letter, General information about the House of Representatives, an Organizational Chart, and a List of Representatives that includes Standing and Special Legislative Committees.

The Financial Section includes the Independent Auditors' Report, Management's Discussion and Analysis (MD&A), Audited Government-Wide and Fund Financial Statements and related Notes thereto, as well as Required Supplementary Information. The Statistical Section contains selected unaudited financial, economic, and demographic data on a multiyear basis.

GAAP requires management to provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of the MD&A. The letter of transmittal is designed to complement the MD&A and should be read in conjunction therewith. The MD&A for the House of Representatives can be found immediately after the independent auditor's report.

Profile of the House of Representatives

The House of Representatives is Puerto Rico's oldest and most representative governmental entity. After the Autonomic Charter of 1897 authorized the formation of an autonomous government for Puerto Rico, the first formal election of the House of Representatives was held on March 27, 1898. After that first election, under Spanish Regime, Puerto Rico became part of the United States after the Spanish-American War.

Enacted under the rule of the United States of America, the Foraker Act of 1900, allowed Puerto Rico to have a civilian government. The Foraker Act established a Legislative Assembly composed of a House of Delegates, to be solely elected by the people of Puerto Rico, and an Executive Council designated by the President of the United States. This Act was substituted in 1917 by the second organic act passed by Congress for Puerto Rico: the Jones Act. Said Act provided for a House of Representatives as well, while also creating a Senate, with both bodies to be fully elected by the People of Puerto Rico.

Several years later, in 1952, the Constitution of the Commonwealth of Puerto Rico was approved by Congress and ratified by the People of Puerto Rico. It established a Republican Government with a Legislative Branch, to enact and approve legislation; an Executive Branch, to execute the Legislative mandate; and the Judicial Branch, to oversee the Puerto Rico court system and construe the meaning of the constitution and laws passed by the Legislative Assembly. The House was organized as it currently operates by virtue of Article 3, Sections 1 through 3 of the Commonwealth Constitution.

The House of Representatives is usually composed by fifty-one elected representatives. For purposes of electing its district representatives, Puerto Rico is divided into forty representative districts. Each district elects one Representative. In addition, the House of Representatives has eleven at-large representatives. No elector can vote for more than one Representative at large. The House of Representatives has exclusive power to initiate impeachment and budgetary proceedings.

The Legislative Assembly is deemed a continuous body during the term for which its members are elected. During said period both, the House and Senate must hold two regular legislative sessions each year. The first regular annual session of the Legislature shall commence on the second Monday of January of each year and adjourn on June 30th of the same year. The second session shall commence on the third Monday of August and adjourn on the Tuesday before the third Thursday of November. However, in the years in which a general election is held, the Legislature shall not assemble to hold the Second Regular Session. During the fifteen remaining weeks, the Committees shall

continue working full time, and the prior approval of the President of the Senate and the Speaker of the House of Representatives shall be required to hold meetings outside of business days. The governor or the Speaker of the House of Representatives, may convene an extraordinary session.

2020 ELECTION

As a result of the November 2020 general election, the Popular Democratic Party ("PPD", for its Spanish acronym) won a majority of seats in the House of Representatives. This 19th Legislative Assembly is characterized for having a historically diverse House of Representatives, where five political parties are represented.

INDEPENDENT AUDIT

The independent auditors have completed an audit of the House's Financial Statements, which was performed to obtain seasonable assurance that said statements are free of material misstatements. The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded that there was a reasonable basis for issuing an unqualified opinion that the House of Representatives' Financial Statements for Fiscal Year 2020-2021, which ended on June 30, 2021, are fairly presented in conformity with GAAP.

The Independent Auditors' Report is presented at the beginning of the Financial Section of this CAFR.

INTERNAL CONTROLS

Management is responsible for establishing and maintaining internal controls to provide reasonable assurance that assets are safeguarded against loss, theft or misuse and that financial records may be relied upon for preparing financial statements and maintaining accountability of such assets.

The internal control system is designed to provide reasonable, rather than absolute, assurance that these objectives are met and that the financial statements are free from material misstatement. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived from that control and the evaluation of cost and benefit requires estimates and judgments by management. We believe that the internal controls set forth by the House adequately safeguards assets and provides reasonable assurance that financial transactions are properly recorded.

The House of Representatives maintains extensive budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Legislative Assembly, internal rules, and administrative orders. The general fund activities are included in the annual appropriated budget. Budgetary control for legislative functions rests within the office of each representative. However, regarding the administrative offices, control is exercised by the administration. The House of Representatives also maintains an encumbrance accounting system as a method to maintain budgetary control.

Economic Conditions and Outlook

The economy of Puerto Rico is highly impacted by trends and performance of the United States economy. Major indicators that directly correlate are, exports, direct investment, the amount of federal transfer payments, interest rates levels, inflation rate and tourists' expenditures.

Puerto Rico suffered a severe and prolonged economic slump from 2006 to 2017, resulting in a contraction of 17% in GNP, decreased population and a sustained downward trend of employment. This economic distress led to a fiscal crisis and the default of the debt. On June 30, 2016, President Obama signed the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), to work towards a remedy to the ongoing crisis in Puerto Rico.

Since 2017, Puerto Rico's economy has faced a series of natural disasters in the form of hurricanes, earthquakes, and the COVID-19 pandemic. In response to the state of emergency caused by Hurricanes Irma and Maria in 2017, repetitive earthquakes in 2019 and 2020, and a deadly pandemic since spring of 2020, the federal government has assigned funds to palliate the effects of those disasters and continues to do so since in September 2022 Hurricane Fiona made landfall in southwestern Puerto Rico. Given Fiona's strength as a Category 1 hurricane, the economic impact to Puerto Rico won't be equivalent to Hurricane Maria, which was a Category 4. Since Maria, federal recovery funds have mostly gone to direct emergency response instead of infrastructure restoration; and the vast majority still hasn't been spent.

The 2022 Fiscal Plan projects that $84 billion of disaster relief funding in total, from federal and private sources, will be disbursed in the reconstruction effort over a period of 18 years (FY2018 to FY2035). It will be used in a mix of funding for individuals (e.g., reconstruction of houses, personal expenditures related to the hurricane such as clothing and supplies) and the public sector (e.g., reconstruction of major infrastructure, roads, and schools). Undoubtedly, the large influx of funds received by the Puerto Rican economy in a relatively short period of time has been instrumental in stimulating the economy and providing for certain stability of the main economic performance indicators.

Despite all adverse conditions, the economic activity on the island regain its growth in March 2021; after having experienced a consecutive decline of thirteen months (February 2020 through March 2021). According to the Puerto Rico Planning Board, in the fiscal year 2021, Puerto Rico´s Gross National Product (GNP) grew 1.0%. The Economic Activity Index, prepared by the Puerto Rico Economic Development Bank is highly correlated to Puerto Rico's real GNP in both level and annual growth rates. In fiscal year 2022 the Index grew 4.5%.

Economic Conditions and Outlook (Continuation)

So far this year, two transcendental economic events have occurred that will affect positively the economic and fiscal projections for Puerto Rico in the short and medium term. On January 18, 2022, Judge Laura Taylor Swain confirmed the Commonwealth Plan of Adjustment restructuring approximately $35 billion of debt and other claims against the Commonwealth of Puerto Rico. The Plan of Adjustment saves Puerto Rico more than $50 billion in debt service and reduces outstanding obligations to just over $7 billion. The process of emerging from bankruptcy has been enormously complex. It took the concerted effort and arduous work of a wide range of stakeholders, including the Government and Legislature of Puerto Rico. The Plan of Adjustment marks a transcendental moment to leave behind the bankruptcy that has burdened for more than five years and begins a new era for Puerto Rico with new grounds for fiscal stability, economic opportunities, and sustainable growth for the benefit of present and future generations.

The main industrial sector of the Puerto Rican economy is manufacturing. The gross domestic product of this sector represents 48% of the total gross domestic product. The main companies in this category are pharmaceuticals, medical equipment, and electronic products. These multinational companies are subject to the provisions of Act 154, 2010.

On December 29, 2021, the U.S. Treasury issued final guidance agreeing to delay for one year, until January 1, 2023, the application of new foreign tax credit regulations to the excise tax imposed by Act 154. Thus, the excise tax paid by multinational corporations will continue to be creditable against the U.S. income tax liability through calendar year 2022. The approval of Act 52 on June 30, 2022, creates significant changes that affect Puerto Rico's Internal Revenue Code. Provisions of Act 52 are pointed to offer alternatives to Act 154 and guarantees that Puerto Rico continues to be an attractive place for businesses. In fiscal year 2021, those companies contributed more than $2 billion to the General Fund through payments imposed by Act 154 and other taxes. Nonetheless, the new legislation assures the retention of multinational investment and employment in the manufacturing sector which currently has more than 36,000 employees.

Puerto Rico's economic activity maintains a stable upward trend, as employment gains remain strong, despite the aging population. Also, the continuous downturns in world economic activity, caused by Russia's invasion of Ukraine and more than two years of the pandemic, have intensified by limiting the alternatives in establishing response policies to the challenges faced in finding a balance between inflationary pressures and economic growth.

BUDGET AND FISCAL POLICY

The fiscal year of all three branches of the Commonwealth of Puerto Rico, including the Legislative Assembly, begins on July 1 and ends on June 30 of the next year. The House of Representatives' annual budget includes an estimate of operating expenditures for its legislative and administrative functions.

ADMINISTRATIVE & LEGISLATIVE

At the start of our term as the House's administration, little to no information was available for us to fully comprehend and assess its financial and fiscal conditions. As we have pointed out so many times before, the House's responsible administration had been relegated to an optional priority. This much was clear, but contrary to safe practices as, the previous administration unlawfully abstained from conducting a timely and thorough transition process, which ultimately increased the challenge in our mission to reestablish the House's finances. This reality highlighted the importance of our administrative and political priorities: (1) to responsibly administrate and safeguard the Government's resources, including its financial and fiscal affairs; and (2) to increase transparency over government operations, to continuously guarantee the People's access and oversight over the effective, correct, and reasonable use of the State apparatus.

In furthering our objectives of responsible administration, on the first day of the first legislative session, we signed and filed the following administrative orders, among others:

(1) Administrative Order 2021-01, to declare a state of budgetary emergency in the House of Representatives and authorize the immediate enforcement of administrative and internal measures required to stabilize its finances and to ensure continuity in its operations and services.
(2) Administrative Order 2021-02, Public Policy Declaration as to Transparency in the Puerto Rico House of Representatives' operations.
(3) Administrative Order 2021-03, to create the Puerto Rico House of Representatives' Lobbyist Registry.
(4) Administrative Order 2021-04, to extend the effective period of prior administration's bylaws, administrative orders, and procedures to ensure continuity in the House's operations and services.
(5) Administrative Order 2021-06, to create the General Services Office of the Puerto Rico House of Representatives.

These administrative orders proved to be effective, but insufficient. This led to further challenges that have been, as of this date, successfully overcome. Nevertheless, we shall continue to evaluate the House's internal rules and regulations as part of our commitment to maintaining the highest standards of transparency and sound administration, as well as strengthening the importance and effectiveness of regulations in the work environment which the Representatives, officials and employees of the House must observe.

ACKNOWLEDGMENTS

I would like to acknowledge all administrative staff, especially those of the Finance and Budget Office, without whom this report and its accuracy and completeness could not be accomplished. Their efforts are noted and greatly appreciated.

Respectfully submitted,

Rafael Hernández Montañez
Speaker of the House

REPRESENTATIVES - BY DISTRICT

NAME	DISTRICT	NAME	DISTRICT
 Eddie Charbonier Chinea	1	 Rafael Hernández Montañez	11
 Luis R. Torres Cruz	2	 Edgardo Feliciano Sánchez	12
 Juan O. Morales Rodríguez	3	 Gabriel F. Rodríguez Aguiló	13
 Víctor L. Parés Otero	4	 José O. González Mercado	14
 Jorge L. Navarro Suárez	5	 Joel I. Franqui Atiles	15
 Ángel Morey Noble	6	 Eladio J. Cardona Quiles	16
 Luis Jr. Perez Ortiz	7	 Wilson J. Román López	17
 Yashira M. Lebrón Rodríguez	8	 Jessie Cortés Ramos	18
 Er Yazzer Morales Díaz	9	 Jocelyne M. Rodríguez Negrón	19
 Deborah Soto Arroyo	10	 Kebin A. Maldonado Martiz	20

REPRESENTATIVES - BY DISTRICT

	NAME	DISTRICT		NAME	DISTRICT
	Lydia Méndez Silva	21		Jesús F. Santa Rodríguez	31
	Jorge A. Rivera Segarra	22		José M. Varela Fernández	32
	José H. Rivera Madera	23		Ángel R. Peña Ramírez	33
	Ángel Fourquet Cordero	24		Ramón L. Cruz Burgos	34
	Domingo J. Torres García	25		Sol Y. Higgins Cuadrado	35
	Orlando J. Aponte Rosario	26		Carlos J. Méndez Núñez	36
	Estrella Martínez Soto	27		Ángel L. Bulerín Ramos	37
	Juan J. Santiago Nieves	28		Wanda Del Valle Correa	38
	José A. Díaz Collazo	29		Roberto Rivera Ruiz de Porras	39
	Luis R. Ortiz Lugo	30		Ángel N. Matos García	40

REPRESENTATIVE- AT LARGE

NAME


José E. Torres Zamora


Héctor E. Ferrer Santiago


José F. Aponte Hernández


José Pérez Cordero


José E. Mélendez Ortiz


María de Lourdes Ramos Rivera

NAME


Jesús Manuel Ortiz González


Mariana Nogales Molinelli


Denis Márquez Lugos


José B. Márquez Reyes


Lisie J. Burgos Muñiz

ADMINISTRATIVE STAFF

Manuel Díaz Espino – Chief Administrative Officer

Javier Gómez Cruz – Chief Clerk

Miguel A. Arvelo Kuilan – Chief Sargent of Arms

José A. Delgado Ortiz – Director of Finance and Budget

PERMANENT COMMITTEES

Treasury and Budget

Government Affairs

Health

Housing and Urban Development

Agriculture

Economic Development, Planning, Telecommunications, Public Private Partnerships, and Energy

Legal Affairs

Education, Art, and Culture

Transportation, Infrastructure

For the Study and Evaluation of Constitutional Law and amendments to the Constitution of the Commonwealth of Puerto Rico, and Electoral Affairs

Internal Affairs

Calendars and Special Rules of Debate

Anticorruption and Public Integrity

Youth Affairs

Women Affairs

Laboral Affairs and for the Transformation of the Pension Systems for a Dignifying Retirement

Municipal Autonomy, Decentralization and Regionalization

Social Welfare, People with Disabilities and the Elderly

Tourism and Cooperatives

Ethics

Communities

Consumer Affairs, Banking, and Insurance Industry

Public Funding Accountability

PERMANENT COMMITTEES (Cont.)

For the Development and Accountability of Public Funds assigned to the Capital, Aguas Buenas, Bayamon, Cataño and Guaynabo

For the Development and Accountability of Public Funds Assigned to the Northern Region

For the Development and Accountability of Public Funds assigned to the Northwestern Region

For the Development and Accountability of Public Funds assigned to the Western Region

For the Development and Accountability of Public Funds assigned to the Southwestern Region

For the Development and Accountability of Public Funds assigned to the Southern Central Region

For the Development and Accountability of Public Funds assigned to the Southeastern Region

For the Development and Accountability of Public Funds assigned to the Eastern Region

For the Development and Accountability of Public Funds assigned to the Northeastern Region

Small and Medium Business and Permits

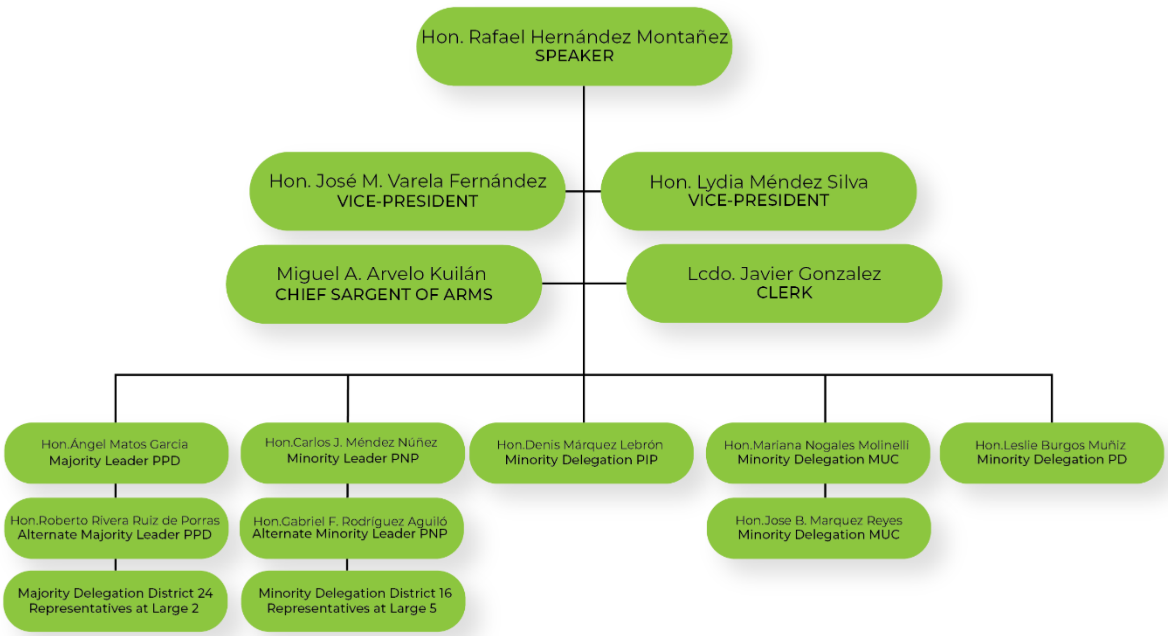
Natural Resources, Environmental Affairs and Recycling

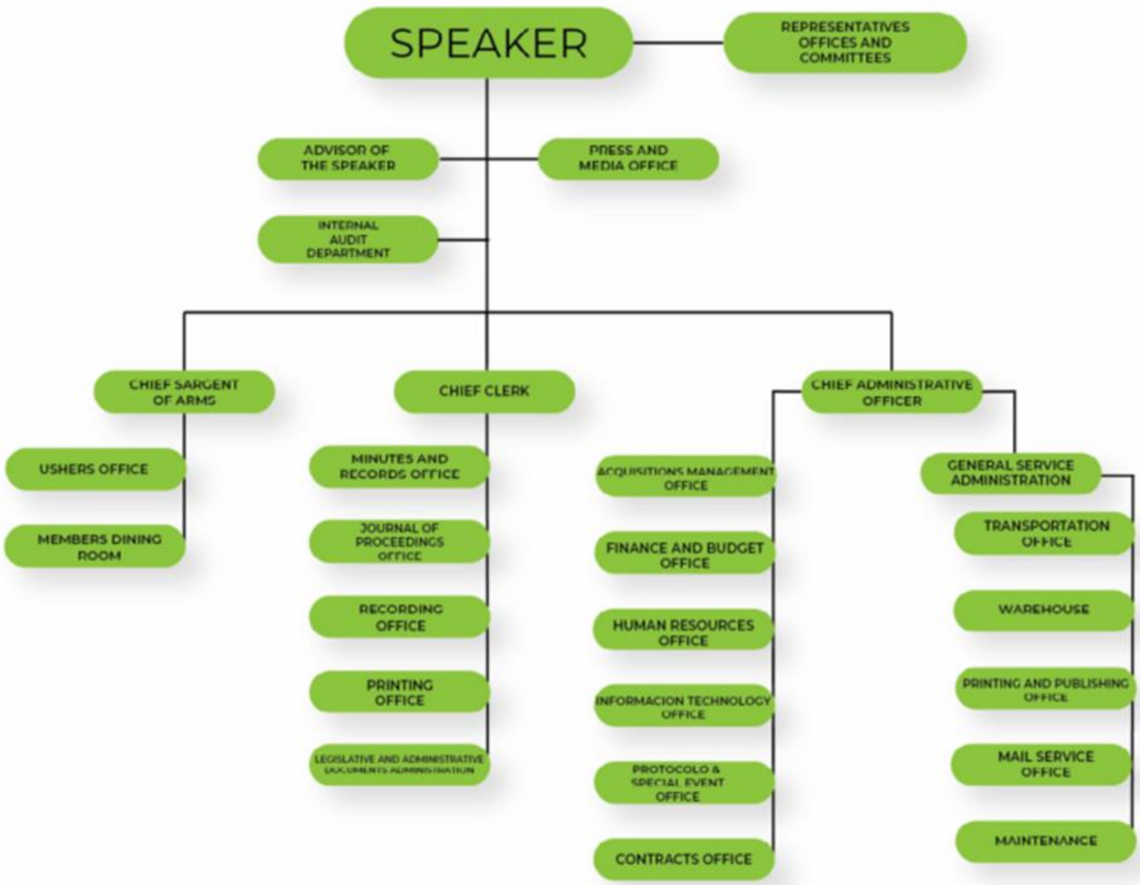
Federal and International, Veteran Affairs and Status

Public Security, Science and Technology

Sports and Recreation

Emergency Preparedness, Reconstruction and Reorganization


Hon. Rafael Hernández Montañez
SPEAKER
Hon. José M. Varela Fernández
VICE-PRESIDENT
Hon. Lydia Méndez Silva
VICE-PRESIDENT
Miguel A. Arvelo Kuilán
CHIEF SARGENT OF ARMS
Lcdo. Javier Gonzalez
CLERK
Hon.Ángel Matos García
Majority Leader PPD
Hon.Carlos J. Méndez Núñez
Minority Leader PNP
Hon.Denis Márquez Lebrón
Minority Delegation PIP
Hon.Mariana Nogales Molinelli
Minority Delegation MUC
Hon.Leslie Burgos Muñiz
Minority Delegation PD
Hon.Roberto Rivera Ruiz de Porras
Alternate Majority Leader PPD
Hon.Gabriel F. Rodríguez Aguiló
Alternate Minority Leader PNP
Hon.Jose B. Marquez Reyes
Minority Delegation MUC
Majority Delegation District 24
Representatives at Large 2
Minority Delegation District 16
Representatives at Large 5


SPEAKER
REPRESENTATIVES OFFICES AND COMMITTEES
ADVISOR OF THE SPEAKER
PRESS AND MEDIA OFFICE
INTERNAL AUDIT DEPARTMENT
CHIEF SARGENT OF ARMS
USHERS OFFICE
MEMBERS DINING ROOM
CHIEF CLERK
MINUTES AND RECORDS OFFICE
JOURNAL OF PROCEEDINGS OFFICE
RECORDING OFFICE
PRINTING OFFICE
LEGISLATIVE AND ADMINISTRATIVE DOCUMENTS ADMINISTRATION
CHIEF ADMINISTRATIVE OFFICER
ACQUISITIONS MANAGEMENT OFFICE
FINANCE AND BUDGET OFFICE
HUMAN RESOURCES OFFICE
INFORMACION TECHNOLOGY OFFICE
PROTOCOLO & SPECIAL EVENT OFFICE
CONTRACTS OFFICE
GENERAL SERVICE ADMINISTRATION
TRANSPORTATION OFFICE
WAREHOUSE
PRINTING AND PUBLISHING OFFICE
MAIL SERVICE OFFICE
MAINTENANCE

Financial Section

BETANCOURT & CO PSC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of the House of
Representatives of the Commonwealth of
Puerto Rico
San Juan, Puerto Rico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **House of Representatives of the Commonwealth of Puerto Rico**, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the **House of Representatives**' Basic Financial Statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Accounting Principles Generally Accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, and the aggregate remaining of the **House of Representatives**, as of June 30, 2021, and the respective changes in financial position where applicable, cash flows thereof for the fiscal year then ended in accordance with Accounting Principles Generally Accepted in the United States of America.

Emphasis of Matters

The ***House of Representatives*** *– Only Basic Financial Statements*

As discussed in Note 2, the financial statements of **House of Representatives** are intended to present the financial position and the changes in financial position of only that portion of the governmental activities of the financial reporting entity of the Commonwealth of Puerto Rico that is attributable to the transactions of the **House of Representatives**. They do not purport to, and do not, present fairly the financial position of the Commonwealth of Puerto Rico as of June 30, 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with Accounting Principles Generally Accepted in the United States of America.

Other Matters

Required Supplementary Information Omitted

The **House of Representatives** has omitted the schedules and ratios required by GASB Statements 73 and 75, information that Accounting Principles Generally Accepted in the United States of America requires to be presented to supplement the Basic Financial Statements. Such missing information, although not a part of the Basic Financial Statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Required Supplementary Information

Accounting Principles Generally Accepted in the United States of America require that the Management's Discussion and Analysis, on pages 25-34, Schedule of Revenues and Expenditures – Budget and Actual – General Fund information on pages 103-104, be presented to supplement the Basic Financial Statements. Such information, although not a part of the Basic Financial Statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the Basic Financial Statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information related to Management's Discussion and Analysis, and Budgetary Comparison 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Matters **(Continuation)**

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. We were unable to apply certain limited procedures to the required supplementary information related to employees' retirement systems information applicable to House of Representatives, in accordance with Auditing Standards Generally Accepted in the United States of America. We do not express an opinion or provide any assurance on the information.

Other Information

Our audit was conducted for the purpose of forming opinions of the financial statements that collectively comprise the House of Representatives' basic financial statements. The Introductory Section and Statistical Section are presented for the purpose of additional analysis and are not a required part of the Basic Financial Statements.

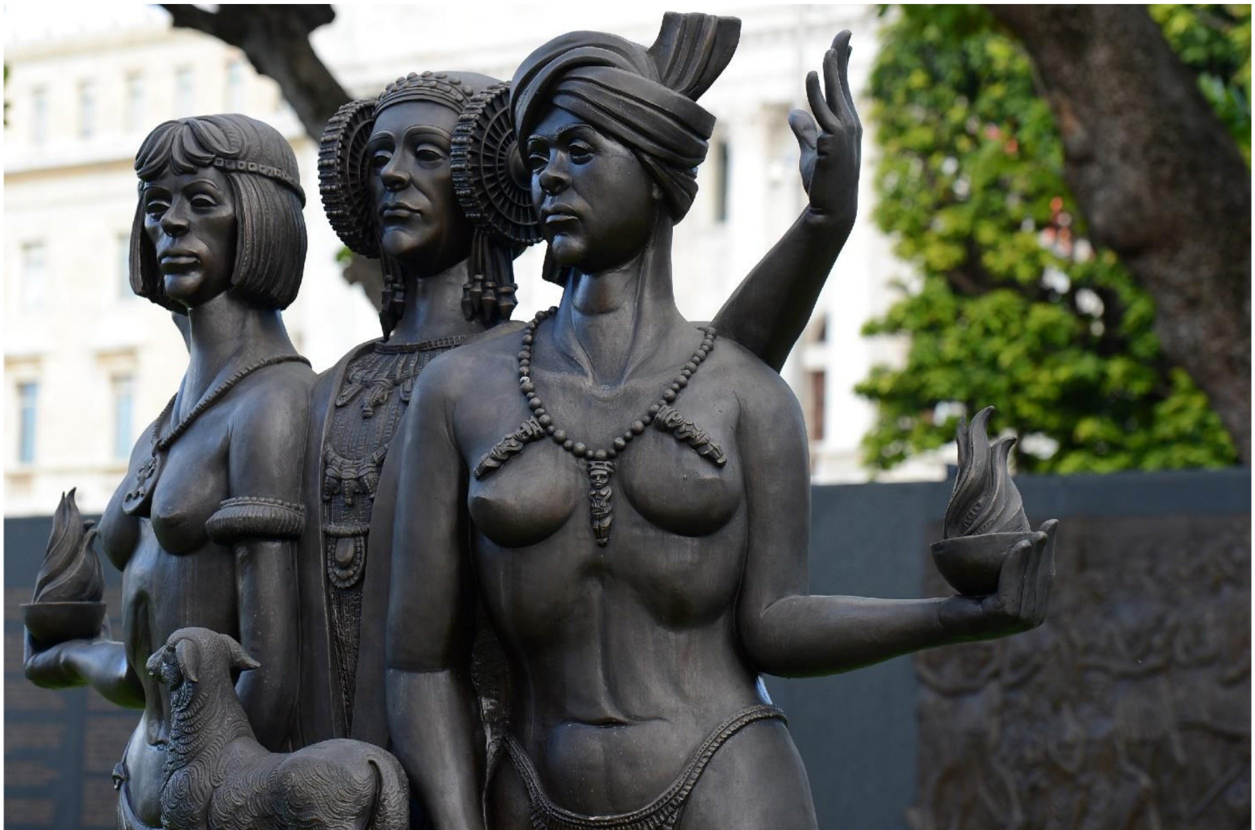
The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023, on our consideration of the House of Representatives' internal control over financial reporting on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of this report is 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 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 considered the House of Representatives' internal control over financial reporting and compliance.

BETANCOURT & CO PSC
San Juan, Puerto Rico
January 31, 2023

Stamp No. E509761 of Puerto Rico Society
of Certified Public Accountants has been affixed
to the original of report



COMPREHENSIVE ANNUAL FINANCIAL REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

The House of Representatives of the Commonwealth of Puerto Rico (the "House of Representatives") provides this Management Discussion and Analysis to the readers of these basic financial statements. This narrative overview and analysis of the financial activities of the House of Representatives is for the fiscal year ended June 30, 2021.

Since the Management's Discussion and Analysis is designed to focus on the current year activities, resulting changes and currently known facts, it should be read in conjunction with the House of Representatives basic financial statements.

FINANCIAL HIGHLIGHTS

Government – Wide Financial Statements

- The House of Representatives net position (deficit) amounted to ($61,490,941) on June 30, 2021. Such net position (deficit) decreased when compared to the net position (deficit) amounting to ($63,909,179) as of June 30, 2020. The net position (deficit) from 2020 was increased due to a prior year adjustment. This increase is mostly attributable to the application of GASB 73 that required the recognition of the Total Pension Liability instead of the Net Pension Liability.
- The total assets of the House of Representatives amounted to $5,261,140 on June 30, 2021. This represented an increase of $1,488,303 when compared to the total assets at the end of fiscal year 2020.
- The total liabilities of the House of Representatives amounted to $75,520,484 and include the accrual for vacations and sick leave in the amount of $4,678,602 of which 1,319,282 are due in the next twelve months. Other accounts payable for $546,567, other accruals for 1,723,334, and total pension liability of $68,546,039 at the close of the fiscal year ended June 30, 2021. The House of Representatives has the resources to meet its ongoing obligations, including the liabilities for accrued vacations and sick leave.

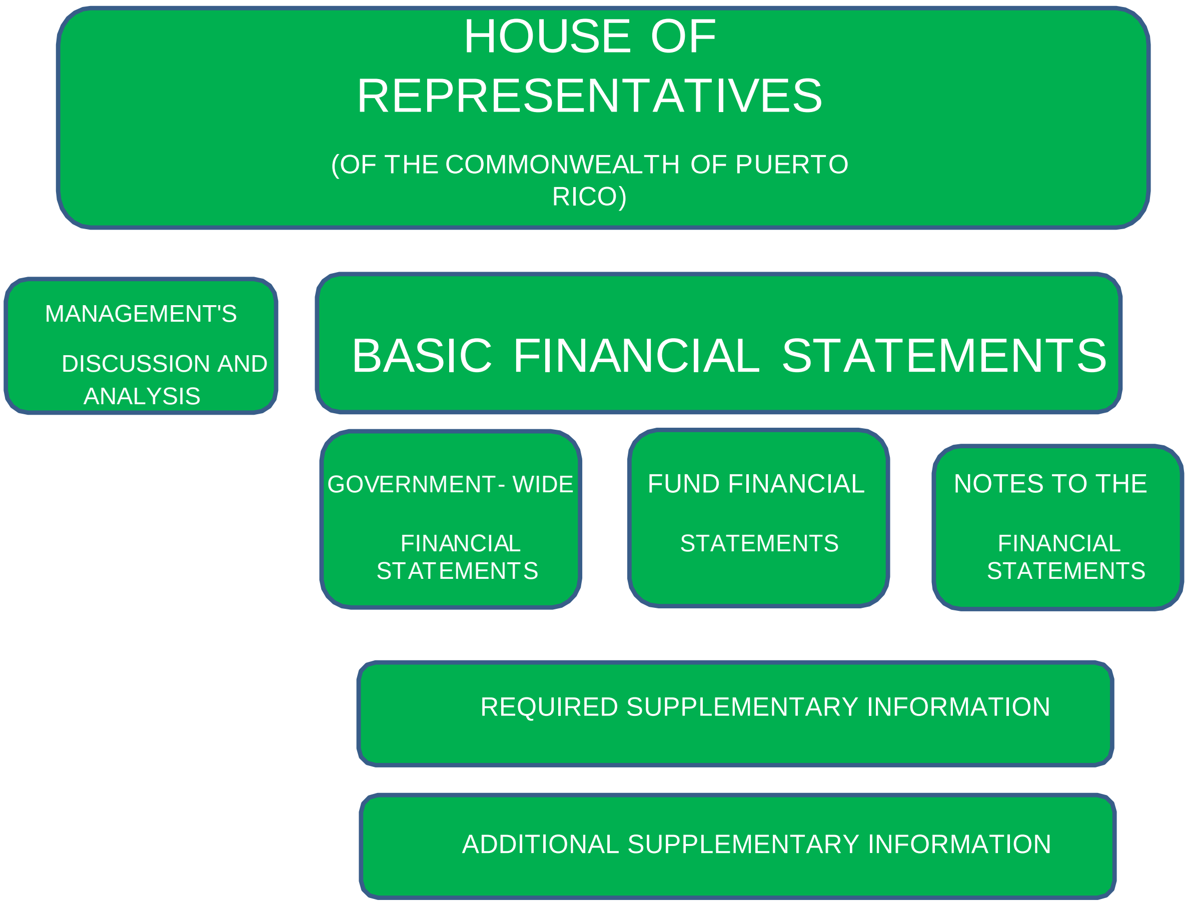
OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This Management's Discussion and Analysis is required supplementary information to the Basic Financial Statements and is intended to serve as introduction to the Basic Financial Statements of the House of Representatives. The Basic Financial Statements are comprised of three components: (1) Government-Wide Financial Statements; (2) Fund Financial Statements, and (3) Notes to the Basic Financial Statements. This report also contains Required Supplementary Information (Statement of Revenues and Expenditures – Budget to Actual – General Fund) and Additional Supplementary Information (Statistical Data) in addition to the Basic Financial Statements themselves. These components are described below in Figure 1.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Required Components of Annual Financial Report

Figure 1



Summary ---> Detail

Government – Wide Financial Statements

The Government- Wide Financial Statements are designed to provide users of the Basic Financial Statements with a broad overview of the House of Representatives finances in a manner similar to the private sector business. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. These statements present short and long-term information about the House of Representatives financial position, which assists in assessing the House of Representatives economic condition at the end of the year.

The Statement of Net Position presents all the House of Representatives assets and liabilities, and their difference reported as net position. Fluctuations in net position may serve as a useful indicator of whether the financial position of the House of Representatives is improving or deteriorating.

The Statements of Activities presents information showing how the House of Representatives net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the Statement of Activities that will only result in cash flows in future fiscal periods.

The Government-Wide Financial Statements can be found on pages 36-38 of this report.

Funds Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The House of Representatives like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The funds of the House of Representatives belong to categories of governmental Funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government – wide financial statements. However, unlike the government – wide financial statements, governmental fund financial statements focus on near term inflows and outflows of expendable resources, as well as on balances of expendable House of Representatives resources available at the end of the fiscal year. Such information is useful in evaluating the House of Representatives near term financial requirements.

Because the focus of Governmental funds is narrower than that of the Government – Wide Financial Statements, it is useful to compare the information presented for governmental fund with similar information presented for governmental activities in the Government – Wide Financial Statements. By doing so, users of the Basic Financial Statements may better understand the long-term impact of the House of Representatives near term financial decisions. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Funds Financial Statements (Continued)

The House of Representatives maintains one individual governmental fund and adopts an annual appropriated budget for its General Fund. A Budgetary Comparison Statement has been provided for the general fund to demonstrate compliance with such budget.

The Governmental Fund Financial Statements can be found on pages 39 & 41 of this report.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the Government -Wide and Fund Financial Statements and can be found immediately after the Basic Financial Statements.

The Notes to the Basic Financial Statements can be found on pages 43-101 of this report.

Required Supplementary Information

The Basic Financial Statements are followed by a Section of Required Supplementary Information. This section includes a Budgetary Comparison Schedule, which includes reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund as presented in the Governmental Fund Financial Statements.

Also, the Required Supplementary Information reported are related to the GASB Statement No. 73 & 75 for pension liability reporting, and those required supplementary information are presented immediately following the Notes to the Financial Statements and can be found on pages 68 through 84 of this report.

FINANCIAL ANALYSIS OF THE BASIC FINANCIAL STATEMENTS

Net Position

The Statement of Net Position serves over time as a useful indicator of the House of Representatives financial position at the end of the fiscal year. The House of Representatives net position (deficit) decreased by $2,418,238 when compared to 2020. This decrease is due to a prior year Adjustment made to follow GASB 73. This adjustment increased the long-term debt regarding the pension liability. The House of Representatives net position (deficit) of (61,490,941) includes investment in capital assets, net of related debt, for $587,313 restricted net position for $1,695,352 and unrestricted net position (deficit) of ($61,490,941).

The following are the condensed statements of net position (deficit) for the fiscal years ended June 30, 2021, and 2020:

FINANCIAL ANALYSIS OF THE BASIC FINANCIAL STATEMENTS (Continued)

Condensed Statements of Net Position (Deficit)

	2021	2020	Change	%
Current Assets	$ 4,101,317	$ 2,240,579	$ 1,860,738	83.05%
Capital Assets, Net	1,159,823	1,532,258	(372,435)	-24.31%
Total Assets	5,261,140	3,772,837	1,488,303	39.45%
Deferred Outflows of Resources	12,397,606	1,800,177	10,597,429	588.69%
Current Liabilities	6,387,482	2,759,128	3,628,354	131.50%
Noncurrent Liabilities	69,133,003	59,421,149	9,711,854	16.34%
Total Liabilities	75,520,485	62,180,277	13,340,208	21.45%
Deferred Inflows of Resources	3,629,203	7,301,916	(3,672,713)	-50.30%
Net Position (Deficit)				
Invested in Capital Assets	587,313	750,927	(163,614)	-21.79%
Restricted	1,695,352	1,404,882	290,470	20.68%
Unrestricted	(63,773,606)	(66,064,988)	2,291,382	-3.47%
Total Net Position (Deficit)	**$ (61,490,941)**	**$ (63,909,179)**	**$ 2,418,238**	**-3.78%**

Capital Assets

The House of Representatives investment in capital assets for its governmental activities amounted to $7,231,323, net of accumulated depreciation of $6,071,501 for a net book value of $1,159,822, as of June 30, 2021. These investments in capital assets include equipment, computer equipment, furniture, and vehicles. Capital assets also include equipment under capital lease agreements with a net book value of $517,795. Depreciation and amortization charges amounted to $427,972 for the year ended June 30, 2021.

Long-Term Liabilities

Total liabilities of the House of Representatives as of June 30, 2021, were $75,520,484 of which $6,387,482 are due within one year, this amount includes 3,126,234 as the current of the Pension Liability. Long term obligations increased by 9,711,854 or approximately 16% when compare with the prior fiscal year. The increase is mainly related to the implementation of GASB 73 and 75. The total pension liability amounted $68,546,039 or the 91% of the total liabilities of the House of Representatives.

FINANCIAL ANALYSIS OF THE BASIC FINANCIAL STATEMENTS (Continued)

Long-Term Liabilities (Continued)

Additional information of the House of Representatives' capital assets and long-term liabilities can be found in Notes 7 and 10 to the Basic Financial Statements on pages 66 and 67 of this report.

Changes in Net Position

The following Condensed Statements of Activities reflect how the House of Representatives net position (deficit) changed in the fiscal years ended June 30, 2021, and 2020:

Condensed Statements of Activities

	2021	2020	Change	%
Expenses				
Governmental Activities	$33,509,273	$36,260,835	$ (2,751,562)	-7.59%
Revenues				
Legislative Appropriations	35,924,390	31,476,364	4,448,026	14.13%
Other	3,121	35,834	(32,713)	-91.29%
Total Revenues	35,927,511	31,512,198	4,415,313	14.01%
Change in Net Position	2,418,238	(4,748,637)	7,166,875	-150.92%
Net Position (Deficit), Beginning of Year	(63,909,179)	(18,584,360)	(45,324,819)	243.89%
Net Position (Deficit), Restated		(40,576,182)	40,576,182	
Net Position (Deficit), End of Year	**$ (61,490,941)**	**$ (63,909,179)**	**$2,418,238**	-3.78%

The House of Representatives had an increase in legislative appropriations of $4,448,026 or 14% when compared to 2020.
The House of Representatives major expense is related to salaries and fringe benefits that include accrued vacations and sick leave and payroll taxes, which represent approximately 85% and 81% of total expenses, for the fiscal years ended June 30, 2021, and 2020, respectively. When compared to fiscal year ended June 30, 2020, such expense shows a decrease of 3.73%.

Following is a detail of expenses of the condensed statement of activities for the years ended June 30, 2021, and 2020.

FINANCIAL ANALYSIS OF THE BASIC FINANCIAL STATEMENTS (Continued)

Detail of Expenses of the Condensed Statements of Activities

	2021	2020	Change	%
Salaries and Payroll Related Costs	$ 28,444,414	$ 29,545,641	$ (1,101,227)	-3.73%
Meals and Travel	188,253	127,676	60,577	47.45%
Professional Services	3,248,306	4,807,027	(1,558,721)	-32.43%
Insurance	9,550	19,104	(9,554)	-50.01%
Rent	201,773	399,664	(197,891)	-49.51%
Non-Capitalized Equipment	208,726	82,545	126,181	152.86%
Depreciation	372,436	511,765	(139,329)	-27.23%
Interest	31,575	40,946	(9,371)	-22.89%
Repairs and Maintenance	77,217	53,119	24,098	45.37%
Utilities	146,779	140,700	6,079	4.32%
Supplies	169,796	217,293	(47,497)	-21.86%
Announcements and Media Publica	64,394	44,111	20,283	45.98%
Postage	72,215	44,146	28,069	63.58%
Loss on Disposition of Assets	-	8,077	(8,077)	-100.00%
Miscellaneous	273,839	219,021	54,818	25.03%
Total	**$ 33,509,273**	**$ 36,260,835**	**$ (2,751,562)**	-7.59%

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FINANCIAL ANALYSIS OF THE BASIC FINANCIAL STATEMENTS (Continued)

Governmental Funds Highlights

The focus of the House of Representatives governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the House of Representatives financing requirements. In addition, fund balance for the governmental funds provides classifications that comprise a hierarchy based primarily on the extent to which the House of Representatives is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The following are the condensed balance sheets-governmental funds as of June 30, 2021, and 2020, respectively:

Condensed Balance Sheets – Governmental Funds

	2021	2020	Change	%
Total Asssets	$ 4,101,318	$ 2,240,579	$ 1,860,739	83.05%
Total Liabilities	1,723,331	2,300,305	(576,974)	-25.08%
Fund Balance				
Nonspendable	132,289	118,756	13,533	11.40%
Restricted	1,695,352	1,404,882	290,470	20.68%
Unassigned	550,346	(1,583,364)	2,133,710	-134.76%
Total Fund Balance	2,377,987	(59,726)	2,437,713	-4081.49%
Total Liabilities and Fund Balance	$ 4,101,318	$ 2,240,579	$ 1,860,739	83.05%

As of the end of the fiscal year 2021, the House of Representatives governmental funds reported a combined ending balance of $2,377,987. The general fund is the main operating fund of the House of Representatives. There are non-spendable fund balances amounting to $132,289. Non-spendable fund balances reflect the portion of fund balance that cannot be spent with cash or are legally or contractually required not to be spent. There are also restricted fund balances amounting $1,695,352. Restricted fund balance reflects resources that are subject to externally enforceable legal restrictions to pay for specific program purposes. An unassigned fund balance of $550,346 was reported in the governmental funds on June 30, 2021. The House of Representatives fund balance increased by $2,437,713 as a result of the current fiscal year's net changes.

FINANCIAL ANALYSIS OF THE BASIC FINANCIAL STATEMENTS (Continued)

Governmental Funds Highlights (Continued)

The general fund budget for the fiscal year ended June 30, 2021, was $35,927,510 an increase of $4,352,853 when compared to 2020, and the actual expenditures were $33,489,800. The total expenditures represented approximately 93.21% of the total budget availability for the fiscal year 2021. The House of Representatives operated evenly in its management of the general fund budget for the fiscal year ended June 30, 2021, overcoming the deficit presented in 2020.The following table summarizes the budget, expenditures and unexpended balance for fiscal years ended June 30, 2021, and 2020:

Budget and Expenditures Comparison

	2021 Budget	2020 Budget	Change
Revenues			
Intergovernmental	$ 35,367,217	$ 31,014,364	$ 4,352,853
Special Appropriations	560,293	462,000	98,293
	35,927,510	31,476,364	4,451,146
Expenditures	33,489,800	33,352,436	137,364
Unexpended Balance	$ 2,437,710	$ (1,876,072)	$ 4,313,782
Expenditure Rate	93.21%	105.96%	-12.75%

FINANCIAL ANALYSIS OF THE BASIC FINANCIAL STATEMENTS (Continued)

Economic Factors and Next Year Budget

The economic factors of the House of Representatives must be analyzed as a component of the Commonwealth of Puerto Rico.

Puerto Rico's economy entered a recession in the fourth quarter of the fiscal year 2006. The Commonwealth's gross national product (GNP) contracted (in real terms) every fiscal year between 2007 and 2017, except for fiscal year 2012. The lower rate of GNP decline during fiscal year 2012 is due to the fund received by the commonwealth related to American Recovery and Reinvestment Act, local stimulus funded by bond proceeds, and tax cuts.

Despite all adverse conditions, the economic activity on the Island regain its growth in March 2021; after having experienced a consecutive decline of thirteen months. According to the

Puerto Rico Planning Board, in fiscal year 2021, Puerto Rico's Gross National Product (GNP) grew 1% with an expected growth of 4.5% in 2022.

REQUEST OF INFORMATION

This financial report is designed to provide a general overview of the House of Representatives' finances for all the citizens. Also, this report serves to demonstrate the House of Representatives' accountability for the money it receives from legislative appropriations. For questions regarding the information provided or additional information requests, please contact: Puerto Rico House of Representatives, Office of Finance and Budget, PO Box 9022228, San Juan, PR 00902-2228.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

BASIC FINANCIAL STATEMENTS

		GOVERNMENTAL ACTIVITIES	
ASSETS:			
Current Assets:			
Cash	$	3,918,160	AE-1
Receivables (Net):			
Other		50,869	
Inventories		132,288	
Total Current Assets		**4,101,317**	
Non-Current Assets:			
Capital Assets, Net		1,159,823	
TOTAL ASSETS		**5,261,140**	
DEFERRED OUTFLOWS OF RESOURCES:			
Contributions to Employees Retirement System		12,271,263	
Related to other post emplyment benfit plans		126,343	
TOTAL DEFERRED OUTFLOWS OF RESOURCES		**12,397,606**	

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

LIABILITIES:	Accounts payable Sum of a- $1,518,064 AE-2		
Current Liabilities:			
Accounts Payable		$	a 546,567
Due to Governmental Units			b 30
Accrued Liabilities			a 971,497
Unearned Revenues	Due to other gov. entities		b 205,240
Short-Term Obligations:	Sum of b- $205,270 AE-2		
Current Pension Liability			3,126,234 AE-2
Capital Lease			218,632
Compensated Absences			1,319,282
Total Current Liabilities			**6,387,482**
Non-Current Liabilities:			
Compensated Absences			3,359,320
Capital Lease			353,878
Pension Liabilities			63,779,330
Other post employment benefits			1,640,475
Total Non-Current Liabilities			**69,133,003**
TOTAL LIABILITIES			**75,520,485**
DEFERRED INFLOWS OF RESOURCES:			
Unamortized Investment in Employees Retirement System			3,629,203
TOTAL DEFERRED INFLOWS OF RESOURCES			**3,629,203**
NET POSITION:			
Net Investment in Capital Assets			587,313
Restricted for:			
Capital Projects	Unrestricted Net Position		-
Subsidies and Incentives	Sum of c- $(62,078,254) AE-2	c	1,695,352
Unrestricted			(63,773,606)
TOTAL NET POSITION		**$**	**(61,490,941)**

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

Functions/Programs	Expenses	Program Revenues: Charges For Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
PRIMARY GOVERNMENT:					
Governmental Activities:					
General Government - Administrative and Operating	$ 33,509,273	-	-	-	$ (33,509,273)
Total Primary Government	$ 33,509,273	-	-	-	$ a (33,509,273)
	General Revenues:				
	Intergovermental		Expenses		35,924,390
	Other Revenues		Sum of a- $(2,415,117) AE-3		3,121 AE-3
	Total General Revenues				35,927,511
	CHANGES IN NET POSITION				**2,418,238**
	Net Position – Beginning of Year Restate				(63,909,179) AE-3
	NET POSITION – ENDING OF YEAR				**$ (61,490,941)**

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

	GENERAL FUND	SPECIAL FUND	TOTAL FUNDS
ASSETS:			
Cash	$ 1,982,850	$ 1,935,310	$ 3,918,160
Receivables (Net):			
Other	37,482	13,387	50,869
Inventory Supplies	132,289	-	132,289
Total Assets	**$ 2,152,621**	**$ 1,948,697**	**$ 4,101,318**
LIABILITIES:			
Accounts Payable	$ 512,255	$ 34,311	$ 546,566
Due to Governmental Units	-	30	30
Deferred Revenue	-	205,239	205,239
Accrued Liabilities	957,731	13,765	971,496
Total Liabilities	**1,469,986**	**253,345**	**1,723,331**
FUND BALANCES:			
Nonspendable - Inventory	132,289	-	132,289
Spendable:			
Restricted	-	1,695,352	1,695,352
Unassigned	550,346	-	550,346
Total Fund Balances	**682,635**	**1,695,352**	**2,377,987**
Total Liabilities and Fund Balances	**$ 2,152,621**	**$ 1,948,697**	**$ 4,101,318**

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

Total Fund Balances – Government Funds (Page 38)		**$ 2,377,987**
Amount reported for Governmental Activities in the Statement of Net Position (Page 36) are different because:		
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds. In the current period, these amounts are:		
Capital Assets	$ 7,231,321	
Accumulated Depreciation	(6,071,497)	
Total Capital Assets		1,159,824
Deferred Outflows of Resources in Governmental Activities are paid in the current available soon period and therefore are reported in the funds.		12,397,606
Deferred Inflows of Resources in Governmental Activities corresponded to future period and therefore are not reported in the funds.		(3,629,203)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Net Pension Liabilities	(68,546,043)	
Capital Leases	(572,510)	
Accrued Compensated Absences	(4,678,601)	
Total Long-Term Liabilities		(73,797,154)
Total Net Position of Governmental Activities (Page 36)		**$ (61,490,941)**

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

	GENERAL FUND	SPECIAL FUND	TOTAL FUNDS
REVENUES:			
Intergovernmental	$ 35,364,109	560,280	$ 35,924,389
Other Revenues	3,108	13	3,121
Total Revenues	**35,367,217**	**560,293**	**35,927,510**
EXPENDITURES:			
Current:			
General Government - Administrative and Operating Activities	32,931,044	269,824	33,200,868
Capital Outlays	48,536	-	48,536
Debt Service:			
Principal	208,821	-	208,821
Interest	31,575	-	31,575
Total Expenditures	**33,219,976**	**269,824**	**33,489,800**
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	**2,147,242**	**290,469**	**2,437,711**
Net Change in Fund Balances	**2,147,242**	**290,469**	**2,437,711**
Fund Balances	(1,464,607)	1,404,883	(59,724)
FUND BALANCES – ENDING	**$ 682,635**	**1,695,352**	**$ 2,377,987**

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

Net Change in Fund Balances – Government Funds (Page 40)		**$ 2,437,710**
Amount reported for Governmental Activities in the Statement of Activities (Page 35) are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:		
Depreciation Expense	$ (427,972)	
Capital Outlays	48,536	
Excess of Depreciation Expense over Capital Outlays		(379,436)
Some expenses reported in the Statement of Activities do not require the use of current financial resouces and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Change in Compensated Absences	143,872	
Capital Leases	208,821	
Change in Net Pension Liability	(14,262,871)	
Change in deferred Outflow	10,597,429	
Change in deferred Inflow	3,672,713	
Total Additional Expenses		359,964
Change in Net Position of Governmental Activities (Page 37)		**$ 2,418,238**

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

1. FINANCIAL REPORTING ENTITY

The accompanying financial statements present information on the financial activities of the House of Representatives of the Commonwealth of Puerto Rico over which the Speaker and Representatives, have direct or indirect governing and fiscal control. These financial statements have been prepared in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP).

A. Organization

House of Representatives of the Commonwealth of Puerto Rico ("the House of Representatives'') was organized by virtue of Article 3, Sections 1 to 3 of the Constitution of the Commonwealth of Puerto Rico ("the Constitution") enacted on July 25, 1952, as approved by the people of Puerto Rico and the United States Congress. The Commonwealth's Constitution provides for separation of powers of the executive, legislative and judicial branches of the government. The Constitution establishes that the Commonwealth's Legislative power will be exercised by a legislature composed of two bodies: a House of Representatives and a Senate, whose members will be elected through direct vote in each general election. The House of Representatives is composed of fifty-one representatives who are elected by the citizens. The majority and minority caucuses nominate candidates for the House of Representatives officer positions. The administration of the House of Representatives is autonomous and is under the direction of the Speaker of the House of Representatives.

The House of Representatives and the Senate enact and approve all legislation related to public safety, public health, public housing, public works and transportation, culture and recreation, welfare, urban development, education, and economic development; while the Executive Branch executes the legislation to provide such services to the citizens of the Commonwealth of Puerto Rico.

B. Reporting Entity

The House of Representatives is for financial reporting purposes a part of the Commonwealth of Puerto Rico. Its financial data is included as part of the general government section in the general fund of the Commonwealth of Puerto Rico financial statements. Effective August 1, 2007, the House of Representatives became fiscally autonomous pursuant to the provisions of Act 230 of July 23, 1974, as amended on June 11, 2004, known as the "Commonwealth of Puerto Rico Accounting Law". The funds of the House of Representatives are under the custody of the Secretary of the Treasury of Puerto Rico until transferred to the House of Representatives. The

1. **FINANCIAL REPORTING ENTITY** (Continued)

C. Reporting Entity (Continued)

accompanying Basic Financial Statements are issued solely and for the information and use of the Secretary of the Treasury, the President of the House of Representatives, the Senators, the Governor, and the citizens of the Commonwealth of Puerto Rico. GASB Statement 61, The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34, as amended, 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. There are two methods of presentation of the component unit in the financial statements: blending – presentation of the financial data of the component unit's balances and transactions in a manner similar to the presentation of the House of Representatives' balances and transactions; and discrete – presentation of the component unit's financial data in a separate column for the House of Representatives' balances and transactions. The relative importance of each criterion must be evaluated in light of specific circumstances in order to determine which component units are to be included as part of the reporting entity. Based on these criteria, there are no other organizations which should be included in these basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements present the financial position of the Governmental Activities, each major fund, and the aggregate remaining fund information of the House of Representatives, as of June 30, 2021, and the respective changes in financial position, and the cash flows, where applicable, thereof for the fiscal year then ended.

A. Financial Statements Presentation

The basic financial statements of the House of Representatives have been prepared in conformity with Accounting Principles Generally Accepted in the United Stated of America as applicable to state and local governmental units. The Basic Financial Statements include both government-wide (based on the House of Representatives as a whole) and fund financial statements, which provide a more detailed level of financial information. Both the government- wide and fund financial statements (within the basic financial statements) categorize primary activities as Governmental Activities. The financial information of the House of Representatives is presented in this report as follows:

Required Supplementary Information – Management's Discussion and Analysis

Management's Discussion and Analysis is required supplementary information that introduces the Basic Financial Statements and provides an analytical overview of the House of Representatives' financial activities.

Government-Wide Financial Statements (GWFS)

While separate government-wide and fund financial statements are presented, they are interrelated. The GWFS (the Statement of Net Position and the Statement of Activities) report information of all the activities of the House of Representatives. The focus of the Statement of Net Position is designed to be similar to bottom line results for the House of Representatives' Governmental Activities. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations. The Statement of Net Position presents the reporting entities' assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net positions are classified as net investment in capital assets, restricted when constraints are placed on them that are imposed by external parties or by laws or regulations, and unrestricted. Designations solely imposed by the House of Representatives' management are not presented as restricted net position. The Statement of Activities presents a comparison between direct expenses and program revenues for the activities of the House of Representatives and for each function of the House of Representatives' Governmental Activities. Direct expenses are those that are clearly identifiable with a specific function or segment.

Governmental Funds (GFFS)

The GFFS [the Balance Sheet, and the Statement of Revenues, Expenditures and Changes in Fund Balance] provide information about the House of Representatives' funds. The emphasis of fund financial statements is on the major funds in the governmental category, each displayed in a separate column. Each fund is a separate accounting entity with a self-balancing set of accounts used to record the financial transactions and balances of that entity. Individual funds have been established as stipulated by legal provisions or by administrative discretion. The House of Representatives uses fund accounting, which is designed to demonstrate legal compliance and to segregate transactions related to certain government functions or activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Statements Presentation (Continued)

Governmental Funds (GFFS) (Continued)

By definition, the general fund is always considered a major fund. Governmental funds other than the general fund must be reported as major funds if they meet both the ten percent and five percent criterion, defined respectively, (1) an individual governmental fund reports at least ten percent of any of the following: a) total governmental fund assets, b) total governmental fund liabilities, c) total governmental fund revenues, or d) total governmental fund expenditures; (2) an individual governmental fund reports at least five percent of the aggregated total for both governmental funds and enterprise funds of any one of the items for which it met the ten percent criterion. In addition, a fund may be reported as major if it is believed to be of particular importance to financial statement users.

The House of Representatives reports the following major governmental funds:

General Fund – This is the general operating fund of the House of Representatives. It is used to account for all financial resources, except those required to be accounted for in another fund.

Special Fund – This is the fund used to account for all transactions with special assignment resolution.

The House of Representatives periodically undertakes a comprehensive evaluation of its fund structure to ensure that it complies with all aspects that are of importance to users of general purpose external financial reports. Consequently, all superfluous funds and some operational funds currently used by the House of Representatives in the day-to-day accounting procedures have not been reported as individual governmental funds in the accompanying fund financial statements. Accordingly, the accompanying fund financial statements include only the minimum number of funds consistent with legal and operating requirements.

The financial statements of the governmental funds are the following:

Balance Sheet – Reports information on June 30, 2021 about the current financial resources (assets, liabilities, deferred inflows of resources and fund balances) of each major governmental fund.

Statement of Revenues, Expenditures and Changes in Fund Balance – Reports information about the inflows, outflows and balances of current financial resources of each major governmental fund for the fiscal year ended June 30, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Statements Presentation (Continued)

Governmental Funds (GFFS) (Continued)

Since the GFFS are presented in different measurement focus and basis of accounting than the GWFS, reconciliation is presented along with separate explanations for each difference. During operations, the House of Representatives has transactions between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the GWFS. Balances between the funds included in Governmental.

Activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the Governmental Activities column. Further, certain activity occurs during the fiscal year involving transfers of resources between funds. In GFFS these amounts are reported at gross amounts as transfers in/out. While reported in GFFS, certain eliminations are made in the preparation of the GWFS. Transfers between the funds included in Governmental Activities are eliminated so that only the net amount is included as transfers in the Governmental Activities column. The House of Representatives reports its financial position (Balance Sheet) and results of operations in funds (Statement of Revenues, Expenditures and Changes in Fund Balance), which are considered separate accounting entities. The operations of each fund are accounted for within a set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with legal, financial, and contractual provisions.

Notes to the Basic Financial Statements

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.

Required Supplementary Information – Budgetary Comparison Schedule

The Budgetary Comparison Schedule – General Fund, includes reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund as presented in the GFFS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The statement of net position presents the assets and liabilities with the difference reported as net position. Net position is reported in three categories.

Net Investment in Capital Assets – consists of capital assets, net of accumulated depreciation, that are attributed to the acquisition, construction or improvement of those assets, net of debts.

Restricted Net Position – consists of restricted net assets with constraints placed on the use of resources which are either a) externally imposed by creditors or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – consists of net assets that are neither restricted nor invested in capital assets. Unrestricted net assets often have constraints that are imposed by management, but that can be removed or modified.

Governmental Funds Financial Statements

The GFFS are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the House of Representatives considers revenues to be available if they are collected within the current period or soon enough thereafter. All other revenue items are measurable and available only when collected by the House of Representatives. On June 30, 2021, all revenues sources met this availability criterion.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

Governmental Funds Financial Statements (Continued)

Expenditures are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Principal and interest debt are recorded when they mature (when payment is due). Proceeds of acquisitions under capital leases, if any, are reported as other financing sources.

The accompanying Balance Sheet – Governmental Funds generally reflects only assets that will not be converted into cash to satisfy current liabilities. Long-term assets and those assets that will not be converted into cash to satisfy current liabilities are generally not accounted for in the accompanying Balance Sheet – Governmental Funds.

The measurement focus of the GFFS is on decreases of net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related governmental fund liability is incurred. Allocation of costs, such as depreciation and amortization, are recorded in the accompanying Statement of Activities, but are not recorded in the accompanying GFFS.

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance

1) Cash

The House of Representatives held its cash balances in commercial banks. The Puerto Rico Commissioner of Financial Institutions requires that public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits. All securities pledged as collateral are held by the Secretary of the Treasury of Puerto Rico.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)

2) Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds”. Advance between funds, as reported in the fund financial statements, if any, are offset by a fund balance restricted account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. Receivables consist of all revenues earned but not collected on June 30, 2021. These account receivables are shown net of estimated allowances for uncollectible accounts, which are determined upon past collection experience, historical trends, and current economic conditions. Intergovernmental receivables represent amounts owed to the House of Representatives for reimbursement of expenditures incurred pursuant to state appropriations. Accounts payable represent amounts, including salaries and wages, owed for goods and services received prior to year-end.

3) Inventories

Inventories consist primarily of material and supplies, furniture construction materials and vehicle spare parts and are valued at cost, using the first-in first-out method. All inventories are reportable for financial statements purposes in the government-wide and governmental funds. For governmental fund financial reporting, inventories balances are also recorded as a non-spendable fund balance indicating that they do not constitute “available spendable resources”.

4) Capital Assets

Capital assets, which include equipment and equipment under capital lease agreements, computer equipment and software, furniture, and vehicles, are reported in the Government-Wide Financial Statements. Capital assets are defined by the House of Representatives as assets with an initial, individual cost of more than $500 and an estimated useful life of five years or more.

Capital outlay is recorded as expenditures of the General Fund and other governmental funds and as assets in the GFFS to the extent the House of Representatives capitalization threshold is met. Depreciation and amortization expense are recorded only in the GWFS. No depreciation is recorded for works of art and historical treasures. The other equipment and vehicles of the primary government are depreciated using the straight-line method over an estimated useful life of five years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)

4) Capital Assets (Continued)

Depreciation expense of capital assets is recorded as a direct expense of the function/program specifically identified with the asset.

The accounting policy for Works of Art is that they are capitalized at their historical cost or acquisition value at date of donation whether they are held as individual items or in a collection.

Impaired capital assets that will no longer be used by the House of Representatives, if any, are reported at the lower of carrying value or fair value. Impairment losses on capital assets with physical damages that will continue to be used by the House of Representatives are measured using the restoration cost approach. Impairments of capital assets that are subject to a change in the manner or duration of use, or assets affected by enactment or approval of laws or regulations or other changes in environmental factors or assets that are subject to technological changes or obsolescence, if any, are measured using the service unit's approach.

The House of Representatives is prevented legally from entering into obligations extending beyond one fiscal year, and most lease agreements entered by the House of Representatives contain fiscal funding clauses or cancellation clauses that make the continuation of the agreements subject to future appropriations.

5) Deferred Outflows/Inflows of Resources

Deferred outflows of resources and deferred inflows of resources are defined in GASB Concept Statement No. 4, Elements of Financial Statements, as the acquisitions and consumptions of net assets by the government that is applicable to future periods. Pursuant to GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, the House of Representatives recognizes deferred outflows and inflows of resources.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)

5) Deferred Outflows/Inflows of Resources (Continued)

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

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Based on this concept, the House of Representatives reports the following as deferred outflows of resources and deferred inflows of resources.

- The deferred outflows of resources or deferred inflows of resources resulting from the implementation of GASB No. 73 & 75. Note 13 presents additional information about the composition of these items.
- Revenues earned but not available within 60 days of fiscal year end.

Notes 9 and 11 provide details on deferred outflows of resources and deferred inflows of resources.

The House of Representatives has items, which arise under accrual basis and modified accrual basis of accounting that qualify for reporting in deferred outflows/inflows of resources. Accordingly, the items, related to pension system are reported in the government-wide Statement of Net Position, and unavailable revenue, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenues from Federal Grants. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

6) Unearned Revenues

Unearned revenues represent the portion of federal grants received for which qualifying expenditures have not been incurred. In subsequent periods, when the revenue recognition criteria are met, the revenue is recognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)

7) Long-Term Obligations

The liabilities reported in the GWFS include long-term liabilities such as vacations and sick leave, reserves for contingencies and long-term portion of obligations under capital lease agreements.

8) Lease Obligations

The House of Representatives leases various assets under both operating and capital lease agreements. In the government wide and proprietary funds financial statements, capital leases and the related lease obligations are reported as liabilities in the statement of net position.

9) Compensated Absences

The House of Representatives accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. Compensated absences are accounted for under the provisions of GASB Accounting Standards Codification Section C60, Compensated Absences. Compensated absences include paid time off made available to employees in connection with vacation, sick leave and compensatory time. The liability for compensated absences recorded in the accompanying Statement of Net Position is limited to leave that: (1) is attributable to services already rendered on or before June 30, 2021 and (2) is not contingent on a specific event (such as illness) that is outside the control of the House of Representatives and the employee. The liability for compensated absences includes salary-related costs, which are directly and incrementally related to the amount of salary paid to the employee (such as employer's share of social security taxes and Medicare taxes).

The employees of the House of Representatives are granted thirty days of vacation and eighteen days of sick leave annually. The employee has the right to accumulate the excess of vacation up to sixty days and sick leave up to ninety days, until December 31st of each year.

Compensated absences are accrued when incurred using the pay or salary rates in effect at the date of the Statement of Net Position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)

9) Compensated Absences (Continued)

Upon termination of employment, an employee receives compensation for all accumulated unpaid regular vacation leave at the current rate up to the maximum of sixty days. When the reason for the separation is to qualify for the retirement for years of service or disability, a deferred pension or after having worked for at least ten years of service without being a participant in a retirement system sponsored by the government, an employee will also be entitled to the payment of the lump sum of sick leave accumulated and not used up to a maximum of ninety days. However, if the employee has ten years of service within which some years, he has participated in a retirement system sponsored by the government, he will not be entitled to the payment of the aforementioned license, except if he withdraws the contributions made to the retirement systems, which would make him a non-participant with ten years of service.

In accordance with the above criteria and requirements in conformance with GASB Accounting Standards Codification Section C60, Compensated Absences, the House of Representatives has accrued a liability for compensated absences, which have been earned but not taken by House of Representatives' 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 on June 30, 2021. All vacation pay is accrued when incurred in the GWFS. For the GWFS, the current portion is the amount estimated to be used in the following year.

For the GFFS, all of the compensated absences are considered long-term and therefore, are not a fund liability and represent a reconciling item between the fund level and government-wide presentations. Also, GFFS record expenditures when employees are paid for leave or the balance due is accrued upon the employee's separation from employment.

10) Claims and Judgments

The estimated amount of the liability for claims and judgments, if any, which is due on demand, such as from adjudicated or settled claims, is recorded in the General Fund when the liability is incurred. The Long-term Obligations include an amount estimated as a contingent liability or liabilities with a fixed or expected due date, which will require future available financial resources for its payment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)

11) Accounting for Pension Costs

The House of Representatives accounts for pension costs under the provision of GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68 (GASB Statement No. 73). GASB Statement No. 73 maintains the “accrual basis” model under Statement 68, where the Total Pension Liability is actuarially determined. GASB Statement No. 73 requires a liability for pension obligations, known as the Total Pension Liability, to be recognized on the balance sheets of participating employers. Changes in Total Pension Liability are immediately recognized as pension expenses. As Act 106-2017 eliminated all contribution requirements for the pension plan and converted it into a PayGo system, the corresponding actuarial calculation of the total pension liability and related accounts changed to one based on benefit payments rather than contributions. As a result, The House of Representatives recognized a Total Pension Liability (replacing the previously recognized Net Pension Liability and related accounts under the previous method) and pension expenses, accordingly. As the change to the PayGo system was caused by the impact of legislation not under The House of Representatives' management control and the actuarial calculation changed from one based on contributions to a new one based on benefit payments under the new PayGo system, the impact on all corresponding pension related accounts was accounted for prospectively. Further details on the accounting for pension costs and the impact of its adoption are disclosed in Note 13.

12) Other Postemployment Benefits

In addition to the pension benefits described in Note 13, the Commonwealth provides other retirement benefits, such as Christmas Bonus, and postemployment healthcare benefits (OPEB) for its retired employees in accordance with local law. Substantially, all of the employees may become eligible for these benefits if they reach normal retirement age while working for the Commonwealth. The Commonwealth follows the guidance of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement establishes standards for recognizing and measuring liabilities, deferred outflow of resources, deferred inflow of resources and expenses. For additional information regarding OPEB, refer to Note 13.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)

13) Net Position/Fund Balance

A) Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in the GWFS.

The GWFS utilize a net position presentation, which is categorized as follows:

- *Net Investment in Capital Assets* – These consist of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of bonds payable, notes payable and other debts that are attributed to the acquisition, construction or improvements of those assets. For the purposes of determining the outstanding debt attributed to capital assets, the total long-term debt related to the acquisition, construction or improvements of capital assets has been reduced by any related unspent debt proceeds. In addition, the outstanding debt attributed to capital assets does not include accrued interest payable, non-capital accrued liabilities, inter-fund loans and other financial assets.

Net Investment in Capital Assets is comprised of the following:

Capital Assets, Net of Accumulated Depreciation	$1,159,823
Outstanding Balance on Related Debt (Leases)	(572,510)
Total Net Investment in Capital Assets	$ 587,313

- *Restricted Net Position* – This results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted Net Position* – This consists of net position which does not meet the definition of the two preceding categories. Unrestricted net position often is designated to indicate that management does not consider them to be available for general operations. Unrestricted Net Position often has constraints on resources that are imposed by management but can be removed or modified.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)

13) Net Position/Fund Balance (Continued)

Net Position Flow Assumption

Sometimes the House of Representatives will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the House of Representatives' policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

B) Fund Balance

Fund Balance Classification

Fund balances for the governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the House of Representatives honors constraints on the specific purposes for which amounts in those funds can be spent.

- *Nonspendable* – amounts that cannot be spent because they are either (1) not spendable in form; or (2) legally or contractually required to be maintained intact.
- *Restricted* – amounts with constraints placed on their use that are either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
- *Assigned* – amounts that are constrained by the House of Representatives' intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority, or by a body or an official designated for that purpose.
- *Unassigned* – the residual classification for the House of Representatives' General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)

13) Net Position/Fund Balance (Continued)

B) Fund Balance (Continued)

Fund Balance Flow Assumption

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

Fund Balance Policy

Restrictions of fund balance represent portions of fund balances that are legally segregated for a specific future use or are not appropriable for expenditure. The House of Representatives has implemented the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions as of July 1, 2010, in which it is required to classify, and report amounts in the appropriate fund balance classification by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent.

Policy on Committing Funds

It is the policy of the House of Representatives that fund balance amounts will be reported as "Committed Fund Balance" only after formal action and approval by Legislative Assembly. The Legislative Assembly has the authority to separate funds for specific purposes. Any separate fund as Committed Fund Balance requires the adoption of a resolution by a simple majority of votes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)

13) Net Position/Fund Balance (Continued)

C. Risk Financing

The Capitol District for Superintendency purchases commercial insurance covering casualty, theft, tort, claims and other losses for the House of Representatives. The House paid directly for the auto insurance.

The House of Representatives carries insurance coverage for death and bodily injuries caused by the motor vehicles accidents. The insurance is obtained through the Automobile Accidents Compensation Administration (AACA), a component unit of the Commonwealth of Puerto Rico. This insurance is compulsory for all licensed vehicles used on public roads and highways in Puerto Rico. The annual premium is $35 per licensed motor vehicle, which is paid directly to AACA.

The House of Representatives obtains workers compensation insurance through the State Insurance Fund Corporation (SIFC), a component unit of the Commonwealth of Puerto Rico. This insurance covers workers against injuries, disability or death because of work or employment-related accidents, or because of illness suffered as a consequence of their employment. Cost of insurance allocated to the House of Representatives for the year ended June 30, 2021, amounted to $43,431.

The House of Representatives obtains unemployment compensation, non-occupational disability, and drivers' insurance coverage for its employees through various insurance programs administered by the Department of Labor and Human Resources of the Commonwealth of Puerto Rico (DOLHR). These insurance programs cover workers against unemployment and provide supplementary insurance coverage for temporary disability, or death because of work or employment-related accidents or non-occupational disability.

D. Use of Estimates

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)

13) Net Position/Fund Balance (Continued)

E. Reclassifications

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

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The House of Representatives' annually receives an appropriation from the general Budget Resolution of the Commonwealth of Puerto Rico. Budgetary control is legally maintained at the fund level. The budget is prepared using the modified accrual basis of accounting with encumbrances included as budgetary basis expenditures. Unexpended appropriations at the end of the fiscal year generally lapse. Expenditures are generally recorded when the related expenditure is incurred or encumbered. Available appropriations and encumbrances will lapse the year following the end of the fiscal year when the encumbrance was established, by means of Act No. 123 from August 17, 2001, which amended the existing appropriations and encumbrances lapsing provision of Act No. 230 from July 23, 1974. Amounts required for settling claims and judgments against the House of Representatives, and certain other liabilities are not recognized until they are encumbered or otherwise processed for payment. Under the statutory basis of accounting, the House of Representatives uses encumbrance accounting to record the full amount of purchase orders, contracts and other commitments of appropriated resources as deductions from the appropriation prior to actual expenditure. In the House of Representatives governmental funds, encumbrance is a significant aspect of budget control.

Budgetary Control

For budgetary purposes, encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. The encumbrances (i.e., purchase orders, contracts) are considered expenditures when incurred. For GAAP reporting purposes, encumbrances outstanding at year-end are reported as assigned fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. In addition, under the budgetary basis of accounting, revenues are recorded when cash is received.

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Budgetary Control (Continued)

The unencumbered balance of any appropriation at the end of the year will lapse at the end of such fiscal year. Other appropriations, mainly capital project appropriations, are continuing accounts for which the Legislative Assembly has authorized that an unspent balance from the prior year be carried forward and made available for current spending.

The Governor is constitutionally required to submit to the Legislature an annual balanced budget of the Commonwealth for the ensuing fiscal year. The annual budget is prepared by the Puerto Rico Office of Management and Budget (PROMB) and takes into consideration the advice provided by the Puerto Rico Planning Board (PRPB) (annual economic growth forecasts and four-year capital improvements plan), the Puerto Rico Department of Treasury (DOT) (revenue estimates, accounting records, and the comprehensive annual financial report), Puerto Rico Fiscal Agency and Financial Advisory Authority (PRFAFAA) (the fiscal agent), and other governmental offices and agencies. Section 7 of Article VI of the Constitution of Puerto Rico provides that "the appropriations made for any fiscal year shall not exceed the total revenue, including available surplus, estimated for the said fiscal year, unless the imposition of taxes sufficient to cover the said appropriations is provided by law."

The annual budget, which is developed utilizing elements of program budgeting, includes an estimate of revenue and other resources for the ensuing fiscal year under: (i) laws existing at the time the budget is submitted and (ii) legislative measures proposed by the Governor and submitted with the proposed budget, as well as the Governor's recommendations as to appropriations that in his judgment are necessary, convenient, and in conformity with the four -year capital improvements plan adopted by the PRPB.

The Legislature may amend the budget submitted by the Governor but may not increase any items so as to cause a deficit without imposing taxes or identifying other sources of revenue to cover such deficit. Upon passage by the Legislature, the budget is referred to the Governor who may decrease or eliminate any line item but may not increase or insert any new line item in the budget. The Governor may also veto the budget in its entirety and return it to the Legislature with his objections. The Legislature, by two-thirds majority in each house, may override the Governor's veto. If a budget is not adopted prior to the end of the fiscal year, the annual budget for the preceding fiscal year, as approved by the Legislature and the Governor, is automatically renewed for the ensuing fiscal year until a new budget is approved by the Legislature and the Governor. This permits the Commonwealth to continue making payments for its operating and other expenses until the new budget is approved. The appropriated annual budget for fiscal year 2021 (including other financing sources) amounted to approximately $10.045 billion.

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Budgetary Control (Continued)

The PROMB has authority to amend the budget within a department, agency, or government unit without legislative approval.

The Puerto Rico Oversight, Management, Economic Stability Act (PROMESA) has significantly changed the approval process for the Commonwealth's general fund budget see note 19. After fiscal year 2017 the process to approve the budget is controlled by the Oversight Board. The Oversight Board submits to the Governor a notice delineating a schedule for the development, submission, approval, and certification of proposed budgets to be submitted by the Governor and the Legislature to the Oversight Board for its approval. The Oversight Board, at its discretion, is responsible for determining the number of fiscal years to be covered by the budget submission.

The Oversight Board is responsible for submitting revenue estimates for the period covered by the proposed budgets to the Governor and Legislature for use by the Governor in developing budgets to be submitted for review and approval to the Oversight Board. The bill outlines three means by which a proposed budget could be approved.

Budget Submission by Governor. If the Oversight Board determines that the proposed budget is compliant with the applicable fiscal plan, then the bill would allow the Oversight Board to approve the proposed budget and submit it to the Legislature for approval. If the proposed budget is found to be non-compliant with the applicable fiscal plan, then the bill would allow the Oversight Board to issue a "notice of violation" which would include recommendations to correct the deficiencies.

Oversight Board Budget. Should the Governor fail to submit a compliant budget then the bill would permit the Oversight Board to develop and submit to the Governor and Legislature a revised compliant budget for the territory, and only to the Governor in the case of a territorial instrumentality.

Budget Adopted by Legislature. The bill would direct the Legislature to adopt a proposed budget for submission to the Oversight Board. If the proposed budget is found to be non-compliant with the applicable fiscal plan, then the Oversight Board may issue a "notice of violation" which includes recommendations to correct the deficiencies.

Oversight Board Budget. Should the Legislature fail to submit a compliant budget then the bill would allow the Oversight Board to develop and submit to the Governor and Legislature a revised compliant budget for the territory.

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Budgetary Control (Continued)

Certification of Budget as Compliant. Under provisions of the bill, if the Governor and Legislature approve a territorial budget that is compliant, or if the Governor develops a budget for the Commonwealth that is compliant with the applicable fiscal plan, then the Oversight Board could issue a certificate of compliance. If the Governor and Legislature fail to develop and approve a budget that would be compliant, then the Oversight Board could develop and submit a budget to the Governor and Legislature and such budget would be deemed approved by the Governor and the Legislature. In the case of a territorial instrumentality, only the Governor could submit a proposed budget for review by the Oversight Board.

Budget jointly developed by the Oversight Board, the Governor, and Legislature. The bill would allow the Oversight Board, the Governor, and the Legislature to work collaboratively to develop a consensus budget for the territorial government. In the case of a territorial instrumentality, the bill would allow the Oversight Board and the Governor to work collaboratively to develop a budget.

4. CASH AND INVESTMENTS

Cash in Banks

Puerto Rico laws authorize governmental entities to invest in direct obligations or obligations guaranteed by the federal government or the Commonwealth. The House of Representatives is also allowed to invest in bank acceptances, other bank obligations and certificates of deposit in financial institutions authorized to do business under the federal and Commonwealth laws. Under the laws and regulations of the Commonwealth, public funds deposited by the House of Representatives in commercial banks must be fully collateralized for the amounts deposited in excess of the Federal Deposit Insurance Corporation (FDIC) coverage. All securities pledged as collateral are held by agents designated by the Commonwealth's Secretary of the Treasury, but not in the House of Representatives' name. The House of Representatives cash balances in commercial banks were approximately $3,918,160 as of June 30, 2021.

4. CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. On June 30, 2021, the House of Representatives has invested $3.9 million in cash equivalents consisting of interest-bearing accounts in commercial banks, which are insured by the FDIC, generally up to a maximum of $250,000. As previously mentioned, public funds deposited by the House of Representatives in commercial banks must be fully collateralized for the amounts deposited in excess of the FDIC coverage. No investments in debt of equity securities were made during the Fiscal Year ended June 30, 2021. Therefore, the House of Representatives' management has concluded that the concentration of credit risk related to any possible loss due to defaults by commercial banks on the House of Representatives' deposits is considered low as of June 30, 2021.

5. RECEIVABLES

GASB Statement No. 38, Certain Financial Statement Note Disclosures, requires disclosure of significant receivable balances not expected to be collected within one year of the date of the financial statements. As of June 30, 2021, amounts are aggregated into account receivables line for certain funds and aggregated columns. Accounts receivable, net on June 30, 2021, includes the following:

Other Receivables	$ 60,743
Less Allowance for Doubtful Accounts	(9,874)
Total	$ 50,869

During fiscal year 2021, the House of Representatives recognized a write-off of $94,044.

6. INVENTORIES

Inventories on June 30, 2021, include the following:

Office Materials	$17,046
Construction Materials	32,087
Vehicle Spare Parts	36,391
Printing Materials	46,764
Total	$ 132,288

7. CAPITAL ASSETS

Capital Assets activities for the fiscal year ended June 30, 2021, were as follows:

Description	Balance at June 30, 2020	Adjustments	Additions	Retirements	Balance at June 30, 2021
Governmental Activities:					
Non-Depreciable Capital Assets:					
No depretiable	$ 193,026	$ -	$ 7,000	$ -	$ 200,026
Total Non-Depreciable Capital Assets	**193,026**	**-**	**7,000**	**-**	**$ 200,026**
Capital Assets:					
Capital Leases	$ 1,432,711	$ -	$ -	$ -	$ 1,432,711
Equipment	4,790,668		48,536	(8,479)	4,830,725
Vehicles	767,861	-	-		767,861
Intangibles	-	-	-	-	-
Total Depreciable Capital Assets	**6,991,240**	**-**	**48,536**	**(8,479)**	**7,031,297**
Less: accumulated depreciation					
Capital Leases	(693,166)		(221,750)	-	(914,916)
Equipment	(4,385,838)		(158,221)	8,479	(4,535,580)
Vehicles	(573,004)		(48,001)		(621,005)
Intangibles	-	-	-	-	-
Total Accumulated Depreciation	**(5,652,008)**	**-**	**(427,972)**	**8,479**	**(6,071,501)**
Total Depreciable Capital Assets (Net)	**-**	**-**	**-**	**-**	**-**
CAPITAL ASSETS, NET	**$ 1,532,258**	**$ -**	**$ (372,436)**	**$ -**	**$ 1,159,822**

Depreciation expense was charged to governmental functions/programs for the fiscal year ended June 30, 2021, as Administrative and Operating.

8. DEFERRED OUTFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, the House of Representatives recognized deferred outflows of resources in the government-wide statements. These items are a consumption of net position by the House of Representatives that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. At the end of the current fiscal year, the House of Representatives has an item that is reportable on the Government-wide Statement of Net Position that is related to outflows from changes in the Net Pension Liability (Note 12), as follows:

Governmental Activities:	Amount
Deferred Outflows of Resources	
Contributions to ERS	$12,271,263
Related to other post-employment benefits plan	126,343
Total Deferred Outflows of Resources	$12,397,606

9. Deferred Revenues

Unearned revenues represent Coronavirus Relief Fund grant received by the House of Representatives to upgrade its communication systems to broadcast the commissions activities. A total amount of $217,000 were received of which $11,760 were spent during the 2021 fiscal year. The remaining balance of $205,240 will be spent during the next fiscal year.

10. LONG-TERM LIABILITIES

Long term obligations on June 30, 2021, and changes for the year then ended were as follows:

	Balance at June 30,2019	Increase	Decrease	Balance at June 30, 2020	Due within One (1) Year	Long-Term Portion
Compensated Absences	$ 4,822,474		(143,872)	4,678,602	1,319,282	$ 3,359,320
Obligations Under Capital Lease Agreements	781,331		(208,821)	572,510	218,632	353,878
Net Pension Liability	13,699,715	53,205,849		66,905,564	3,126,234	63,779,330
TOTAL	$ 19,303,520	53,205,849	$ (352,693)	72,156,676	4,664,148	$ 67,492,528

Compensated Absences

The GWFS, Statement of Net Position, includes approximately $4.6 Million in the governmental funds for the estimated accrued vacation benefits, accrued sick leave benefits and payroll related benefits, representing the House of Representatives' commitment to fund such costs from future operations. The General Fund has been used to liquidate the liability for this concept.

Obligations Under Capital Lease Agreements

The House of Representatives is obligated under capital lease agreements with third parties that expire through 2024 for equipment. The present value of future minimum lease payments on June 30, 2021, reported in the accompanying Statement of Net Position is as follows:

Year ending June 30,	
2022	$ 240,396
2023	240,396
2024	126,440
Total future minimum lease payments	607,232
Less: amounts representing interest	34,722
Present value of minimum lease payments	572,510
Less: current portion	(218,632)
Obligations under capital lease Agreements, net of current portion	$ 353,878

Leased equipment amounting to $1,432,711 (less accumulated depreciation of $914,916) is included as part of the capital assets, being depreciated in the Statement of Net Position in the government-wide financial statements. Depreciation charges applicable to leased equipment amounted to $221,750.

11. DEFERRED INFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, the House of Representatives recognized deferred inflows of resources in the government-wide and fund statements. These items are an acquisition of net position by the House of Representatives that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

At the end of the current fiscal year, the various components of Deferred Inflows of Resources reported in the Basic Financial Statements were as follows:

Governmental Activities	
Deferred Inflows of Resources	
Unamortized Investment in ERS	$3,629,203

12. INTERGOVERNMENTAL REVENUES

The House of Representatives principal source of revenue is legislative appropriations from the Commonwealth of Puerto Rico. Appropriations are general purpose revenues of the House of Representatives.

13. PENSION PLAN

The employees of the House of Representatives are eligible to participate in the Commonwealth Employees Retirement System (ERS) pension plan. Participation is optional for employees hired before January 1, 2000, and less than 55 years of age at the date of employment. No benefits are payable if the participant receives a refund of their accumulated contributions.

On July 1, 2019, membership of the ERS consisted of the following:

Active Members receiving benefits	$ 96,001
Inactive members in pay status	123,784
Total Membership	$219,785

The House accounts for pension liability based on actuarial valuations measured as of the beginning of the year (June 30, 2020). The retirement plan is not administered as trust and follows 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 was not used:

- Contributions from employers and non-employer 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.

13. PENSION PLAN (Continued)

- Pension plan assets are legally protected from the creditors of employers, non-employer 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 Plan of Adjustment. The Plan preserves all accrued pension benefits for current retirees at 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, multi-employer, defined benefit program, a defined contribution program (System 2000 program) and a contributory hybrid program. Benefit provisions vary depending on members date of hire. Substantially all full-time 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) are 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.

13. PENSION PLAN (Continued)

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.

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; (3) any age with 30 years of credited service; (4) for Public Officers in High Risk Positions (the PRPOB and Commonwealth Firefighter Corps, the Municipal Police and Firefighter Corps and the Custody Office Corps), attainment of age 50 with 25 years of credited service; and (5) for Mayors of municipalities, attainment of age 50 with 8 years of credited service as a Mayor. In addition, Act No. 447-1951 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

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.

13. PENSION PLAN (Continued)

Service Retirements (Continued)

(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; (2) attainment of age 65 with 10 years of credited service; (3) for public officers in high-risk positions, any age with 30 years of credited service; and (4) for Mayors, attainment of age 50 with 8 years of credited service as a Mayor.

Act No. 1-1990 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. In addition, Act No.1-1990 public officers in high-risk positions who were not eligible to retire as of June 30, 2013, are eligible to retire directly from active service upon the attainment of age 55 with 30 years of credited service.

(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 55 for public officers in high-risk positions and attainment of age 60 otherwise.

System 2000 members who were not eligible to retire as of June 30, 2013, are eligible to retire upon attainment of age 55 for public officers in high-risk positions and 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 58 if a public officer in a high-risk position and attainment of age 67 otherwise.

13. PENSION PLAN (Continued)

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. For Mayors, the highest compensation, as defined, for Act No. 447-1951 members, determined as of June 30, 2013.

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 . Except for the PRPOB policemen and

14. PENSION PLAN (Continued)

Service Retirement Annuity Benefits (Continued)

Commonwealth Firefighters, the benefit was actuarially reduced for each year payment commences prior to age 58. 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. Except for police and firefighters, the benefit was actuarially reduced for each year payment commences prior to age 58.

For Act No. 447-1951, Mayors with at least 8 years of credited service as a Mayor, the accrued benefit was not to be less than 5% of highest compensation, as defined, as a Mayor for each year of credited service as a Mayor up to 10 years, plus 1.5% of highest compensation as Mayor for each year of non-Mayoral credited service up to 20 years, plus 2.0% of highest compensation as Mayor for each year of non-Mayoral credited service in excess of 20 years. Non-Mayoral credited service included service earned as a mayor in excess of 10 years. Maximum benefit was 90% of highest compensation as a mayor.

(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 Mayors, the highest compensation as a Mayor was determined as of June 30, 2013. If the Act No. 1-1990 member is a police officer or firefighter member that had at least 30 years of credited service as of June 30, 2013, the accrued benefit equaled 65% of average compensation if the member was under age 55 as of June 30, 2013, or 75% of average compensation if the member was at least age 55 as of June 30, 2013.

For all other Act No. 1-1990 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. For Act No. 1-1990 Mayors with at least 8 years of credited service as a Mayor, the accrued benefit was not to be less than 5% of highest compensation as a Mayor for each year of credited service as a Mayor up to 10 years, plus 1.5% of highest compensation as Mayor for each year of non-Mayoral credited service up to 20 years, plus 2.0% of highest compensation as Mayor for each year of non-Mayoral credited service in excess of 20 years. Non-Mayoral credited service included service earned as a mayor in excess of 10 years. Maximum benefit is 90% of highest compensation as a mayor.

13. PENSION PLAN (Continued)

Compulsory Retirement

All Act No. 447-1951 and Act No. 1-1990 Public Officers in High-Risk Positions were required to retire upon attainment of age 58 and 30 years of credited service. A two-year-extension may be requested by the member from the Superintendent of the PRPOB, the Chief of the Firefighter Corps, or supervising authority as applicable.

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.

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.

13. PENSION PLAN (Continued)

Death Benefits (Continued)

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

Eligibility: Police, firefighters, and other employees in specified high-risk positions who die in the line of work due to reasons specified in Act No. 127-1958, as amended.

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.

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.

13. PENSION PLAN (Continued)

Death Benefits (Continued)

i. 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.

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

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.

13. PENSION PLAN (Continued)

Disability Benefits (Continued)

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

Eligibility: Police, firefighters, and other 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).

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.

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 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.

13. PENSION PLAN (Continued)

Special Benefits (Continued)

14. 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). The COLAs granted in 1992 to all retirees and in 1998 to retirees who are former government or municipal employees are to be paid by ERS. All other COLAs granted in 1995 and later were required to be paid by 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. Under the Eighth Amended Plan, these COLAs will be eliminated from and after the Effective Date. As of the date hereof, the Effective Date has not yet occurred. For further information on the Eighth Amended Plan's impact on pension benefits, refer to the final version of the Eighth Amended Plan, which is available at https://cases.primeclerk.com/puertorico/Home-DocketInfo.

(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.

13. PENSION PLAN (Continued)

Special Benefits (Continued)

(c) Special "Bonus" Benefits (Continued)

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.

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 (the General Fund) 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 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.

13. PENSION PLAN (Continued)

New Defined Contribution Plan

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 Retirement Systems as of July 1, 2017; except for members of TRS and JRS that will keep vesting benefits under the provisions of Act No. 91-2004, as amended and Act No. 12-1954, as amended.
- New hires entering the public service workforce after July,1 2017.
- 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 Governor, secretaries and chiefs of agencies and public corporations; assistants and advisors of the Governor; members of commissions and boards appointed by the Governor; members of the Legislature; and employees and officials of the Legislature, the Office of Legislative Services, the Superintendence of the Capitol Building and the Office of the Comptroller of Puerto Rico. Also, enrollment will be optional for employees of departments, divisions, bureaus, offices, dependencies, public corporations, and instrumentalities of the Commonwealth of Puerto Rico working and living outside the territorial limits of Puerto Rico.

Contributions by members consist, as a minimum, of an 8.5% of their compensation directly deposited by the DOT 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.

13. PENSION PLAN (Continued)

Total Pension Liability

The House of Representative's total pension liability as of June 30, 2020, was measured as the proportionate share of the Central Government's total pension liability. It was measured as of June 30, 2019, and was determined by an actuarial valuation with beginning of year census data as of July 1, 2018, that was updated to roll forward the total pension liability to June 30, 2019, assuming no gains or losses. As of June 30, 2020, the House of Representative's used the proportional share of 0.2384%.

Proportion - June 30, 2020	0.2384%
Proportion - June 30, 2019	0.2432%
Change - Increase (Decrease)	(0.0048)%

June 30, 2021

Total Government Pensión Liability	Proportional Share (0.2384%)
$28,069,797,731	$66,905,564

Actuarial Information

Actuarial Methods and Assumptions

The actuarial valuation used the following actuarial assumptions:

1) Discount Rate

   The discount rate for June 30, 2020, was 2.21%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer General Obligation (GO) 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher.

13. PENSION PLAN (Continued)

Actuarial Methods and Assumptions (Continued)

2) Mortality

The mortality tables used in the June 30, 2020; actuarial valuation was as follows:

a) Pre-retirement Mortality

For general employees do not cover under Act 127, PubG-2010 Employee Mortality Rates, adjusted by 100% for males and 110% for females, projected to reflect Mortality Improvement Scale MP-2020 on a generational basis. For member cover under Act 127, the PubS-2010 Employee Mortality Rates are assumed for males and females, projected to reflect Mortality Improvement Scale MP-2020 on a generational basic. As generational tables, they reflect mortality improvement both before and after measurement date.

100% of deaths while in active service are assumes to be occupational for members covered under Act 127.

b) Post-Retirement Health Mortality

Rates which vary by gender are assumed for health retirees and beneficiaries based on study of Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The Pub-2010 health retiree rate, adjusted by 100% for males and 110% for females, projected using MP-2020 on a generational basis. For prior to retiree's death, beneficiary mortality is assumed to be the same as the post-retirement health retiree mortality. For periods after the retiree's death, the PubG-2010(B) contingent survivor rates, adjusted be 110% for males and

120% for females, projected using MP-2020 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement.

13. PENSION PLAN (Continued)

Actuarial Methods and Assumptions (Continued)

2) Mortality

c) Post-Retirement Disability Mortality

Rates which vary by gender are assumed for disabled retirees based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females. The base rates are projected using Mortality Improvement Scale MP 2020 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement.

3) Other Assumptions

a. Actuarial cost method:	Entry age normal
b. Inflation rate:	Not applicable
c. Salaries increase:	3.00% per year.

No compensation increase is assumed until July 2021 as a result of Act 3-2017, for four-year extension of Act 66-2014, and the current general economy.

Sensitivity of Total Pension Liability to Change in Discount Rate

The following presents the House of Representative's proportionate share of the Total Pension Liability as of June 30, 2020, calculated using the discount rate of 2.21%, as well as what the House of Representative's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is 1 – percentage point lower or 1 – percentage point higher than the current rate:

	At 1% Decrease 1.21%	At current Discount Rate 2.21	At 1% Increase 3.31%
Total Pension Liability	$ 76,744,854	$ 66,905,564	$58,968,940

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

The share of the pension expenses and the total pension liability recognized by the House of Representatives for the year ended June 30, 2021, were $3,126,234 and $63,779,330, respectively.

13. PENSION PLAN (Continued)

Deferred Outflows/Inflows of Resources

As of June 30, 2021, the House of Representatives 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 contributions subsequent to measurement date	$ 9,877,059	$ 1,341,188
Differences between actual and expected experience	-	-
Changes in assumptions	15,489,325	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-
Net differences between projected and actual earnings on plan investments	(4,076,419)	-
Total	$ 21,289,965	$ 1,341,188

14. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to the pension benefits described in Note 13 the Commonwealth provides other retirement benefits, such as Christmas Bonus, and healthcare benefits for its retired employees in accordance with local laws.

The Commonwealth provides postemployment healthcare benefits through the defined benefit plan Other Postemployment Benefit Plan of the Commonwealth of Puerto Rico for Retired Participants of the Employees' Retirement Plan (ERS–OPEB)

14. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Plan Description

ERS–OPEB is an unfunded single employer defined benefit other postemployment (OPEB) plan sponsored by the Commonwealth that is administered on a pay-as-you go basis. Accordingly, there are no assets accumulated in a qualifying trust for this plan that meet the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions. The OPEB Plan was created under Act No. 95-1963. Healthcare benefits are provided through insurance companies whose premiums are paid by the retiree with the Commonwealth providing a matching share. ERS–OPEB covers substantially all full-time employees of (1) the Primary Government and (2) those component units of the Commonwealth not having their own postemployment benefit plans. ERS–OPEB Commonwealth employees became plan members upon their date of employment. Plan members were eligible for benefits upon reaching the applicable pension benefits retirement age. Act No. 3-2013 eliminated this healthcare benefit to ERS–OPEB members retired after June 30, 2013.

Funding Policy – The contribution requirement of the ERS-OPEB Plan is established by Act No. 95-1963. The OPEB benefit consists of a maximum of $100 per month per retiree or disabled member. The OPEB Plan is financed by the Commonwealth and its public corporations on a pay-as-you-go basis. The funding of the OPEB benefits are provided through legislative appropriations each July 1. The legislative appropriations are considered estimates of the payments to be made for the healthcare benefits throughout the year. There is no contribution requirement for plan members during active employment.

15. LEASE COMMITMENTS

The House of Representatives leases some Representatives' District office facilities through various operating lease agreements, with the latest expiring on December 31, 2021. Rent expenses under such lease agreements for the fiscal year ended June 30, 2021 and 2020 amounted to $201,773 and $399,664, respectively.

16. CONTINGENCIES

The House of Representatives is a defendant in several other lawsuits arising out of the normal course of business. It is managements' opinion, based on the advice of the legal counsel, that the maximum liabilities in the event of unfavorable judgments in the outstanding cases will not have a material adverse effect on the House of Representatives financial condition or changes in it. The House of Representatives is a defendant in various lawsuits alleging political discrimination and other issues. According to our legal counsels none of the current cases will represent any disbursements for fiscal years 21 and 22.

16. CONTINGENCIES (Continued)

The House of Representatives received a notification of debt from the Puerto Rico Department of Labor and Human Resources in the amount of $7,500 related to unemployment payment. The House does not recognize this debt and is in the process of appealing it with the Department of Labor and Human Resources. The amount is not included in the Financial Statements as of June 30, 2021.

17. UNCERTAINTY AND LIQUIDITY RISK

As discussed in Note 19 to the Basic Financial Statements, the House of Representatives' principal source of revenue is legislative appropriations from the Commonwealth of Puerto Rico (the Commonwealth). The funds of the House of Representatives are under the custody of the Secretary of the Treasury of the Commonwealth until transferred to the House of Representatives during the year.

Considering that the House of Representatives is financially dependent on the Commonwealth, the limitations of the Commonwealth to meet its obligations on a timely manner may impact the House of Representatives' operations in the near future.

18. RELATED-PARTY TRANSACTIONS AND OTHER INTERGOVERNMENTAL TRANSACTIONS

During the year ended June 30, 2021, the House of Representatives entered into the following related party or intergovernmental transactions:

B. The Puerto Rico Electric Power Authority (PREPA) – electric power company and government-owned corporation of Puerto Rico responsible for electricity generation, power transmission, and power distribution in Puerto Rico. The House of Representatives incurred expenditures regarding the services provided by the PREPA amounting to $6,765.

C. The Puerto Rico Aqueducts and Sewers Authority (PRASA) – Water company and government-owned corporation of Puerto Rico responsible for water quality, water management, and water supply in Puerto Rico. The House of Representatives incurred expenditures regarding the services provided by the PRASA amounting to $2,917.

D. The Superintendence of the Capitol – The Superintendence of the Capitol charged us for maintenance expenditures amounting to $75,977.

19. GOING CONCERN – COMMONWEALTH OF PUERTO RICO, & PROMESA Proceedings

For many years the Commonwealth was facing a fiscal, economic and liquidity crisis, which resulted in significant governmental deficits, an economic recession that has persisted since 2006, liquidity challenges, a high unemployment rate, population decline, and high levels of debt and pension obligations that adversely affected its credit ratings and its ability to obtain financing at reasonable interest rates.

Pursuant to PROMESA and the establishment of the Oversight Board, the United States Congress provided a mechanism to allow for the fiscal and economic discipline that ultimately resulted in the orderly restructuring of the Commonwealth obligations. After years of extensive litigation with creditors, on October 26, 2021, the Commonwealth enacted the Law to End the Bankruptcy of Puerto Rico (Law 53) to, among other things, approve the issuance of the New General Obligation Bonds and Contingent Value

Instruments (CVIs) necessary to implement the restructuring transactions contemplated in the Seventh Amended Plan of Adjustment. The Title III Court confirmed that version of the plan on January 18, 2022, and it became effective on March 15, 2022. On that date, the Commonwealth emerged from Title III of PROMESA after consummating its Eighth Amended Plan of Adjustment.

Notwithstanding the circumstances existing on June 30, 2021, based on subsequent events that remediated the Commonwealth's financial condition and addressed its liabilities, management does not believe there is substantial doubt about the Commonwealth's ability to continue as a going concern as of the date of these basic financial statements.

On June 30, 2016, as a result of the current fiscal crisis that affects the Commonwealth, the Financial Oversight and Management Board for Puerto Rico (the Oversight Board), was established under the Puerto Rico Oversight, Management and Economic Stability Act (PROMESA) with broad powers to exercise budgeting and financial controls over the Commonwealth's fiscal affairs, including review and approval of certain governmental functions. During the fiscal years subsequent to June 30, 2016, the Commonwealth, and other governmental entities such as COFINA, PRHTA, ERS, PREPA, PBA, GDB, PRIFA, and PRCCDA initiated PROMESA proceedings at the request of the Governor to restructure or adjust their existing debt. On March 15, 2022, the Commonwealth Plan of Adjustment became effective, thereby significantly reducing the Commonwealth's debt levels.

19. GOING CONCERN – COMMONWEALTH OF PUERTO RICO, & PROMESA Proceedings (Continued)

a) PROMESA and Puerto Rico Legislation

i. PROMESA

In general terms, PROMESA seeks to provide the Commonwealth with fiscal and economic discipline through, among other things: (i) the establishment of the Oversight Board, whose responsibilities include the certification of fiscal plans and budgets for the Commonwealth and its related entities; (ii) a temporary stay of all creditor lawsuits under Title IV of PROMESA; and (iii) two alternative methods to adjust unsustainable debt: (a) a voluntary debt modification process under Title VI of PROMESA, which establishes a largely out-of-court debt restructuring process through which modifications to financial debt can be accepted by a supermajority of creditors; and (b) a quasi-bankruptcy proceeding under Title III of PROMESA, which establishes an in-court debt restructuring process substantially based upon incorporated provisions of Title 11 of the United States Code (U.S. Bankruptcy Code). Each of these elements are divided among PROMESA's seven titles, as briefly discussed below:

(a) Title I – Establishment of Oversight Board and Administrative Matters

Upon PROMESA's enactment, the Oversight Board was established for Puerto Rico. As stated in PROMESA, "the purpose of the Oversight Board is to provide a method for a covered territory to achieve fiscal responsibility and access to the capital markets." On August 31, 2016, the President of the United States announced the appointment of the Oversight Board members. Each Oversight Board member is required to have "knowledge and expertise in finance, municipal bond markets, management, law, or the organization or operation of business or government." The Oversight Board was "created as an entity within the territorial government for which it was established" and is expressly not an entity of the federal government, but it was also established to act independently from the Commonwealth government, such that neither the Governor nor the Legislature may "(1) exercise any control, supervision, oversight, or review over the Oversight Board or its activities; or (2) enact, implement, or enforce any statute, resolution, policy, or rule that would impair or defeat the purposes of PROMESA, as determined by the Oversight Board."

19. GOING CONCERN – COMMONWEALTH OF PUERTO RICO, & PROMESA Proceedings (Continued)

a) PROMESA and Puerto Rico Legislation (Continued)

(b) Title II – Fiscal Plan and Budget Certification Process and Compliance

Title II sets forth the requirements for proposing and certifying fiscal plans and budgets for the Commonwealth and its instrumentalities. "Each fiscal plan serves as the cornerstone for structural reforms the Oversight Board deems necessary to ensure the territory, or instrumentality, will be on a path towards fiscal responsibility and access to capital markets." Only after the Oversight Board has certified a fiscal plan may the Governor submit a fiscal year Commonwealth budget and fiscal year budgets for certain Commonwealth instrumentalities (as approved by the Oversight Board) to the Legislature. In furtherance of the foregoing duties, PROMESA contains a provision that grants the Oversight Board powers to monitor compliance with certified fiscal plans and budgets and undertake certain actions, including spending reductions and the submission of recommended actions to the Governor that promote budgetary compliance. Please refer to the language of PROMESA for a complete description of the Oversight Board's powers related to fiscal plan and budgetary compliance. In addition, the United States Court of Appeals for the First Circuit has issued certain rulings regarding the interpretation of the Oversight Board's powers under PROMESA sections 204(a) and 108(a) that apply administrative law principles to statutes passed by the Commonwealth and certified as not significantly inconsistent with a Board-certified fiscal plan.

(c) Title III – In-Court Restructuring Process

Title III of PROMESA establishes an in-court process for restructuring the debts of Puerto Rico and other United States territories that is modeled after the process under Chapter 9 of the U.S. Bankruptcy Code. The Oversight Board has sole authority to file a voluntary petition seeking protection under Title III of PROMESA, subject to the prerequisites therein. In a Title III case, the Oversight Board acts as the debtor's representative and is authorized to take any actions necessary to prosecute the Title III case. Immediately upon filing the Title III petition, Bankruptcy Code section 362 (which is incorporated into Title III cases under PROMESA) applies to automatically stay substantially all litigation against the debtor (the Title III Stay). A Title III case culminates in the confirmation of a plan of adjustment of the debts of the debtor. The Oversight Board has the exclusive authority to file and modify a plan of adjustment prior to confirmation. Title III plans of adjustment have been confirmed and are currently effective for the Commonwealth, ERS, PBA, and COFINA.

19. GOING CONCERN – COMMONWEALTH OF PUERTO RICO, & PROMESA Proceedings (Continued)

a) PROMESA and Puerto Rico Legislation

(d) Title IV – Temporary Stay of Litigation, Government Reporting, and Other Miscellaneous Provisions

Title IV of PROMESA contains several miscellaneous provisions, including a temporary stay of litigation related to "Liability Claims," relief from certain wage and hour laws, the establishment of a Congressional Task Force on Economic Growth in Puerto Rico (the Task Force), the requirement that the Comptroller General of the United States submit two reports to Congress regarding the public debt levels of the U.S. territories, and expansion of the federal government's small business HUBZone program in Puerto Rico. Pursuant to PROMESA section 405, the enactment of PROMESA immediately and automatically imposed a temporary stay (the Title IV Stay) from June 30, 2016 (the date of PROMESA's enactment) through February 15, 2017, of all "Liability Claim" litigation commenced against the Commonwealth and its instrumentalities after December 18, 2015. A "Liability Claim" is defined as any right to payment or equitable remedy for breach of performance related to "a bond, loan, letter of credit, other borrowing title, obligation of insurance, or other financial indebtedness for borrowed money, including rights, entitlements, or obligations whether such rights entitlements, or obligations arise from contract, statute, or any other source of law related [thereto]" for which the Commonwealth or one of its instrumentalities was the issuer, obligor, or guarantor and such liabilities were incurred prior to June 30, 2016. The Title IV Stay was subject to a one-time 75-day extension by the Oversight Board or a one-time 60-day extension by the United States District Court. On January 28, 2017, the Oversight Board extended the Title IV Stay by 75 days to May 1, 2017, at which time the Title IV Stay expired. Title IV of PROMESA also required several federal government reports. First, PROMESA established the Task Force within the legislative branch of the U.S. federal government. The Task Force submitted its report to Congress on December 20, 2016. Second, PROMESA required the U.S. Comptroller General, through the Government Accountability Office (GAO), to submit a report to the House and Senate by December 30, 2017, regarding: (i) the conditions that led to Puerto Rico's current level of debt; (ii) how government actions improved or impaired its financial condition; and (iii) recommendations on new fiscal actions or policies that the Commonwealth could adopt. The GAO published this report on May 9, 2018. Third, PROMESA required the U.S. Comptroller General, through the GAO, to submit to Congress by June 30, 2017, a report on public debt of the U.S. territories. In addition to its initial report, the GAO must submit to Congress updated reports on the public debt at least once every two-years. The GAO published its initial report on October 2, 2017. On June 30, 2021, the GAO published its latest biannual report on the public debt of the U.S. territories.

19. GOING CONCERN – COMMONWEALTH OF PUERTO RICO, & PROMESA Proceedings (Continued)

a) PROMESA and Puerto Rico Legislation

(e) Title V – Infrastructure Revitalization

Title V of PROMESA establishes the position of Revitalization Coordinator under the Oversight Board and provides a framework for infrastructure revitalization through an expedited permitting process for "critical projects" as identified by the Revitalization Coordinator.

(f) Title VI – Consensual, Out-of-Court Debt Modification Process

Title VI of PROMESA establishes an out-of-court process for modifying Puerto Rico's debts. Under PROMESA section 601(d), the Oversight Board is authorized to establish "pools" of bonds issued by each Puerto Rico government-related issuer based upon relative priorities. After establishing the pools, the government issuer or any bondholder or bondholder group may propose a modification to one or more series of the government issuer's bonds. If a voluntary agreement exists, the Oversight Board must issue a certification and execute a number of additional processes in order to qualify the modification. The United States District Court for the District of Puerto Rico must enter an order approving the Qualifying Modification and vesting in the issuer all property free and clear of claims in respect of any bonds. The Title VI process was successfully implemented to restructure certain debts of the GDB. The GDB Title VI process is discussed below under Discretely Presented Component Units – GDB, Qualifying Modification and Title VI Approval Process. In addition, the Title VI process was recently utilized to restructure certain debts of PRIFA and PRCCDA, as discussed below under Discretely Presented Component Units – PRIFA Qualifying Modification for Rum Bonds, and Discretely Presented Component Units – PRCCDA Qualifying Modification for PRCCDA Bonds.

(g) Title VII – Sense of Congress

Title VII of PROMESA sets forth the sense of Congress that "any durable solution for Puerto Rico's fiscal and economic crisis should include permanent, pro-growth fiscal reforms that feature, among other elements, a free flow of capital between territories of the United States and the rest of the United States."

19. GOING CONCERN – COMMONWEALTH OF PUERTO RICO, & PROMESA Proceedings (Continued)

a) PROMESA and Puerto Rico Legislation

ii. Puerto Rico Legislation

Act No. 101-2020, the Debt Responsibility Act, was enacted to ensure that the Commonwealth does not repeat past mistakes that led to its financial crisis and liquidity shortage by, among other things, establishing a comprehensive cap on all net tax-supported debt and a sublimit on secured and/or securitized debt incurred to pay debt service on the new COFINA bonds. In addition, the Commonwealth Plan of Adjustment and Confirmation Order include provisions requiring the Commonwealth to adhere to the Debt Responsibility Act and a Debt Management Policy [ECF No. 20353, Ex. J] that provides further guardrails for ongoing fiscal responsibility, including maximum limits on the Commonwealth's annual amount of debt service payments. For further information, refer to the Commonwealth Plan of Adjustment, Confirmation Order, and Debt Management Policy, which are available at https://cases.ra.kroll.com/puertorico/Home- Docket Info.

Act No. 53-2021, the Law to End the Bankruptcy of Puerto Rico, was enacted on October 26, 2021, to, among other things, approve the issuance of the New GO Bonds and CVIs (each as defined and discussed below) necessary to implement the restructuring transactions contemplated in the Seventh Amended Plan. In addition to approving the Commonwealth's restructuring transactions, Act 53 conditioned the effectiveness of the Government's approval on the preservation of all accrued pension benefits owed to current public pension participants, which required the elimination of the proposed pension cuts, as discussed in part (b) below.

b) PROMESA Title III Cases

i. Commonwealth Title III Case

On May 3, 2017, the Oversight Board, at the request of the Governor, commenced a Title III case for the Commonwealth by filing a petition for relief under Title III of PROMESA in Title III Court. The deadline by which all creditors were required to file their proofs of claim against the Commonwealth was June 29, 2018. Approximately 118,397 claims were filed against the Commonwealth in the total aggregate asserted amount of approximately $33.3 trillion. Of this amount, approximately 86,598 claims in the total aggregate asserted amount of approximately $33.1 trillion have been withdrawn or expunged by an omnibus objection order entered by the Title III Court. As a result, approximately 8,932 claims in the total aggregate asserted amount of approximately $139.5 billion remain outstanding (excluding claims pending objection, marked for future objection, or transferred or waiting to be transferred into ACR). The validity of these remaining claims has not yet been determined and such claims remain subject to

19. GOING CONCERN – COMMONWEALTH OF PUERTO RICO, & PROMESA Proceedings (Continued)

b) PROMESA Title III Cases (Continued)

the claims reconciliation process described in section (vii) below. Accordingly, the numbers and amounts of claims identified above will change over time as objections are filed and determined by the Title III Court.

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

On October 26, 2021, the Governor signed into law Act 53, which provided legislative approval for the bond transactions contemplated in the Seventh Amended Plan conditioned on the elimination of its monthly pension cut provisions in an amended version of that plan.

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

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

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

19. GOING CONCERN – COMMONWEALTH OF PUERTO RICO, & PROMESA Proceedings (Continued)

b) PROMESA Title III Cases (Continued)

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

As of the Effective Date, the Commonwealth Plan of Adjustment reduced the Commonwealth's total funded debt obligations from approximately $34.3 billion of prepetition debt to approximately $7.4 billion, representing a total debt reduction of 78%. This debt reduction will also reduce the Commonwealth's maximum annual debt service (inclusive of COFINA) from approximately $4.2 billion to $1.15 billion, representing a total debt service reduction of 73%. Also as of the Effective Date, all of the legacy Commonwealth general obligation bonds, ERS bonds, and PBA bonds were discharged, and all of the Commonwealth, ERS, and PBA obligations and guarantees related thereto were discharged. In addition, all Commonwealth laws that required the transfer of funds from the Commonwealth to other entities have been deemed preempted, and the Commonwealth has no obligation to transfer additional amounts pursuant to those laws. Importantly, effectuating the Commonwealth Plan of Adjustment provides a path for Puerto Rico to access the credit markets and develop balanced annual budgets.

A critical component of the Commonwealth Plan of Adjustment is the post-Effective Date issuance of new general obligation bonds (the New GO Bonds) and contingent value instruments (CVIs) that provide recoveries to GO and PBA bondholders, as well as holders of claw back claims against the Commonwealth and certain of its component units and instrumentalities.

The New GO Bonds were issued with an aggregate original principal amount of approximately $7.4 billion, consisting of approximately (i) $6.6 billion of New GO CIBs, (ii) $442.5 million of New GO CABs with a 5.375% interest rate, and (iii) $288.2 million of New GO CABs with a 5.0% interest rate. They have 11 different maturity dates and are secured by (a) a statutory first lien, (b) a pledge of the amounts on deposit in the Debt Service Fund, and (c) a pledge of the Commonwealth's full faith, credit, and taxing power in accordance with Article VI, Section 2 of the Commonwealth Constitution, and applicable Puerto Rico law. The New GO Bonds are be dated as of, and will accrue or accrete interest from, July 1, 2021.

19. GOING CONCERN – COMMONWEALTH OF PUERTO RICO, & PROMESA Proceedings (Continued)

b) PROMESA Title III Cases (Continued)

The Commonwealth Plan of Adjustment also contemplates the issuance of CVIs, an instrument that gives a holder the right to receive payments in the event that certain triggers are met. The Commonwealth Plan of Adjustment establishes revenue-based performance benchmarks and permits the holders of CVIs to receive payments on account of the CVIs only if the benchmarks are exceeded. The CVIs issued under the Commonwealth Plan of Adjustment will be based on overperformance collections of the Commonwealth's 5.5% sales and use tax (SUT), with some CVIs also being subject to over-performance collections of rum tax. The CVIs represent a conditional promise by the Commonwealth to pay CVI holders only if the SUT or rum tax baselines are exceeded in a given fiscal year. The outperformance metric will be measured as of the end of each fiscal year (i.e., June 30) beginning in fiscal year 2022 and is based on a SUT and rum tax collections baselines for fiscal years 2022 to 2043 as established in the Board-certified fiscal plan for the Commonwealth, dated May 27, 2020. As with the New GO Bonds, the Commonwealth pledged its full faith, credit and taxing power under the Puerto Rico Constitution and applicable Puerto Rico law for payment of the CVIs. The CVIs are deemed issued on July 1, 2021.

The CVIs are also divided into two categories: (i) general obligation debt CVIs (GO CVIs), which will be allocated to various holders of GO bondholder claims; and (ii) claw back debt CVIs (the Claw back CVIs), which will be allocated to claims related to HTA, PRCCDA, PRIFA, and MBA bonds. The GO CVIs have a 22-year term. The Claw back CVIs have a 30-year term. The GO CVIs are subject to a lifetime cap of $3.5 billion, with maximum annual payments of $200 million plus any unused amounts from previous years subject to cumulative annual payments not exceeding $400 million. Similarly, the Claw back CVIs are subject to a $5.2 billion aggregate lifetime cap, allocated across the different types of bond claims, with maximum annual payments of (i) $175 million plus any unused amounts from previous years, not to exceed cumulative annual payments of $350 million, for fiscal years 1- 22 of the 30-year term; and (ii) $375 million plus any unused amounts from previous years, not to exceed cumulative annual payments of $750 million, for fiscal years 23-30 of the 30-year term. The CVIs also apply an annual payment waterfall in which the first $100 million will be paid to GO CVIs and the next $11,111,111 will be paid to Claw back CVIs.

19. GOING CONCERN – COMMONWEALTH OF PUERTO RICO, & PROMESA Proceedings (Continued)

b) PROMESA Title III Cases (Continued)

The Commonwealth Plan of Adjustment classifies claims into 69 classes, which will receive the following aggregate recoveries as follows:

- Various categories of Commonwealth Bond Claims (Classes 15-50): 73% recovery consisting of cash, New GO Bonds, and GO CVIs.
- Various categories of PBA Bond Claims (Classes 1-12, 14): 79% recovery in cash in addition to the New GO Bonds and GO CVIs that PBA bondholders will receive on account of their CW Guarantee Claims.
- Various categories of claw back creditor claims (Classes 59-63): 23% recovery consisting of the Claw back CVIs.
- ERS Bond Claims (Class 65): 16% recovery consisting of cash and interests in the ERS Private Equity Portfolio.
- Various categories of General Unsecured Claims (Classes 13, 58, and 66): 21% recovery in cash.
- Other miscellaneous claims (Classes 52-57, 64, 67-69): 26% recovery in cash.

The Commonwealth Plan of Adjustment preserves all accrued pension benefits for active and retired public employees under Class 51. However, participants of the Retirement System for the Judiciary of the Commonwealth of Puerto Rico (JRS) and Teachers Retirement System of Puerto Rico (TRS) will be subject to a benefits freeze and the elimination of any cost-of-living adjustments (or COLAs) previously authorized under the JRS and TRS pension plans.

Since the beginning of the Title III of PROMESA, the Commonwealth has accumulated approximately $16.3 billion in cash through February 2022, principally from the non-payment of debt service and fiscal adjustments made that resulted in fund balance surpluses. On the Effective Date, the available cash was distributed as follows (in thousands):

Available cash	$ 16,334
Payment of GO/PBA/ERS bonds	(7,557)
Payment to System 2000 Defined Contribution plan participants	(1,377)
Payment to unsecured creditors, fees and other	(1,440)
Reserve for deferred payments to unsecured and other claims	(1,344)
Revolving reconstruction fund and other reserves	(2,452)
Excess - Liquidity retained by the Commonwealth	$ 2,164

For further information on the Commonwealth Plan of Adjustment, refer to the final versions of the Commonwealth Plan of Adjustment, Findings of Fact, and Confirmation Order, which are available at https://cases.ra.kroll.com/puertorico/Home-DocketInfo.

20. PRIOR-PERIOD ADJUSTMENT BY NET PESION LIABILITY (GASB 73)

The following schedule reconciles the Net Position, as previously reported by the House of Representatives, to the beginning Net Position, as restated.

Due to the prior-period adjustment by GASB 73 the Governmental Wide Financial Statement through beginning Net Position was adjusted. The following schedule reconciles the total net position balance at June 30, 2021, as previously reported by the Puerto Rico House of Representantives, to the beginning net position, as restated in the accompanying GWFS:

	Net position at beginning of fiscal year as previously reported	Adjustment due to GASB 73	Net position at beginning of fiscal year as restated
Net investment in Capital Asset	$ 750,927		$ 750,927
Restricted for:			
Subsidies and incentives	1,404,882		1,404,882
Unrestricted (Deficit)	(25,488,806)	(40,576,182)	(66,064,988)
Total Net Position	$ (23,332,997)	(40,576,182)	$ (63,909,179)

21. NEW ACCOUNTING STANDARDS

A. Implementation of Governmental Accounting Standards Board (GASB) Statements

The provisions of the following Governmental Accounting Standards Board (GASB) Statements are effective for financial statements for periods beginning after June 15, 2017 (FY 2017-2018)

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter period equity, and creating additional transparency.

21. NEW ACCOUNTING STANDARDS (Continued)

A. Implementation of Governmental Accounting Standards Board (GASB) Statements (Continued)

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a non-employer entity provides financial support for OPEB of employees of another entity. In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

a. Contributions from employers and non-employer contributing entities to the OPEB.
   plan and earnings on those contributions are irrevocable.

b. OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

c. OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, the OPEB plan administrator, and the plan members.

As of June 30, 2021, the PRGERS hasn’t issued, or made available information in order to properly adjust or disclose any deferred outflow/inflow of resources, or net OPEB obligation, if any, applicable to the House of Representatives.

21. NEW ACCOUNTING STANDARDS (Continued)

B. Future Adoption of Governmental Accounting Standards Board (GASB) Statements

The following new accounting standards have been issued but are not yet effective:

- GASB Statement No. 87, Leases. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right to use lease assets, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2021.

- GASB Statement No. 92, Omnibus 2020. This Statement addresses a variety of topics and includes specific provisions about the following, the effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports; Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; The applicability of 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, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits; The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements; measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and terminology used to refer to derivative instruments. The portion of this Statement that relates to the effective date of Statement 87 and its associated implementation guidance are effective upon issuance. Provisions related to intra-entity transfers of assets and applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021. The remaining requirements related to asset retirement obligations are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021. Earlier application is encouraged and is permitted by topic.

21. NEW ACCOUNTING STANDARDS (Continued)

B. Future Adoption of Governmental Accounting Standards Board (GASB) Statements (Continued)

- GASB Statement No. 96, Subscription Based Information Technology Arrangements. The primary objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right to-use subscription asset—an intangible asset—and a corresponding subscription liability (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

- GASB Statement No. 98, The Annual Comprehensive Financial Report. The objective of this statement is to establish the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged.

- GASB Statement No. 99, Omnibus 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023.

- GASB 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 are effective for fiscal years beginning after June 15, 2023. Earlier application is encouraged.

21. NEW ACCOUNTING STANDARDS (Continued)

B. Future Adoption of Governmental Accounting Standards Board (GASB) Statements (Continued)

- GASB 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. Earlier application is encouraged.

Management is evaluating the impact that these statements may have on the House of Representatives basic financial statements upon adoption, if applicable.

22. SUBSEQUENT EVENTS

DEBT ADJUSTMENT PLAN

In March 2022 the Fiscal Oversight and Management Board required the House to transfer the amount of $1,369,920 from balances from previous fiscal years as part of the Debt Adjustment Plan.

COVID-19 Pandemic

Due to the Covid-19 Pandemic the Federal Government assigned American Rescue Plan Act (ARPA) Funds to the Commonwealth of Puerto Rico. The Puerto Rico House of Representatives requested ARPA Funds to upgrade its communication systems so all the Commissions meeting rooms could broadcast their legislative activities. A total of $217,000 were assigned. During the 2021 fiscal year only $11,760 were spent. The remaining amount of $205,240 were fully spent during the 2022 fiscal year.

In September 2022 the House of Representatives received a total amount of $4.4 million from the Coronavirus Relief Fund Program to cover a portion of the payroll expenses for employees who provide direct service to the citizenship for fiscal year 2022. Those funds will be awarded once again for fiscal year 2023.

Subsequent events were evaluated through January 31, 2023, to determine if any such events should either be recognized or disclosed in the 2021 basic financial statements. Management is not aware of any additional subsequent events that requires adjustment or disclosure in the financial statements or its related notes.

Required Supplementary Information

	Budget Amounts		Actual Amounts	
	Original	Final	(Budgetary Basis)	Variance
REVENUES:				
Intergovernmental	$ 35,364,109	$ 35,364,109	$ 35,364,109	$ -
Special Appropriations	560,280	560,280	560,280	-
Total Revenues	35,924,389	35,924,389	35,924,389	-
EXPENDITURES:				
Current:				
General Government - Administrative and Operating Activities	35,875,853	35,875,853	33,336,167	2,539,686
Capital Outlays	48,536	48,536	48,536	-
Total Expenditures	35,924,389	35,924,389	33,384,703	2,539,686
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ -	$ -	$ 2,539,686	$2,539,686

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Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	General Fund
Sources/Inflows of Resources:	
Actual Amounts (Budgetary Basis) "Available for Appropriation" from the Budgetary Comparison Schedule (See Page 36)	$ 35,924,389
Difference – Budget to GAAP:	
Non budgetary items – Other Revenues	3,121
Total Revenues as Reported on the Statement of Governmental Funds Revenues, Expenditures and Changes in Fund Balance (See Page 40)	$ 35,927,510
Uses/Outflows of Resources:	
Actual Amounts (Budgetary Basis) "Total Charges to Appropriation" from the Budgetary Comparison Schedule (See Page 36)	$ 33,384,703
Difference – Budget to GAAP:	
Non budgetary items – Expenditures of Savings Fund	105,097
Total Expenditures as Reported on the Statement of Governmental Funds Revenues, Expenditures and Changes in Fund Balance (See Page 43)	$ 33,489,800

END OF THIS SECTION

BUDGETARY CONTROL

The House of Representatives annual budget is prepared on the budgetary basis of accounting, which is not in accordance with US GAAP, and represents departmental appropriations approved by the Speaker Transfers between certain appropriations withing the budget are withing the Speakers prerogatives. The annual appropriation budget for the fiscal year ended June 30, 2021, was $35,924,389.

For budgetary purposes, encumbrance accounting is used. The encumbrances (i.e., purchase orders, contracts) are considered expenditures when incurred. For US GAAP reporting purposes, encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

BETANCOURT & CO PSC

Certified Public Accountants

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 Members of the House of
Representatives of the Commonwealth of
Puerto Rico

San Juan, Puerto Rico

We have audited, in accordance with the Auditing Standards Generally Accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **House of Representatives of the Commonwealth of Puerto Rico** (**House of Representatives**), as of and for the fiscal year ended June 30, 2021, and the related notes to basic financial statements, which collectively comprise the **House of Representatives**' Basic Financial Statements, and have issued our report thereon dated January 31, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the Basic Financial Statements, we considered the **House of Representatives**' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Basic Financial Statements, but not for the purpose of expressing an opinion on the effectiveness of the **House of Representatives**' internal control. Accordingly, we do not express an opinion on the effectiveness of the **House of Representatives**' 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the **House of Representatives**' 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.

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

(Continuation)

To the Members of the House of
Representatives of the Commonwealth of
Puerto Rico

Page 2

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 weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **House of Representatives**' financial statements are free of 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the **House of Representatives**' 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.

BETANCOURT & CO PSC
San Juan, Puerto Rico
January 31, 2023

Stamp No. E509762 of Puerto Rico Society
of Certified Public Accountants has been affixed
to the original of report

SCHEDULE OF THIS CURRENT YEAR FINDINGS AND RESPONSES

Financial Statement Findings

During our audit, we did not detect findings of questioned cost.

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

HOUSE OF REPRESENTATIVES OF THE COMMONWEALTH OF PUERTO RICO	**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES FOR THE FISCAL YEAR OF JUNE 30,2020**
FINDING REFERENCE NUMBER	**2020-001**
TYPE OF FINDING	**MATERIAL WEAKNESS IN PREPARED FINANCIAL STATEMENTS**
CRITERIA	Codification of Statements on Auditing Standards, Communicating Internal Control Related Matters in an Audit (AUC Section 265.11), states that the auditor should communicate in writing to those charged with governance on a timely basis significant deficiencies and material weaknesses identified during the audit, including those that were remediated during the audit. Paragraph 4.23 of the Government Auditing Standards (GAGAS) states the following: **4.23** When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effed on the audit.
CONDITION	During our audit of the Financial Statements of the **House of Representatives** we noted that in the Schedule of Revenues and Expenditures – Budget to Actual – General Fund an excess of expenditures was presented over the approved budget.
CAUSE	The **House of Representative's** internal controls and budget and finance staff failed to monitor and maintain a balance budget for the fiscal year 2019-2020 appropriation under the general fund which was significantly reduced for the current fiscal year when compared to prior year's appropriation
EFFECT OR POSSIBLE EFFECT	The **House of Representative** incurred in expenditures and obligations to employees and vendors in excess of its available resources, this may cause claims by vendors and employees if the debts are no satisfied on a timely basis
RECOMMENDATION	We recommend that the **House of Representative** project on a monthly basis, the expenditures and obligations incurred against the authorized appropriation and take appropriate actions to maintain expenditures at or below the appropriations received.
RESPONSIBLE OFFICIAL'S RESPONSE AND CORRECTIVE ACTION PLANNED	The necessary internal controls were established to evaluate monthly and projected expenses, so that we could comply with the assigned budget. This was an isolated situation caused by a reduction of $10 million in the budget January assigned to the **House of Representatives** in relation to the budget of the previous year, affecting contractual commitments that the **House of Representatives** had**.**
IMPLEMENTATION DATE	January 1, 2021
RESPONSIBLE PERSON	Director of Finance and Budget
Status on June 30,2021	This Finding was corrected on June 30, 2021

END OF SCHEDULE