

Financial Statements

SENATE OF PUERTO RICO

(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT**

2019-2020

OFFICE OF FISCAL AND FINANCIAL AFFAIRS

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SENATE

COMMONWEALTH OF PUERTO RICO

José Luis Dalmau Santiago
President

June 29, 2021

To the Governor of Puerto Rico
Members of the Senate and the People of Puerto Rico
San Juan, Puerto Rico

The Comprehensive Annual Financial Report (CAFR) of the Senate of the Commonwealth of Puerto Rico (hereafter referred to as the "Senate") for the fiscal year ended June 30, 2020 is submitted herewith. This report has been prepared in a manner which fully conforms to accounting principles generally accepted in the United States of America, as established by the Governmental Accounting Standards Board (GASB).

The Comprehensive Annual Financial Report is presented in three sections. The Introductory section includes this transmittal letter, general information about the Senate, an organizational chart and list of senators and permanent commissions. The Financial Section includes the independent auditor's reports, management's discussion and analysis (MD&A), audited government-wide and fund financial statements and related notes thereto; and required supplementary information. The statistical section contains selected unaudited financial, economic, and demographic data on a multiyear basis.

The responsibility for the accuracy of data and the completeness and fairness presentation, including all disclosures, rests with the Senate's administrators. To the best of our knowledge, the information presented herewith is accurate in all material respects and provides a reasonable understanding of the Senate's financial activities. We have included all the necessary disclosures to enable the reader to gain a thorough understanding of the Senate's activities.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Senate's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE SENATE

The Senate was organized by virtue of Article 3, Sections 1 to 3 of the Constitution of the Commonwealth of Puerto Rico (hereafter referred to as the "Constitution") enacted on July 25, 1952, as approved by the people of Puerto Rico and the United States Congress. The Constitution establishes a republican form of government, and sets out three branches of government: Executive, Legislative and Judicial. The Legislative Branch enacts and approves all legislation; the Executive Branch executes the legislative

mandate; and the Judicial Branch oversees the Puerto Rico Court System and construes the meaning of the constitution and laws passed by the Legislative Assembly.

The Constitution establishes that the Commonwealth's legislative power will be exercised by a Legislature composed of two bodies: Senate and House of Representatives, whose members will be elected through direct vote in each general election. In this four-year term, the Senate comprises twenty-seven (27) senators. For purposes of its members' election, Puerto Rico is divided into eight senatorial districts. Each district elects two senators. In addition, the Senate has eleven senators at large. No elector can vote for more than one candidate to senators at large. Each senator is elected for a four-year term.

The Legislative Assembly is deemed a continuous body for the term for which its members are elected to meet in regular sessions each year commencing the second Monday of January. According to Act No. 9 of April 9, 1954, as amended, and section 21.2 of the Resolution of the Senate No. 21 of January 15, 2013, the annual regular session of the Legislature is composed of two sessions, as follows.

- A. The first session that begins on the second Monday of January and ends on June 30 of the same year; and
- B. The second session that begins on the third Monday of August and ends on Tuesday, preceding the third Tuesday of November. This Second Session shall not be held in years when general elections are to be held.

There are also extraordinary sessions that may be held on any date of the calendar year, except during the regular sessions. The Governor or the President of the Senate, as provided by the Constitution and Rules of the Senate, may convene an extraordinary session.

ECONOMIC CONDITIONS AND OUTLOOK

Puerto Rico's economy is closely linked to the United States economy, as most of the external factors that affect the local economy are determined by the policies and performance of the mainland economy. These external factors include exports, direct investment, the amount of federal transfer payments, the level of interest rates, the rate of inflation, and tourist expenditures.

On March 11, 2020, the World Health Organization declared the new strain of the coronavirus (COVID-19) a global pandemic. The Federal, state, and the Government of Puerto Rico have since implemented various restrictions, including travel restrictions, border closings, restrictions on public gatherings, quarantining of people who may have been exposed to the virus, shelter-in-place restrictions and limitations on business operations. In response to government recommendations and for the health and safety of associates and guests, the Government of Puerto Rico announced the Governor's Executive Order Number OE-2020-023, Implementation of the Necessary Closings of Private and Government Operations to Combat the Effects and Spread of COVID-19 in the Island of Puerto Rico, issued on March 15, 2020.

From Fiscal Year 2008 to fiscal year 2019, the manufacturing and service sectors generated the largest portion of the gross domestic product. Manufacturing is the largest sector of the Puerto Rico economy in terms of gross domestic product. In the last three decades, industrial development in Puerto Rico has been relatively capital intensive and dependent on skilled labor.

Puerto Rico has experienced mixed results in the service sector, which includes wholesale and retail trade, utilities, transportation and warehousing, information, finance and insurance, real estate and rental, and certain services such as professional, scientific, technical, management, administrative, support, educational, health care, social, recreational, accommodation, food and other services. Tourism also makes a significant contribution to economic activity.

Puerto Rico continues to suffer from the effects of a recession that started in fiscal year 2006. Since that date, Puerto Rico's Gross National Product ("GNP") has decreased constantly every fiscal year, except for fiscal year 2012, when it grew by 0.5%. Except for year 2012, GNP for fiscal years 2009, 2010, 2011, 2013, 2014, 2015, 2016, 2017, 2018 and 2019 decreased by 3.8%, 3.6%, 1.7%, .1%, 1.8%, .8%, 1.6%, 3.0%, -4.7% and 1.5%, respectively.

Economic Activity Index ("EAI") for December 2019 reflected a 122.3% increment compared to June 2018. The average cumulative value for the fiscal year 2019 showed an increase of .4% as compared to fiscal year 2018, -2%. The EAI is a coincident indicator of ongoing economic activity but it does not measure the real GNP annual growth rates. Since the EAI is generated with only four variables (total payroll employment, cement sales, gasoline consumption, and electric power generation), it is more volatile than the actual GNP figures. This means that both increments and declines reflected in the EAI amplify the corresponding movements of the real GNP.

The most recent development with regards to Puerto Rico's fiscal situation is the certification of the fiscal plan by the Fiscal Oversight Board, under PROMESA (Puerto Rico Oversight, Management and Economic Stability Act of 2016), dated May 27, 2020.

INDEPENDENT AUDITORS

Commonwealth statutes require an annual audit of the Senate's financial reports by an independent certified public accountant. The firm Aquino, De Córdova, Alfaro & Co., LLP was selected by the Senate to perform the audit of the basic financial statements, for the fiscal year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America. The Goal of an independent audit is to provide reasonable assurance that the financial statements of the Senate are fairly stated in all material respects in accordance with U.S generally accepted accounting principles. The independent auditors' report on the basic financial statement is included in the financial section of this report.

INTERNAL CONTROLS

The management of the Senate is responsible for establishing and maintaining internal controls to ensure that the Senate's assets are protected from loss, theft or misuse, and that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with U.S. generally accepted accounting principles. The internal control structure is designed to provide reasonable, rather than absolute, assurance that these objectives are met.

The Senate maintains extensive budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Legislative Assembly, Senate's rules and regulations and administrative orders. The general fund activities are included in the annual appropriated budget. Budgetary control for the legislative functions resides at the level of the office of each senator. However, regarding administrative offices, control is exercised at the administration level. The Senate also maintains an encumbrance accounting system as a method of upholding budgetary control.

BUDGET AND FISCAL POLICY

The fiscal year for the three branches of the Commonwealth of Puerto Rico, which includes the Legislative Assembly, begins each July and ends on June 30. Each legislative body is exempted by law from submitting a request to the Office of Management and Budget of the Commonwealth (OMB), as the Governor is supposed to recommend the same budgetary appropriations as the current fiscal year. The Senate's annual budget includes an estimate of operating expenditures for its two major functions: legislation and administration. The legislative Assembly is then responsible for increasing, decreasing, or maintaining the budgetary appropriations of each legislative body. Finally, any unreserved balance is available for non-recurring expenses for a three-year period, according to law No. 230 of July 23, 1974, as amended.

ACKNOWLEDGMENTS

This report could not have been accomplished without the professionalism and dedication of the Director and personnel of the Fiscal and Financial Affairs Office of the Senate, as well as other officers of the Senate. Their dedicated efforts are sincerely appreciated. This report reflects their collective efforts and is issued in compliance with the highest standards of financial accountability.

Respectfully submitted,



JOSE LUIS DALMAU SANTIAGO

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
LIST OF SENATORS – BY DISTRICT
JUNE 30, 2020

SENATOR OF MAJORITY

<u>Name</u>	<u>District</u>
Thomas Rivera Schatz	At Large
Henry Neumann Zayas	At Large
William Villafañe E Ramos	At Large
Hector Martínez Maldonado	At Large
Gregorio Matias Rosado	At Large
Itzamar Peña Ramírez	At Large
Miguel A. Romero Lugo	San Juan
Henry Neumann Zayas	San Juan
Migdalia Padilla Alvelo	Bayamón
Carmelo J. Ríos Santiago	Bayamón
Ángel R. Martínez Santiago	Arecibo
José O. Pérez Rosa	Arecibo
Luis D. Muñiz Cortes	Mayaguez-Aguadilla
Evelyn Vázquez Nieves	Mayaguez-Aguadilla
Luis A. Berdiel Rivera	Ponce
Nelson V. Cruz Santiago	Ponce
Carlos J. Rodríguez Mateo	Guayama
Axel F. Roque Gracia	Guayama
Miguel A. Laureano Correa	Humacao
Eric Correa Rivera	Carolina
Nayda C. Venegas Brown	Carolina

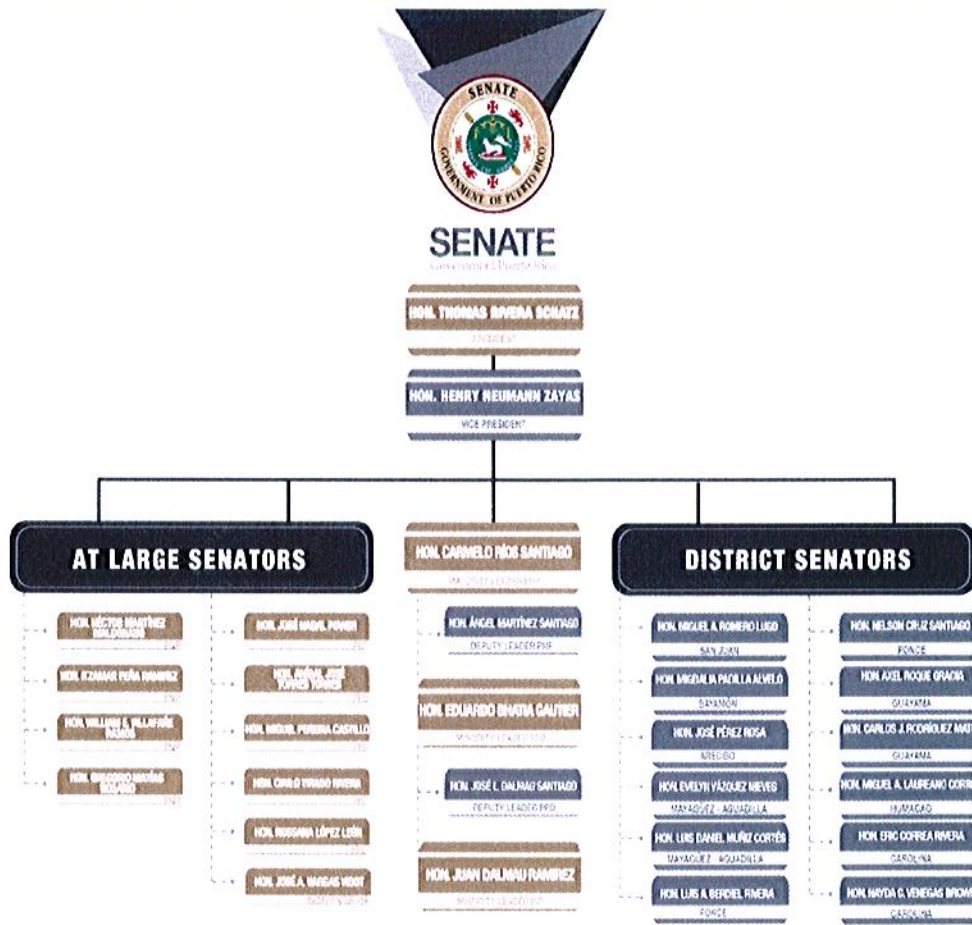
SENATOR OF MINORITY

<u>Name</u>	
Juan Dalmau Ramirez	At Large
Eduardo Bhatia Gautier	At Large
José L. Dalmau Santiago	Humacao
Rossana Lopez León	At Large
Cirilo Tirado Rivera	At Large
José R. Nadal Power	At Large
Miguel A. Pereira Castillo	At Large
Aníbal J. Torres Torres	At Large
José Antonio Vargas Vidot	At Large

PERMANENT COMMITTEES

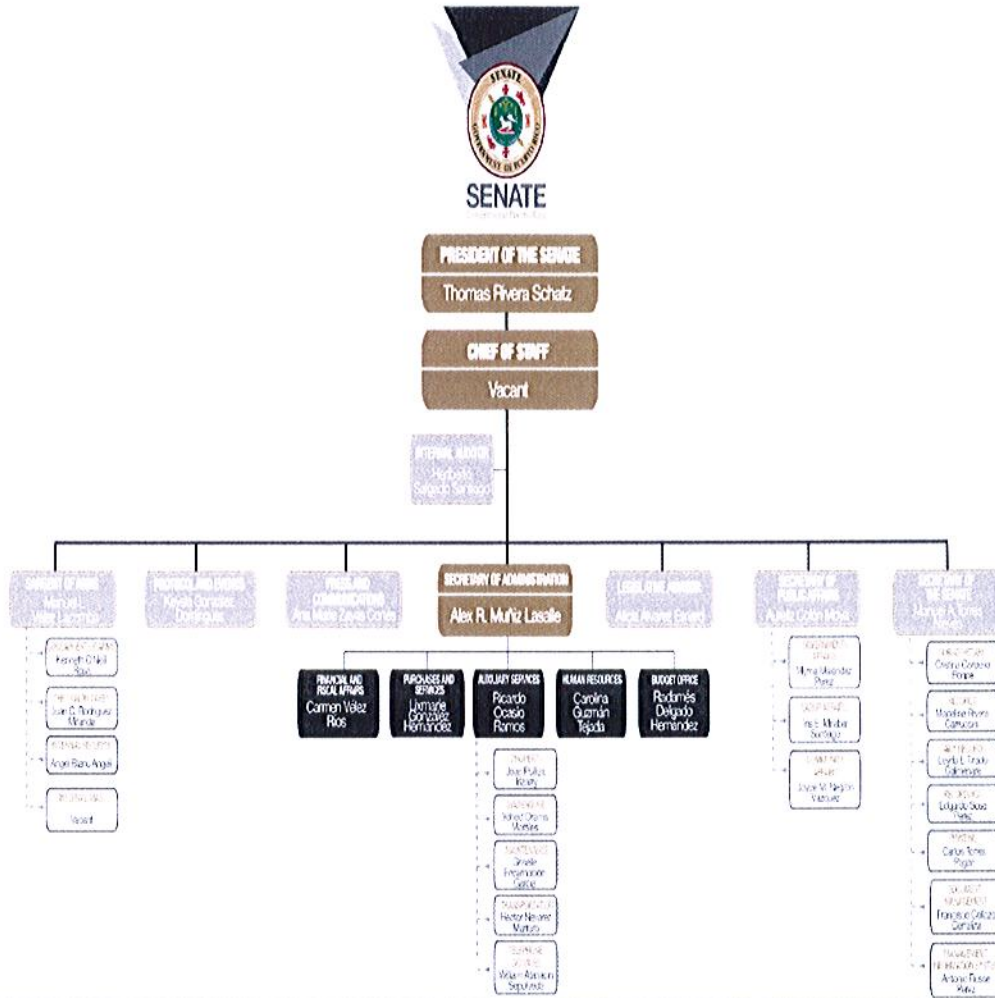
Agriculture
Appointments
Banking, Commerce and Cooperativism
Consumer Affairs and Essential Public Services
Development of Community Initiatives
Development of the Central South Region
Development of the West
Education and University Reform
Environmental Health and Natural Resources
Estate
Ethics
Federal, Political and Economic Relations
Government
Health
Innovation, Telecommunications, Urbanism and Infrastructure
Internal Affairs
Local Issues
Public Security
Rules and Calendars
Social Welfare and Family Affairs
Tourism and Culture
Veteran Affairs
Women's Issues
Youth, Recreation and Sports

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
SENATE ORGANIZATIONAL CHART
JUNE 30, 2020



PUERTO RICO SENATE ORGANIZATIONAL CHART 2020

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
ADMINISTRATIVE ORGANIZATIONAL CHART
JUNE 30, 2020



PUERTO RICO SENATE ADMINISTRATIVE POSITIONS ORGANIZATIONAL CHART 2020



INDEPENDENT AUDITOR'S REPORT

To the Members of the Senate of Puerto Rico
San Juan, Puerto Rico

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of the governmental activities and the major fund of the Senate of Puerto Rico (the Senate), a component unit of the Commonwealth of Puerto Rico, as of and for the year ended June 30, 2020, and the related notes to the basic financial statements, which collectively comprise the Senate's 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 of America. 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 qualified audit opinion.

Basis for Qualified Opinion on Governmental Activities and Note Disclosure Regarding Pension Plan and Other Post-Employment Benefits (OPEB) Plan

As further discussed in Note A to the Senate's financial statements, the Puerto Rico Government Employment Retirement System (PRGERS) administrator has not provided to the Senate the required information to record transactions related to GASB 73 as of and for the fiscal year ended June 30, 2020. Consequently, we were unable to determine whether any adjustments to these amounts and disclosures were necessary.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions was implemented during fiscal year ended June 30, 2018. As of June 30, 2020, the PRGERS administrator has not issued, or made available information in order to properly adjust or disclose any deferred outflows/inflows of resources, or net OPEB obligation, applicable to the Senate of Puerto Rico.

Qualified Opinion on Governmental Activities and Note Disclosure Regarding Pension Plan and OPEB Plan

In our opinion, except for the possible effects of the matter described above in the "Basis for Qualified Opinion on Governmental Activities and Note Disclosure Regarding Pension Plan and Other Post-Employment Benefits (OPEB) Plan" paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Senate as of June 30, 2020 and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion on Major Fund

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the major fund of the Senate as of June 30, 2020, and the change in the financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information Omitted

The Senate has omitted the required supplementary information of statements 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 this missing information.

Required Supplementary Information

Accounting Principles Generally Accepted in the United States of America requires that the Management's Discussion and Analysis on pages 13 to 22 and Budgetary Comparison Information on pages 62 to 64, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion of the Senate's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and accordingly we do not express an opinion or provide any assurance on it.



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2021, on our consideration of the Senate's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Senate's internal control over financial reporting and compliance.

Carolina, Puerto Rico
June 29, 2021

Aquino, De Córdova, Alfaro & Co., LLP

Stamp number E457514
has been affixed to
the original report.



Aquino, De Córdova, Alfaro & Co., LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The Senate of the Commonwealth of Puerto Rico (the "Senate") 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 Senate is for the fiscal year ended June 30, 2020.

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 Senate's basic financial statements.

FINANCIAL HIGHLIGHTS

Government-wide Financial Statements

- The Senate's net deficit amounted to (\$27,870,652) at June 30, 2020. Such net deficit increased by \$5,359,651 during the fiscal year ended June 30, 2020 when compared to the June 30, 2019 net deficit, amounting to (\$22,511,001).
- When comparing June 30, 2020 and June 30, 2019, total assets were \$10,594,821 and \$15,612,376, and deferred outflows of resources were \$3,297,532 for both years, reflecting decrease variance of \$5,017,555. The variances were mainly mostly attributable to increase in disbursements made during the year due to greater reduction of operating revenues than their respective expenses, and depreciation expense.
- The total liabilities of the Senate amounted to \$31,546,540, including the accrual for vacations and sick leave of \$4,845,668, due to contractors and suppliers of \$991,483, payroll taxes and other accruals of \$105,266, Christmas-bonus benefits to employees of \$200,330, and the required accrual under GASB No. 68 for the proportionate share of the collective net pension liability in the amount of \$22,996,131 and \$2,407,662 for other post-employment benefits at the close of the fiscal year ended June 30, 2020.

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 Senate. 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 and additional supplementary information (Statistical Data) in addition to the basic financial statements themselves.

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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 Senate's finances in a manner similar to the private-sector business. These statements are presented on an economic resource's measurement focus and the accrual basis of accounting. These statements present short and long-term information about the Senate's financial position, which assists in assessing the Senate's economic condition at the end of the year. The Senate's functions are governmental activities as most Commonwealth of Puerto Rico government services.

The statement of net position presents all of the Senate's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with and the difference between the components (assets and deferred outflows of resources, less: liabilities and deferred inflows of resources presented as net position. Net position is reported as one of three categories: net investment in capital assets, restricted, or unrestricted. Fluctuation in net position may serve as useful indicators of whether the financial position of the Senate is improving or deteriorating.

The statements of activities present information showing how the Senate's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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.

Funds Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Senate, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Senate 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 Senate's resources available at the end of the fiscal year. Such information is useful in evaluating the Senate's 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.

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Funds Financial Statements - continued

By doing so, users of the basic financial statements may better understand the long-term impact of the Senate's 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.

The Senate 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.

Notes to Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found immediately after the basic financial statements.

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.

Required Supplementary Information – Pension Information – The required supplementary information related to the GASB Statement No. 73 is for pension liability reporting. After approval of Act 106-2018, the Fiduciary Fund of the Puerto Rico Government Employment Retirement System was liquidated and a new define contribution plan was created and the new GASB Statement No. 73 is effective as June 30, 2019. Puerto Rico Government Employment Retirement System hasn't issued or made available the required financial information for fiscal year 2019-2020. We were unable to present the required information applicable under GASB Statement No. 73.

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Changes in Net Position

The following condensed statements of activities reflect how the Senate's net position changed during the fiscal years ended June 30, 2020 and 2019:

Condensed Statements of Activities

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>%</u>
Expenses				
General Government	\$ 37,324,285	\$ 40,493,245	\$ (3,168,960)	-8%
Revenues				
Legislative appropriations	26,001,000	30,614,000	(4,613,000)	-15%
Contributions from Commonwealth	4,202,339	4,357,205	(154,866)	-4%
Other legislative appropriations	1,346,500	1,626,000	(279,500)	-17%
Other revenue	414,795	77,165	337,630	438%
	<u>31,964,634</u>	<u>36,674,370</u>	<u>(4,709,736)</u>	<u>-13%</u>
Increase in net position	(5,359,651)	(3,818,875)	(1,540,776)	40%
Net deficit, beginning of year	<u>(22,511,001)</u>	<u>(18,692,126)</u>	<u>(3,818,875)</u>	<u>20%</u>
Net deficit, end of year	<u>\$ (27,870,652)</u>	<u>\$ (22,511,001)</u>	<u>\$ (5,359,651)</u>	<u>24%</u>

Total net expenses of the Senate decreased by 8% during the fiscal year ended June 30, 2020 when compared to June 30, 2019 total expenses.

Total revenues decrease a 13% mainly on reduction on operating revenues from the State Government appropriations as part of state government expenses reductions efforts across the whole government. Contribution from the Commonwealth of Puerto Rico consisted of payment of the payment on Senate's retirement benefits on the pay go system.

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF THE BASIC FINANCIAL STATEMENTS

As noted earlier, the Senate uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Net Position

The Statement of Net Position serves over time as a useful indicator of the Senate's financial position at the end of the fiscal year. The Senate's net deficit increased by \$5,359,651 when compared to fiscal year 2019. The Senate's net deficit includes investment in capital assets for \$1,266,024, restricted for other purposes of \$307,585 and unrestricted net deficit of \$29,444,261.

The following are the condensed statements of net position for the fiscal years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>%</u>
Current assets	\$ 9,021,212	\$ 13,425,699	\$ (4,404,487)	-33%
Noncurrent assets	<u>1,573,609</u>	<u>2,186,677</u>	<u>(613,068)</u>	<u>-28%</u>
Total assets	10,594,821	15,612,376	(5,017,555)	-32%
Deferred outflows of resources	<u>3,297,532</u>	<u>3,297,532</u>	-	0%
	<u>\$ 13,892,353</u>	<u>\$ 18,909,908</u>	<u>\$ (5,017,555)</u>	<u>-27%</u>
Current liabilities	\$ 2,029,441	\$ 1,891,685	\$ 137,756	7%
Noncurrent liabilities	<u>29,517,099</u>	<u>29,312,759</u>	<u>204,340</u>	<u>1%</u>
Total liabilities	31,546,540	31,204,444	342,096	1%
Deferred inflows of resources	10,216,465	10,216,465	-	0%
Net position				
Invested in capital assets	1,266,024	1,722,328	(920,653)	-53%
Restricted	307,585	232,772	74,813	32%
Unrestricted Net Position	<u>(29,444,261)</u>	<u>(24,466,101)</u>	<u>(4,513,811)</u>	<u>18%</u>
Total net deficit	<u>(27,870,652)</u>	<u>(22,511,001)</u>	<u>(5,359,651)</u>	<u>24%</u>
Total liabilities and net deficit	<u>\$ 13,892,353</u>	<u>\$ 18,909,908</u>	<u>\$ (5,017,555)</u>	<u>-27%</u>

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Governmental Fund Highlights

The focus of the Senate's governmental fund is to provide information on near-terms inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Senate's financing requirements. In addition, fund balance for the governmental fund provides classifications that comprise a hierarchy based primarily on the extent to which the Senate 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 fund as of June 30, 2020 and 2019, respectively:

Condensed Balance Sheet - Governmental Funds

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>%</u>
Total assets	\$ <u>9,328,797</u>	\$ <u>13,890,048</u>	\$ <u>(4,561,251)</u>	<u>-33%</u>
Total liabilities	1,096,749	1,164,847	(68,098)	-6%
Fund Balance				
Restricted	307,585	232,772	74,813	32%
Unassigned	<u>7,924,463</u>	<u>12,492,429</u>	<u>(4,567,966)</u>	<u>-37%</u>
Total Fund Balance	<u>8,232,048</u>	<u>12,725,201</u>	<u>(4,493,153)</u>	<u>-35%</u>
Total Liabilities and Fund Balance	\$ <u>9,328,797</u>	\$ <u>13,890,048</u>	\$ <u>(4,561,251)</u>	<u>-33%</u>

As of the end of the fiscal year 2020, the Senate's governmental fund reported ending fund balance of \$8,232,048. The general fund is the chief operating fund of the Senate. There are restricted fund balances amounting \$307,585 for year 2020. This is the portion of the fund balance that reflects resources subject to externally enforceable legal restrictions. An unassigned fund balance of \$7,924,463 was reported in the governmental funds at June 30, 2020.

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The following are the condensed statements of revenues, expenditures, and changes in fund balance for the fiscal years ended June 30, 2020 and 2019, respectively:

Condensed Statements of Revenues, Expenditures and Changes in Fund Balance

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>%</u>
Revenues:				
Legislative appropriations	\$ 26,001,000	\$ 30,614,000	\$ (4,613,000)	-15%
Contribution from Commonwealth	4,202,339	4,357,205	(154,866)	-4%
Other legislative appropriations	1,346,500	1,626,000	(279,500)	-17%
Other revenue	414,795	77,165	337,630	438%
	<u>31,964,634</u>	<u>36,674,370</u>	<u>(4,709,736)</u>	<u>-13%</u>
Expenditures				
Government Expenditures	<u>36,457,787</u>	<u>40,778,090</u>	<u>(4,320,303)</u>	<u>-11%</u>
Net changes in Fund Balance	<u>(4,493,153)</u>	<u>(4,103,720)</u>	<u>(389,433)</u>	<u>9%</u>
Fund Balance at Beginning of the year	<u>12,725,201</u>	<u>16,828,921</u>	<u>(4,103,720)</u>	<u>-24%</u>
Fund Balance at End of year	<u>\$ 8,232,048</u>	<u>\$ 12,725,201</u>	<u>\$ (4,493,153)</u>	<u>-35%</u>

The Senate's fund balance decreased by \$4,493,153 or 35.3%, as a result of an excess of expenditures over revenues and reduction of legislative appropriations revenues in the current fiscal year.

Capital Assets

The Senate's investment in capital assets for its governmental activities carrying amount was \$1,266,024 at June 30, 2020, as compared to \$1,722,328 at June 30, 2019. Capital assets include equipment, computer equipment and software, furniture, and vehicles. Depreciation for the year ended June 30, 2020 and 2019 amounted to \$492,672 and \$724,472, respectively.

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
MANAGEMENT'S DISCUSSION AND ANALYSIS -- CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

General Fund Budgetary Highlights

The General Fund budget for the fiscal year ended June 30, 2020 was \$26,342,820. Budgeted revenues reflected a decrease of \$4,271,180. Actual appropriations were \$25,274,384. The total actual appropriations represented 95.94% of the total budget availability for the fiscal year. The Senate's actual appropriations rate presents an increase rate of 3.43% when compared to the prior year's performance of 92.51%.

The following table summarizes the budget, actual appropriations and unexpended balance for fiscal years ended June 30, 2020 and 2019.

Budget and Actual Appropriations Comparison

	<u>2020</u> <u>Budget</u>	<u>2019</u> <u>Budget</u>	<u>Change</u> <u>(Negative)</u> <u>Positive</u>
Revenues	\$ 26,342,820	\$ 30,614,000	\$ (4,271,180)
Actual Appropriations	<u>25,274,384</u>	<u>28,321,499</u>	<u>3,047,115</u>
Unexpended balance	\$ <u>1,068,436</u>	\$ <u>2,292,501</u>	\$ <u>(1,224,065)</u>
Actual Appropriations rate	<u>95.94%</u>	<u>92.51%</u>	<u>-71.34%</u>

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Economic Factors

Gross National Products

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 2019, except for fiscal year 2012. The lower rate of GNP decline during fiscal year 2012 was due to the fund received by the Commonwealth related to American Recovery and Reinvestment Act, local stimulus funded by bond proceeds and tax cuts.

According to the Puerto Rico Planning Board, most recent report submitted to the Puerto Rico's Governor on March 29, 2019, Puerto Rico's real gross national product increased from -4.2% (Revised) on fiscal year 2018 and by -1.4% on fiscal year 2019. The Puerto Rico Planning Board projected an increase on the gross national product between of 1% for the fiscal year 2018 and 2.8% for 2019. The Planning Board's forecast considered the estimated effect of the projected growth of the United States gross domestic product, tourism activity, personal consumption expenditures, and federal transfers to individuals.

Employment

According to the Economic Report to the Governor issued by the Puerto Rico Planning Board (PRPB) on June, 2019, the total of people employed during the fiscal year 2019 amounted to approximately 986,000 or an increase of 1.52% when compared to fiscal year 2018. The increment in total employment began in fiscal year 2018. When employments total was 971,000 and has continued consistently through fiscal year 2019.

The preliminary average unemployment rate for the fiscal year 2019 and determined by the PRPB was 8.5%. This represented a reduction of 1.8% when compared to fiscal year 2018 (10.3%). The preliminary average participation rate for the fiscal year 2019 was 40.6%. This represented an increase of .5% when compared to the fiscal year 2018 (40.1%).

Economic and Budget Highlights for the Fiscal Year Ending June 30, 2020

The general fund budgets for fiscal year 2020-2021 will be \$24.9 million, respectively, representing a decrease of \$1.1 million when compared with fiscal year ended June 30, 2020.

**SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

REQUEST OF INFORMATION

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

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
STATEMENT OF NET POSITION (DEFICIT)
JUNE 30, 2020

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash in commercial banks	\$ 8,973,859
Accounts receivable, net	47,261
Prepaid expenses	<u>92</u>
TOTAL CURRENT ASSETS	9,021,212
NON CURRENT ASSETS	
Restricted cash in commercial banks	307,585
Capital assets not being depreciated	61,750
Capital assets being depreciated, net	<u>1,204,274</u>
	<u>1,573,609</u>
TOTAL ASSETS	10,594,821
DEFERRED OUTFLOWS OF RESOURCES	
Contributions to employees retirement system	<u>3,297,532</u>

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

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
STATEMENT OF NET POSITION (DEFICIT)- CONTINUED
JUNE 30, 2020

LIABILITIES AND NET DEFICIT

CURRENT LIABILITIES

Accounts payable	991,483
Accrued liabilities	105,266
Christmas bonus	200,330
Accrued compensated absences - due within one year	<u>732,362</u>

TOTAL CURRENT LIABILITIES	<u>2,029,441</u>
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NON CURRENT LIABILITIES

Accrued compensated absences	4,113,306
Net pension liability	22,996,131
Other post employment benefits liability	<u>2,407,662</u>

TOTAL NON CURRENT LIABILITIES	<u>29,517,099</u>
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TOTAL LIABILITIES	<u>31,546,540</u>
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DEFERRED INFLOWS OF RESOURCES

Unamortized investments in employees retirement system	<u>10,216,465</u>
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NET DEFICIT

Net investment in capital assets	1,266,024
Restricted	307,585
Unrestricted	<u>(29,444,261)</u>

TOTAL NET DEFICIT	<u>\$ (27,870,652)</u>
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The accompanying notes to the basic financial statements are an integral part of this statement.

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

EXPENSES	Governmental Activities
General government:	
Salaries and payroll related costs	\$ 31,080,502
Meals and travels	141,598
Professional services	3,868,858
Insurance	77,065
Rent	421,065
Non-capitalizable equipment	83,419
Repairs and maintenance	60,478
Utilities	94,852
Supplies	418,799
Postage	27,137
Miscellaneous	481,234
Announcement and media publications	57,383
Depreciation	492,672
Loss on disposition of assets	19,223
TOTAL EXPENSES	37,324,285
REVENUES	
Legislative appropriations	26,001,000
Contributions from Commonwealth	4,202,339
Other legislative appropriations	1,346,500
Other income	414,795
	31,964,634
NET CHANGE IN NET POSITION	(5,359,651)
NET DEFICIT AT BEGINNING OF YEAR	(22,511,001)
NET DEFICIT AT END OF YEAR	\$ (27,870,652)

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

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2020

	<u>General Fund</u>
ASSETS	
Cash in commercial banks	\$ 8,973,859
Restricted cash	307,585
Accounts receivable, net	47,261
Prepaid expenses	<u>92</u>
TOTAL ASSETS	\$ <u>9,328,797</u>
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 991,483
Accrued liabilities	<u>105,266</u>
TOTAL LIABILITIES	<u>1,096,749</u>
FUND BALANCE	
Restricted	307,585
Unassigned	<u>7,924,463</u>
TOTAL FUND BALANCE	<u>8,232,048</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>9,328,797</u>

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

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
RECONCILIATION OF BALANCE SHEET-GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION (DEFICIT)
JUNE 30, 2020

Total fund balance per balance sheet - governmental funds	\$ 8,232,048
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$6,026,435 net of accumulated depreciation of \$4,760,411, are not financial resources and therefore not recognized in the governmental funds.	1,266,024
Deferred outflows of resources in governmental activities correspond to future periods and therefore are not reported in the funds.	3,297,532
Deferred inflows of resources in governmental activities corresponded to future periods and therefore are not reported in the funds.	(10,216,465)
Long-term liabilities are not due and payable in the current period and therefore are not reported as fund liabilities:	
Christmas bonus	(200,330)
Compensated absences	(4,845,668)
Net pension liability	(22,996,131)
Other post employment benefits	<u>(2,407,662)</u>
Total net deficit of governmental activities	\$ <u>(27,870,652)</u>

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

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE-GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>General Fund</u>
REVENUES	
Legislative appropriations	\$ 26,001,000
Contributions from Commonwealth	4,202,339
Other legislative appropriations	1,346,500
Other revenue	414,795
Total revenue	<u>31,964,634</u>
EXPENDITURES	
<i>General government:</i>	
Salaries and payroll related costs	30,670,308
Meals and travels	141,598
Professional services	3,868,858
Insurance	77,065
Rent	421,065
Non-capitalizable equipment	83,419
Repairs and maintenance	60,478
Utilities	94,852
Materials and supplies	418,799
Postage	27,137
Miscellaneous	481,234
Capital outlays	55,591
Announcements and media publications	57,383
	<u>36,457,787</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(4,493,153)</u>
NET CHANGE IN FUND BALANCE	(4,493,153)
FUND BALANCE AT BEGINNING OF YEAR	<u>12,725,201</u>
FUND BALANCE AT THE END OF YEAR	<u>\$ 8,232,048</u>

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

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENTS OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Net change in fund balance – governmental funds \$ (4,493,153)

Amounts reported for governmental activities in the statement of activities 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 and amortization expense. In the current period, these amounts are:

Capital outlays	\$ 55,591
Less depreciation and amortization expense	(492,672)
Loss on disposal of assets	<u>(19,223)</u>

Subtotal	(456,304)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of

Change in Compensated Absences	<u>(410,194)</u>
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Change in net position of governmental activities	\$ <u>(5,359,651)</u>
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The accompanying notes to the basic financial statements are an integral part of this statement.

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Senate of the Commonwealth of Puerto Rico (“the Senate”) 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 separations 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 comprised of two bodies: a Senate and a House of Representatives, whose members will be elected through direct vote in each general election, for a four-year term. The Senate is comprised of twenty-seven Senators who are elected by the citizens. The majority and minority caucus nominate candidates for the senate officer positions. The administration of the Senate is autonomous and is under the direction of the president of the Senate.

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.

Financial Reporting Entity – The Senate 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 Senate 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 Senate are under the custody of the Secretary of Treasury of Puerto Rico until transferred to the Senate. The accompanying basic financial statements are issued solely and for the information and use of the Secretary of Treasury, the President of the Senate, the Senators, the Governor, and the citizens of the Commonwealth of Puerto Rico.

Summary of Significant Accounting Policies

The accompanying basic financial statements of the Senate have been prepared in the conformity with accounting principles generally accepted in the United States of America (USGAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accompanying basic financial statements present the financial position and the changes in net position of the Senate and its funds as of June 30, 2020 and for the fiscal year then ended. The Senate’s basic financial statements consist of government-wide financial statement of net position and the

statement of activities, balance sheet governmental fund and statement of revenues and expenditures and changes in fund balance, which provide a more detailed level of financial information.

Government-Wide and Fund Financial Statements – The government-wide financial statements (the statement of net position and the statement of activities) report information on all activities of the Senate. The statement of activities demonstrates the degree to which the total expenses are offset by total revenues. Separate financial statements are provided for governmental funds.

Fund Financial Statements – focus on information about the Senate’s major governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The Senate has one major governmental fund:

- **General Fund** – is the primary operating fund. It is used to account for and report all financial resources received and used by the Senate.

Financial Reporting Presentation

The Senate reports its financial position and changes in net position in the General Fund, which is considered a separate accounting entity. The operation of the General Fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. The General Fund is the general operating fund of the Senate. It is used to account for all governmental activities of the Senate.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Except for budgetary purposes, the basis of accounting used by the Senate conforms with US GAAP as applicable to governmental units. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

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 deficit. Net position is reported in three categories:

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

Restricted Net Position – consists of restricted net assets with constraints placed on the use of resources which either a) externally imposed by creditors (such as through debt, covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
NOTES TO BASIC FINANCIAL STATEMENTS-CONTINUED
JUNE 30, 2020

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

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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 Senate considers revenues to be available if they are collected within the current period or soon enough thereafter. All other revenue items are considered to be measurable and available only when the Senate receives cash. Expenditures are recorded when the related fund liability is incurred, as under accrual accounting. However, expenditures for compensated absences and claims and judgments are recognized as expenditures when the payment is due. General capital acquisitions are reported as expenditures in governmental funds.

Use of Estimates – The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Legislative Appropriations – The Senate’s principal source of revenue is legislative appropriations from the Commonwealth of Puerto Rico. Appropriations are general purpose revenues of the Senate.

Capital Assets

Capital assets, which include, equipment, computer equipment and software, furniture, and vehicles, are reported in the government-wide financial statements. The Senate defines capital assets as assets with an initial, individual cost of more than \$500 and an estimated useful life of five years or more. Such assets are reported at historical cost or estimated historical cost if purchased or constructed.

The cost of normal maintenance and repairs that do not add value to the asset or materially extend assets lives are not capitalized.

Depreciation and amortization expense are recorded only in the Government-Wide Financial Statements. Depreciable capital assets are generally depreciated or amortized over their estimated useful lives under the straight-line method:

	<u>Years</u>
Equipment	5-7
Computer equipment and software	5
Furniture	7
Vehicles	5

Impaired capital assets that will no longer be used by the Senate, 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 Senate 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.

Long-term Liabilities

The liabilities reported in the government-wide financial statements include long-term liabilities such as compensated absences, reserves for contingencies and pension liability.

Compensated Absences

Compensated absences are accounted for under the provisions of GASB No. 16, Accounting for 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, 2020 and (2) is not contingent on a specific event (such as illness) that is outside the control of the Senate 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).

As per Act. No. 26 of April 29, 2018 (Act No. 26-2018), the employees of the Senate are granted fifteen (15) days of vacation and eighteen (18) days of sick leave annually for actual employees and twelve (12) days for new employees. Vacation time accumulated is fully vested to employees from the first day of work. The employee has the right to accumulate the excess of vacation up to sixty (60) days and sick leave up to ninety (90) 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*.

For upon termination of employment, an employee receives compensation for all accumulated unpaid regular vacation leave at the current rate. In the event of resignation, an employee is reimbursed accumulated vacation days up to the maximum of sixty (60) days and (90) days for accrued sick leave, if the employee has more than 10 years of creditable government service rendered at the time of separation. For employees with less than 10 years of service, separation of employment prior to the use of all or part of the sick leave terminates all rights for compensation.

Claims and Judgments

The estimated amount of the liability for claims and judgments, which is due on demand, such as from adjudicated or settled claims, is recorded in the statement of net position when the liability is incurred.

Fund Balances

The Senate adopted the provisions of GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" (GASB No. 54), which enhances the usefulness of fund balance information by providing clearer fund balance classifications that, can be more consistently applied. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the Senate is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Pursuant to the provisions of GASB No. 54, the accompanying Governmental Fund Financial Statements (GFFS) report fund balance amounts that are considered not spendable, such as fund balance associated with inventories.

Other fund balances have been reported as restricted, committed, assigned, and unassigned, based on the relative strength of the constraints that control how specific amounts can be spent, follows:

- a. **Non spendable** – Represent resources that cannot be spent with cash or are legally or contractually required not to be spent, including but not limited to inventories, prepaid items, and long-term balances of loans and notes receivable.
- b. **Restricted** – Represent resources that can be spent only for the specific purposes stipulated by constitutional provisions, external resource providers (externally imposed by creditors or grantors), or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers.
- c. **Committed** – Represent resources used for specific purposes, imposed by formal action of the Senate's highest level of decision-making authority (Legislative Assembly through resolutions and ordinances) and can only be changed by a similar law, ordinance or resolution, no later than the end of the fiscal year.
- d. **Assigned** – Represent resources intended to be used by the Senate for specific purposes but do not meet the criteria to be classified as restricted or committed (generally administrative orders approved by the President). Intent can be expressed by an official or body to which the Senate delegates authority.
- e. **Unassigned** – Represent the residual classification for the Senate's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
NOTES TO BASIC FINANCIAL STATEMENTS-CONTINUED
JUNE 30, 2020

The Senate reports resources constrained to stabilization as a specified purpose (restricted or committed fund balance in the general fund) only if: (1) such resources meet the other criteria for those classifications, as described above and (2) the circumstances or conditions that signal the need for stabilization are identified in sufficient detail and are not expected to occur routinely. However, the Senate has not entered into any stabilization-like arrangement, nor has set aside material financial resources for emergencies and has not established formal minimum fund balance amounts as of and for the fiscal year ended June 30, 2020.

In situations when expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, the Senate uses restricted resource first, and then unrestricted resources. Within unrestricted resources, the Senate generally spends committed resources first, followed by assigned resources, and then unassigned resources.

The Senate does not have a formal minimum fund balance policy.

Risk Management Insurance

The Senate carries commercial insurance to cover property and casualty, theft, tort claims and other losses. Insurance policies are negotiated by the Puerto Rico Department of Treasury. The current insurance policies have not been cancelled or terminated. The State Insurance Fund Corporation, a component unit of the Commonwealth of Puerto Rico, provides workmen's compensation insurance to cover all Senate employees. The Senate's workmen compensation insurance amounted to approximately \$411,000 for the fiscal year ended June 30, 2020.

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 Senate recognizes deferred outflows and inflows of resources.

In addition to assets, the *Statement of Net Position* reports 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 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.

Deferred Outflows/Inflows of Resources - continued

Based on this concept, the Senate 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. 68. Note E presents additional information about the composition of these items.
- Various types of revenues earned but not available within 60 days of fiscal year end.

The Senate 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 do not report *unavailable revenues*. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Accounting for Pension Costs

As per Note F, prior to July 1, 2018, the Senate accounted for pension costs under the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transitions for Contributions Made Subsequent to the Measurement Date, an amendment to GASB Statement No. 68. GASB Statement No. 68 required the Senate to report a net pension liability and related pension accounts, such as pension expense and deferred outflows/inflows of resources as determined by the Employee Retirement Systems of the Commonwealth of Puerto Rico (ERS), as applicable, under the requirements contained in GASB Statement No. 67, Financial Reporting for Pension Plans- an amendment to GASB Statement No. 25. Due to changes in the ERS, GASB 68 is no longer applicable to the Senate for the year ended June 30, 2020. Instead, the Senate is required to adopt GASB Statement No. 73.

The Employees Retirement System of the Commonwealth of Puerto Rico did not provide the Senate the information needed for the year ended June 30, 2020 to comply with GASB Statement No. 73. Accordingly, the financial statements, for the year ended June 30, 2020, do not contain any adjustments, disclosures or required supplementary information established by GASB No. 73. The amounts shown in the statements of net position as net pension liability and deferred outflows and inflows were recognized under the requirements of GASB Statement No. 68.

In June 2012, the Governmental Accounting Standards Board (GASB) issued two new pronouncements related to the accounting and financial reporting requirements for pension related expenses and liabilities. GASB Statement No. 67, *Financial Reporting for Pension Plans an amendment of GASB Statement No. 25*, replaces the requirements of GASB Statement Nos. 25 and 50 for plans administered by pension systems through trusts or equivalent arrangements, and was implemented by the Employees' Retirement System of the Government of the Government of Puerto Rico (ERS) as of June 30, 2014.

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JUNE 30, 2020

In addition, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, effective for the Senate's fiscal year beginning July 1, 2014. This Statement revises existing standards for measuring and reporting pension liabilities for pension plans provided by the Senate to its employees. This Statement requires recognition of a liability equal to the Net Pension Liability, which is measured as the Total Pension Liability, less the amount of the pension plan's Fiduciary Net Position. The Total Pension Liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year-end.

Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. This Statement requires that most changes in the Net Pension Liability be included in pension expense in the period of the change. To the extent practical, the financial statements presented for the periods affected should be restated. Also, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment to GASB 68, is required to be implemented simultaneously with the provisions of GASB 68.

The Senate implemented both GASB Statements No. 68 and 71. The financial statements of the Senate for the year ended June 30, 2018 were restated, with audited information available at the date of the Senate's reports.

The Senate accounts for pension costs from the standpoint of a participant in a multiple-employer cost-sharing plan. During the current fiscal year, the Senate implemented the second pronouncement issued, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This statement establishes accounting and financial reporting for pensions provided to the employees of state and local government employers through pension plans that are administered through trusts that have the following characteristics:

- contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

For the purpose of applying the requirements of GASB No. 68, as amended, the Commonwealth of Puerto Rico is considered to be the sponsor of the Employees' Retirement System (ERS), a cost-sharing multi-

Accounting for Pension Costs – continued

employer Defined Benefit Pension Plan, and Defined Contribution Hybrid Program, in which the employees of the Senate participate. The Senate is considered a participant of these retirement systems since the majority of the participants in the aforementioned pension trust funds are employees of the

Government and the basic financial statements of such retirement systems are part of the financial reporting entity of the Government. Act No. 3 was enacted on April 4, 2013, amended the Act No. 447 for the purpose of establishing a major reform of the ERS effective on July 1, 2013. After that, and based in the fiscal crisis of the Government, was enacted the Act No. 106 of 2018 to establish a New Define Contribution Plan and create the “pay-as-you-go” scheme for payment of pensioners of the ERS and other two retirement systems (see Note F).

For purposes of measuring the Net Pension Liability and Deferred Outflows/Inflows of Resources related to pensions, and pension expense, information about the fiduciary net position of the ERS and additions to/deductions from the ERS’s fiduciary net position have been determined on the same basis as they are reported by the Government of Puerto Rico. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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Future Adoption of Accounting Pronouncements

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates for the following GASB pronouncements have been amended to reflect the deferral in Statement No. 95.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 84, *Fiduciary Activities*. This pronouncement is effective for reporting periods beginning after December 15, 2019.
- GASB Statement No. 87, *Leases*. The requirements of this Statement are effective for fiscal years beginning after December 15, 2020.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This pronouncement is effective for reporting periods beginning after December 15, 2020.
- Statement No. 90, *Majority Equity Interests*. This pronouncement is effective for reporting periods beginning after December 15, 2019.
- Statement No. 91, *Conduit Debt Obligations*. This pronouncement is effective for reporting periods beginning after December 15, 2021.
- Statement No. 92, *Omnibus 2020*. This pronouncement is effective for reporting periods beginning after June 15, 2021.
- Statement No. 93, *Replacement of Interbank Offered Rates*. This pronouncement is effective for reporting periods beginning after June 15, 2021.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

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- GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. Are effective for reporting periods beginning after December 15, 2019.
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.
- Implementation Guide No. 2018-1, *Implementation Guidance Update-2018*.
- Implementation Guide No. 2019-1, *Implementation Guidance Update-2019*.
- Implementation Guide No. 2019-2, *Fiduciary Activities*.

Future Adoption of Accounting Pronouncements – continued

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases. This pronouncement is effective for reporting periods beginning after June 15, 2020.
- Implementation Guide No. 2019-3, Leases.

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

The impact of these statements on the Senate's basic financial statements has not yet been determined.

NOTE B – DEPOSITS

The Senate maintains its cash in bank deposit accounts at high credit qualified financial institutions. Bank balance at June 30, 2020 was approximately \$9.3 million.

The Senate follows the provisions of GASB Statement No. 40 (GASB No. 40), *Deposit and Investment Risk Disclosures – an Amendment to GASB Statement No. 3*. Accordingly, the following is essential information about credit risk, interest rate risk, custodial credit risk, and foreign exchange exposure of deposits and investments of the Senate at June 30, 2020:

- Credit risk* – In the case of deposits this is the risk that in the event of a bank failure, the Senate's deposit may not be recovered. Public funds deposited in commercial banks are fully collateralized for the amounts deposited in excess of the federal depository insurance coverage. All securities pledged as collateral are held by the Secretary of the Treasury of the Commonwealth. There is no formal policy for custodial credit risk for cash accounts opened with commercial banks outside of Puerto Rico. At June 30, 2020, the Senate has balances deposited in commercial bank which are insured by the FDIC up to the established limit and the excess are fully collateralized as explained above. No investments in debt or equity securities were made during the fiscal year ended June 30, 2020. Therefore, the Senate's management has concluded that the credit risk related to any possible loss related to defaults by commercial banks on the Senate's deposits and certificates of deposit is considered low at June 30, 2020.
- Interest rate risk* – This is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Senate manages its exposures de declines in fair values by: (1) not including debt or equity investments in its investment's portfolio at June 30, 2020, (2) limiting the weighted average maturity of its investments in certificates of deposit to periods of three months or less and (3) keeping most of its bank deposits and certificates of

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
NOTES TO BASIC FINANCIAL STATEMENTS-CONTINUED
JUNE 30, 2020

NOTE B – DEPOSITS - continued

deposit in interest bearing accounts generating interest at prevailing market rates. At June 30, 2020, the interest rate risk associated with the Senate's cash and cash with fiscal agents is considered low since they have no investment portfolio.

- a) Custodial credit risk - In the case of deposits this is the risk that in the event of a bank failure, the Senate's deposit may not be recovered. Public funds deposited in commercial banks are fully collateralized for the amounts deposited in excess of the federal depository insurance coverage. All securities pledged as collateral are held by the Secretary of the Treasury of the Commonwealth. There is no formal policy for custodial credit risk for cash accounts opened with commercial banks outside of Puerto Rico.
- b) Foreign exchange risk – This is the risk that changes in exchange rates will adversely affect the value of an investment or a deposit. The Senate is prevented from investing in foreign securities or any other types of investments for which foreign exchange risk exposure may be significant. Accordingly, management has concluded that the foreign exchange risk related to the Senate's deposits is considered low at June 30, 2020.

NOTE C – CAPITAL ASSETS

Capital assets activities for the fiscal year ended June 30, 2020 was as follows:

<u>Governmental activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Works of art and historical treasures	\$ 61,750	\$ -	\$ -	\$ 61,750
Total capital assets not being depreciated	61,750	-	-	61,750
Capital assets being depreciated				
Equipment	1,480,758	37,367	(407,075)	1,111,050
Computer equipment and software	2,095,747	13,194	(197,704)	1,911,237
Furniture	2,180,364	5,030	(61,875)	2,123,509
Vehicles	818,889	-	-	818,889
Total capital assets being depreciated	6,575,748	55,591	(666,654)	5,964,685
Less accumulated depreciation for:				
Equipment	(1,171,664)	(125,971)	396,213	(901,422)
Computer equipment and software	(1,813,484)	(144,636)	193,674	(1,764,446)
Furniture	(1,307,555)	(152,229)	57,544	(1,402,240)
Vehicles	(622,467)	(69,836)	-	(692,303)
Total accumulated depreciation	(4,915,170)	(492,672)	647,431	(4,760,411)
Total capital assets being depreciated, net	1,660,578	(437,081)	(19,223)	1,204,274
Governmental activities capital assets, net	\$ 1,722,328	\$ (437,081)	\$ (19,223)	\$ 1,266,024

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
NOTES TO BASIC FINANCIAL STATEMENTS-CONTINUED
JUNE 30, 2020

NOTE D – COMPENSATED ABSENCES

Long term liability activity for the fiscal year ended June 30, 2020 was as follows:

	Beginning Balance	Accumulated Balance	Used Balance	Ending Balance	Due within one year	Long-term portion
Accrued compensated absences	\$ 4,435,473	\$ 2,613,449	\$ (2,203,254)	\$ 4,845,668	\$ 732,362	\$ 4,113,306

NOTE E – DEFERRED OUTFLOWS / 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 Senate recognized deferred outflows of resources in the government-wide and fund statements. These items are a consumption of net position by the Senate 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. The Senate has items that are reportable on the Government-wide *Statement of Net Position* that relate to outflows/inflows from changes in the Net Pension Liability (Note F).

Under the modified accrual basis of accounting, it is not enough that revenue is earned; it must also be available to finance expenditures of the current period. Governmental funds *Balance Sheet* report *Deferred Inflows of Resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period (unavailable). Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, the various components of *Deferred Outflows/Inflows of Resources* reported in the basic financial statements were as follows:

Government-wide:	Governmental Activities
Deferred Outflows of Resources	
Contributions to ERS	<u>\$ 3,297,532</u>
Deferred Inflows of Resources	
Unamortized Investment in ERS	<u>\$ 10,216,465</u>

NOTE F – PENSION PLAN

The employees of the Senate are eligible to participate in Employees' Retirement System of the Commonwealth of Puerto Rico and its Instrumentalities (ERS System), a contributory pension plan sponsored by the Commonwealth of Puerto Rico.

The Senate followed the provisions of GASB No. 68, Accounting for Pensions by State and Local Governmental Employers, which requires employers that participate in cost-sharing multi-employer defined-benefit pension plans to recognize pension expenditures/expense equal to the employer's contractually required contributions and a liability for unpaid contributions.

The ERS System issues publicly available financial reports that include its financial statements and required supplementary information. These reports can be obtained by written request to the administrator at the addresses detailed below.

ERS Defined Benefit Pension Plan

The ERS System is a cost-sharing multi-employer defined benefit plan sponsored by the Commonwealth of Puerto Rico under terms of Act 447 of 1951, as amended, reported as a component unit of the Commonwealth. 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.

Members who have attained at least 55 years of age and have completed at least 25 years of creditable service or members who have attained at least 58 years of age and have completed at least 10 years of creditable service are entitled to an annual benefit, payable monthly for life. The amount of the annuity shall be 1.5% of the average salary, as defined, multiplied by the number of years of creditable service up to 20 years, plus 2% of the average salary, as defined, multiplied by the number of years of creditable service in excess of 20 years. In no case will the annuity be less than \$200 per month.

Participants who have completed at least 30 years of creditable service are entitled to receive the Merit Annuity. Participants who have not attained 55 years of age will receive up to a maximum of 65% of the average salary, as defined, or if they have attained 55 years of will receive up to a maximum of 75% of the average salary, as defined. Disability retirement benefits are available to members for occupational and non-occupational disability up to a maximum benefit of 50% of the average salary, as defined. However, for non-occupational disability, a member must have at least 10 years of creditable service.

Act 1 of 1990 made certain amendments applicable to new participants joining the ERS System effective April 1, 1990. These changes consist principally of the establishment of contributions at 8.275% of their monthly gross salary, an increase in the retirement age to 65, a decrease in the annuity benefit to 1.5% of the average salary, as defined, and death benefits annuities from 50% to 40% of average salary, as

NOTE F – PENSION PLAN - continued

ERS Defined Benefit Pension Plan – continued

defined, and the elimination of the Merit Annuity for participant who have completed 30 years of creditable service.

The contribution requirements for both employees and employers are established by law and are not actuarially determined. Employees are required to contribute 5.775% of the first \$550 and 8.275% for the excess of \$550 of their monthly gross salary. The Senate is required to contribute 9.275% of its participating employee's gross salaries.

Effective July 1, 2011, the ERS System Commission approved an increase in the employer annual contribution for all governmental employees. This increase consisted in the following:

1. An increase in the employer contribution from 9.275% to 10.275%, starting July 1, 2011.
2. An increase in the annual employer contribution of 1% of the regular retribution received by participants, starting July 1, 2012 and ending June 30, 2016, and
3. An annual increase of the employer contribution of 1.25% of the regular retribution received by the participants starting July 1, 2016 and ending June 30, 2021.

Act 335 of September 24, 1999, an amendment to Act 447 of May 15, 1951, which created the ERS System, was enacted with the purpose of establishing a new pension program (ERS System 2000). ERS System 2000 became effective on January 1, 2000. Employees participating in the current system as of December 31, 1999, may elect either to stay in the defined benefit plan or irrevocably transfer to the new program. Employees joining the government on or after January 1, 2000 will only be allowed to become members of ERS System 2000.

ERS System 2000 is a hybrid defined contribution plan, also known as a cash balance plan. Under this new plan, there will be a pool of pension assets, which will be invested by the ERS System, together with those of the current defined-benefit plan. Benefits at retirement age will not be guaranteed by the Commonwealth of Puerto Rico.

The annuity will be based on a formula which assumes that each year the employees' contribution (with a minimum of 8.275% of the employees' salary up to a maximum of 10%) will be invested in an account which either: (1) earn a fixed rate based on the two-year Constant Maturity Treasury Notes, or (2) earn a rate equal to 75% of the return of the ERS's investment portfolio (net of management fees), or (3) earn a combination of both alternatives. Participants receive periodic account statements similar to those of defined contribution plans showing their accrued balances. Disability pensions are not being granted under System 2000. The employer's contributions (11.275% of the employees' salary) will be used to fund the current plan

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NOTE F – PENSION PLAN - continued

ERS Defined Benefit Pension Plan – continued

ERS System 2000 reduces the retirement age from 65 years for those employees who joined the current plan on or after April 1, 1990.

Funding policy

Contribution's requirements, based on gross salary, are established by law and are as follows:

Participants:

Hired on or before March 31, 1999	5.775% of gross salary up to \$6,600 8.275% of gross salary over \$6,600
Hired on or after April 1, 1990	8.275% of gross salary

On April 4, 2013, the Governor of Puerto Rico signed into law Act 3 of 2013 ("Act 3"), which adopted a comprehensive reform of the Employees Retirement System of the Commonwealth (ERS System).

Act 3, which is effective on July 1, 2013, provides the following:

- a) It freezes and grandfathers the benefits that have accrued through June 30, 2013 of those participants who are covered by the ERS System's defined benefit formula (those who joined the ERS System prior to January 1st, 2000, whose retirement benefits accrued at a rate of 1.5% or 2% per year of creditable service;
- b) It provides that, beginning on July 1st, 2013, the retirement benefits accruing on and after the Effective Date for defined benefit employees will be calculated based on a defined contribution formula, similar to the ERS System 2000 formula currently applicable to employees who joined the ERS System on or after January 1st, 2000, with all such benefits being paid in the form of a lifetime annuity rather than a lump sum payment (upon retirement). The employee will receive the benefits accrued through June 30, 2013 based on the defined benefit formula plus the contributions made by the employee after June 30, 2013.

NOTE F – PENSION PLAN - continued

Adoption of Comprehensive Reform of Employees Retirement System

- c) It provides that defined contribution benefits accrued pursuant to ERS System 2000 will also be paid in the form of a lifetime annuity rather than a lump sum payment;
- d) It eliminates the so called “merit pension” that provided to participants who joined the ERS System prior to April 1, 1990, after attaining 30 years of service, a retirement benefit of 65% (if less than 55 years of age) or 75% (if age 55 or greater) of the average salary earned during the highest 36 months of employment;
- e) It increases the retirement age for various groups as follows: (a) from 58 to age 61 for ACT 447 participants and; (b) from 60 to age 65 for active system 2000 participants;
- f) It increases the employee contributions to the ERS System from 8.275% to 10%;
- g) It eliminates or reduces various retirement benefits previously granted by special laws, including Christmas and summer bonus;
- h) It increases the minimum pension from \$400 to \$500 per month for current retirees and;
- i) It eliminates or modifies other benefits such as disability and survivor benefits.

Liquidity Risk and Uncertainties

ERS is a mature retirement system with a significant retiree population. Based on the statutory funding requirements, the annual benefit payments and administrative expenses paid by the ERS were significantly larger than the member and employer contributions made to the ERS. Thus, investment income must have had to be used to cover negative cash flow. If the increasing and additional contributions stipulated by law are not paid in full on an annual basis, the ERS will continue being rapidly defunded and gross assets will be exhausted. If measures are not taken to significantly increase the contributions, the ERS will become insolvent in fiscal year 2019. In addition, annual cash flow estimates for the foreseeable future are presently estimated to be insufficient to cover the ERS’s obligations unless other measures are taken.

NOTE F -- PENSION PLAN - continued

Adoption of Comprehensive Reform of Employees Retirement System – continued

If the ERS's assets are exhausted it would be operating solely on a "pay-as-you-go" basis, which means that it would be unable to pay benefits that exceed the actual employer and employee contributions received (net of administrative and other expenses), unless the Government provides the funding required to meet the pay-as-you-go retirement benefits. Additionally, future employers' contributions have been pledged for the payment of debt service, further depletion of the ERS's assets could result in the inability to repay its bond obligations. Consequently, the ERS's funding requirements, together with the funding requirements of JRS and the Puerto Rico System of Annuities and Pensions for Teachers, could have a direct negative effect on the Government's General Funds, since the Government is the primary sponsor and is obligated to make contributions to fund each of the ERS.

The Government and the other participating employers have been facing several fiscal and economic challenges in recent years due, among other factors, to continued budget deficits, a prolonged economic recession, high unemployment, population decline, and high levels of debt and pension obligations. The widening of credit spreads for the Government's public-sector debt, the continued downgrading of the Government's credit ratings and those of many of its instrumentalities to noninvestment grade categories, and the lowered-than-projected revenues have put further stain on the Government liquidity and have affected its access to both the capital markets and private sources of financing, as well as the borrowing cost of any such funding.

If the Government's financial condition does not improve as a result of fiscal and budgetary measures it is taking, its ability to repay its obligations, including its regular employer contributions to the ERS and its additional contributions as provided by Act No. 32 of June 25, 2013 (Act No. 32), for the upcoming years, may continue to be adversely affected, and could also affect the payment of benefits and the repayment of the ERS's bond payable.

To improve the liquidity and solvency of the ERS, the Government enacted Act No. 32, as amended by Act No. 244 of 2014, which provides for incremental annual contributions (Additional Uniform Contribution) from the Government's General Fund, public corporations and municipalities beginning in fiscal year 2014 and up to the fiscal year 2033. The AUC determined for fiscal year 2014 was defined as \$120.0 million and subsequent annual amounts will be determined annually based on actuarial studies to be performed by the ERS's actuaries as necessary for the ERS's gross assets to remain above \$1.0 billion. An appropriation for such AUC of approximately \$98 million was included in the Government's budget for the fiscal year 2014. However, as a result of the Government's General Fund revenue shortfall, compared to budget, the Government made certain adjustments to the fiscal year 2014 budgetary appropriations following the "priority norms" for the disbursement of public funds that apply during any fiscal year in which the resources available to the Government are insufficient to cover the appropriations approved for such year. These adjustments included the reduction in full of the portion of the Act No. 32 AUC by executive Order 29-2014.

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
NOTES TO BASIC FINANCIAL STATEMENTS-CONTINUED
JUNE 30, 2020

NOTE F – PENSION PLAN - continued

The long-term expected rate of return on pension benefits investments was not applicable as of June 30, 2017. Net assets are negative as of June 30, 2017 and accordingly, it is not possible to determine a rate of return on net assets during the fiscal year. In addition, after June 30, 2017, due to the PayGo system by which the Commonwealth guarantees payment of pensions. System assets were no longer necessary to generate investment returns to pay pension benefits. The approximate actual rate of return on gross assets was 8.74% as of June 30, 2017.

Before June 30, 2017, the pension plan’s policy for allocation of invested assets has been established and may be amended by the System’s Board of Trustees. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a positive impact on the System’s financial condition for the benefits provided through the pension programs. The following asset allocation policy as of June 30, 2017 was adopted by the System’s Board of Trustees:

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

(1) Net Pension Liability

The Senate’s Net Pension Liability for each plan program is measured as the proportionate share of the Net Pension Liability. The Net Pension Liability of each of the plan program was measured as of June 30, 2017, and the Total Pension Liability for each plan program used to calculate the Net Pension Liability was determined by an actuarial valuation as of June 30, 2017. The Senate’s proportion of the Net Pension Liability was based on a projection of the Senate’s long-term share of contributions to the pension plans program relative to the projected contributions of all participating employers, actuarially determined. As June 30, 2020 and 2019, the Senate reported its proportional share of Net pension liability of the Employee Retirement System (ERS). As June 30, 2020 and 2019, the Senate’s proportionate balances of the Net Pension Liability of ERS were as follows:

	<u>2020</u>	<u>2019</u>
Net Pension Liability	<u>\$22,996,131</u>	<u>\$22,996,131</u>

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
NOTES TO BASIC FINANCIAL STATEMENTS-CONTINUED
JUNE 30, 2020

NOTE F – PENSION PLAN - continued

	June 30, 2017	
	TOTAL	Proportional Share (.0672%)
Total Pension Liability	\$ 32,109,294,000	\$ 21,578,887
Fiduciary Net Position (Deficit)	(2,108,853,000)	(1,417,244)
Net Pension Liability	\$ 34,218,147,000	\$ 22,996,131
Plan's Fiduciary Net Position (Deficit) of Total Pension Liability	-6.57%	-6.57%
Covered Payroll	\$ 3,344,382,000	\$ 2,247,575
Net Pension Liability as % of Covered Payroll	1023.15%	1023.15%

(2) Pension Expense

Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. The measurement period was not available for the current fiscal year 2020 to compute the pension expense and therefore no pension expense was recognized for the period. The followings are the Senate's proportioned share of plan's pension liability for 2017 and 2016:

Proportion -June 30 ,2017	0.06720%
Proportion -June 30 ,2016	<u>0.06787%</u>
Change- Decrease	<u>-0.00067%</u>

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
NOTES TO BASIC FINANCIAL STATEMENTS-CONTINUED
JUNE 30, 2020

NOTE F – PENSION PLAN - continued

(3) *Deferred Outflows/Inflows of Resources*

As of June 30, 2020, the Senate 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 contribution subsequent to measurement date	\$ 275,782	\$ -
Difference between expected and actual actual experience in measuring the total pension liability	15,535	406,979
Change in assumptions	3,006,215	2,340,456
Net differences between projected and actual earnings plan Investments	-	134,327
Changes in proportion	-	7,334,703
Total	<u>\$ 3,297,532</u>	<u>\$ 10,216,465</u>

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
NOTES TO BASIC FINANCIAL STATEMENTS-CONTINUED
JUNE 30, 2020

NOTE F – PENSION PLAN - continued

Actuarial Methods and Assumptions

The total pension liability as of June 30, 2017 (the measurement date) was determined by an actuarial valuation as of July 1, 2016 that was rolled forward to June 30, 2017 and assuming no gains or losses. This actuarial valuation used the following actuarial methods and assumptions, applied to all periods in the measurement:

Valuation date	July 1, 2017 that was rolled forward to June 30, 2018
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Asset Valuation Method	Not Applicable
Remaining Amortization Period	15 years
Actuarial Assumptions	
Inflation Rate	N/A
Projected Salary Increase	N/A
Salary Increase	3.00% per year. No compensation increases are assumed until July 1, 2021 as a result of Act No. 3-2017, four-year extension of Act No. 66-2014 and the current general economy.
Mortality	<p>Pre-retirement Mortality - For general employees not covered under Act No. 127, RP-2014 Employee Mortality Rates for males and females adjusted to reflect Mortality Improvement Scale MP-2017 from the 2006 base year and projected forward using MP-2017 on generational basis. For members covered under Act No. 127, RB-2014 Employee Mortality Rates are assumed with blue collar adjustments for males and females adjusted to reflect Mortality Improvement Scale MP-2017 from the 2006 base year and projected forward using MP-2017 on generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date. 100% of deaths while in active service are assumed to be occupational for members covered under Act No. 127.</p> <p>Post-retirement Healthy Mortality - Rates which vary by gender are assumed for healthy retirees and beneficiaries based on study of the Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rates from the UP-1994 mortality Tables for Males and 95% of the rates from UP-1994 Mortality Table for Females, both projected from 1994 to 2010 using Scale AA. The base rates are projected using mortality improvements both before and after measurement date.</p> <p>Post-retirement Disabled Mortality - Rates which vary by gender are assumed for disabled retirees based on a study of the Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 105% of the rates from the UP-1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. The base rates are projected using Mortality Improvement Scale MP-2017 on a generational basis. As a Generational table, it reflects mortality improvements both before and after the measurement date.</p>

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
NOTES TO BASIC FINANCIAL STATEMENTS-CONTINUED
JUNE 30, 2020

NOTE F – PENSION PLAN - continued

Long-Term Expected Rate of Return

The long-term expected rate of return on pension benefits investments was not applicable as of June 30, 2017. Net assets are negative as of June 30, 2017 and accordingly, it is not possible to determine a rate of return on net assets during the fiscal year. In addition, after June 30, 2017, due to the PayGo system by which the Commonwealth guarantees payment of pensions. System assets were no longer necessary to generate investment returns to pay pension benefits. The approximate actual rate of return on gross assets was 8.74% as of June 30, 2017.

Before June 30, 2017, the pension plan’s policy for allocation of invested assets has been established and may be amended by the System’s Board of Trustees. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a positive impact on the System’s financial condition for the benefits provided through the pension programs. The following asset allocation policy as of June 30, 2017 was adopted by the System’s Board of Trustees:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Equity	56%	N/A
International Equity	15%	N/A
Fixed Income	28%	N/A
Cash	<u>1%</u>	N/A
Total	<u>100%</u>	

In prior years, the long-term expected rate of return on pension benefits investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. This year, the long-term expected rate of return assumption is no longer applicable.

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
 NOTES TO BASIC FINANCIAL STATEMENTS-CONTINUED
 JUNE 30, 2020

NOTE F – PENSION PLAN - continued

Discount Rate

The System is in a deficit position. Therefore, the tax-free municipal bond index (Bond Buyer General Obligation 20-Bond Municipal Bond Index) was applied to all periods of projected benefits payments to determine the total pension liability. The discount rate was 3.58% as of June 30, 2017.

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

The following presents the Senate’s net pension liability calculated using the discount rate of 3.58% as well as what it would be if were calculated using a discount rate of 1%-point lower (2.58) or 1% point higher (4.58%) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Net Pension Liability	<u>\$ 26,076,591</u>	<u>\$ 22,996,131</u>	<u>\$ 20,515,959</u>

Medical Insurance Plan for Retired Employees

There are no member or employer contributions on behalf of the Medical Insurance Plan Contribution. This benefit is financed on a pay-as-you-go basis from the General Fund of the Government of Puerto Rico. Since this benefit is not funded in advance, the Annual Required Contribution (ARC) for this benefit has been calculated based on an assumed investment return rate of 3.10% based on the asset allocation on the Government general assets that are used to pay this benefit.

As a cost-sharing multiple employer plan, ERS is not required to report a Net OPEB Liability. In accordance with GASB Statement No. 75, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the employers that participate in the plan should recognize annual OPEB expense equal to their contractually required contributions to the plan. The employers do not have an ARC or a Net OPEB Liability.

NOTE F – PENSION PLAN - continued

Pay-As-You-Go Funding

On June 27, 2017, the Treasury Department issued Circular Letter No. 1300-46-17 to convey to the central government agencies, public corporations and municipalities the new implementation procedures to adopt, effective July 1, 2017, a new “pay-as-you-go” (PayGo) system. With the start of fiscal year 2018, employers’ contributions, contributions ordered by special laws, and the Additional Uniform Contribution were all eliminated.

The PayGo system was one component of Act 106-2017, which the Governor signed into law on August 23, 2017. Act 106-2017 created the legal framework for the Commonwealth to guarantee benefit payments to pensioners through the PayGo system. Approximately \$2 billion was allocated for these purposes in each of the budgets for fiscal year 2018 and fiscal year 2019. Act 106-2017 also created a Defined Contributions Plan, similar to a 401(k) plan, that will be managed by a private entity. Future benefits will not be paid by the Retirement Systems.

Act 106-2017, among other things, amended Act No. 12 with respect to the System’s governance, funding and benefits for active members of the actual program and new hired members. Under Act 106-2017, the System’s board of trustees was eliminated and a new Retirement Board was created. The retirement Board is currently responsible for governing both the System, JRS and TRS.

Act 106-2017 terminated the previously existing pension programs for the System participants as of June 30, 2017. The members of the prior programs and new system members hired on and after July 1, 2017 will be enrolled in a new defined contributions program that will be selected by the Retirement Board. The accumulated balance on the accounts of the prior program will be transferred to the member accounts in the new defined contribution program. The System’s active members of the defined contributions program will retain their benefits as stated under Act 91 of March 29, 2003.

Act 106-2017 also ordered a suspension of the System’s loan programs and ordered a merger of the administrative structures of the retirement systems. At the Retirement Board’s discretion, the administration of the System benefits may be externalized. The employees of the System that are not retained under the new administrative structure will be transferred to other public agencies in conformity with Act No. 8 of February 8, 2017.

In addition, Act 106-2017 repealed the Voluntary Early Retirement Law, Act No. 211 of 2015, while creating an incentives, opportunities and retraining program for public workers.

On May 17, 2019, the Legislature passed Act No. 29 of 2019 (Act 29-2019), which addressed the severe financial crisis and liquidity shortage of the Puerto Rico municipalities by relieving them of their obligation to make PayGo payments to the Commonwealth under Act 106-2017. The Oversight Board has challenged the implementation and enforcement of Act 29-2019.

NOTE F – PENSION PLAN – continued

On January 30, 2020, the United States Court of Appeals for the First Circuit entered an opinion in the System Declaratory Relief Action upholding the Title III Court's determination that Bankruptcy Code section 552 prevents System bondholders' security interests from attaching to post-petition revenues and finding that employers' contributions are not "special revenues" within the meaning of Bankruptcy Code section 902. As a result, the First Circuit has determined that System bondholders do not have a security interest in employer contributions received after the System's petition date.

Pension Plan Fiduciary Net Position

As per June 30, 2017 Actuarial Valuation Report issued on March 26, 2019, the Actuaries state: "PRGERS net assets became negative in the 2014-2015 fiscal year. PRGERS gross assets as of June 30, 2017 are less than one year of expected benefits payments.

The Retirement System of the Commonwealth of Puerto Rico has not provided the Senate with the required information to implement the requirements of GASB 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 67 and 68, (GASB 73). Therefore, the accompanying financial statements do not have any adjustment that will be necessary for the Senate to account for its proportionated share of the net pension liability, deferred inflows of resources and deferred outflows of resources in the statement of net position as of June 30, 2020, as well as the effect in the recorded pension expense in the statement of revenues, expenses and changes in net position for the year ended June 30, 2020. Also, additional disclosures required by GASB No. 73 as well a required supplementary information have been omitted from these basic financial statements for the fiscal year ended June 30, 2020.

The Employee's Retirement System of the Government of the Government of Puerto Rico provides additional information of the Defined Benefit Program and Hybrid Program. They issue a publicly available financial report that includes financial statements and required supplementary information for ERS, as a component unit of the Government. That report may be obtained by writing to the Administration at PO Box 42003, Minillas Station, San Juan, PR 00940-2003.

The most recent actual valuation is as of June 30, 2017.

The financial statements and required supplementary information for the pension plan are available at the administration Senate of the Employees' Retirement System (ERS) of the Commonwealth of Puerto Rico, P O Box 42003, Minillas Station, San Juan, PR 00940.

NOTE G- OTHER POST EMPLOYMENT BENEFITS

Plan Description

The Other Postemployment Benefit Plan of the Commonwealth of Puerto Rico (the Commonwealth) for Retired Participants of the Employees' Retirement System (the Plan) is an unfunded, multi-employer defined benefit other postemployment healthcare benefit plan (OPEB). The Plan is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions (GASB Statement No. 75).

The Plan covers a payment of up to \$100 per month to the eligible medical insurance plan selected by each member provided that the member retired prior to July 1, 2013 (Act No. 483, as amended by Act No. 3). The Plan is financed by the Commonwealth through legislative appropriations. However, the Commonwealth claims reimbursement from each employer on a monthly basis for the corresponding amount of the OPEB payments made by the Commonwealth in relation to the retirees associated with each employer. There is no contribution requirement from the plan members during active employment. The retirees contribute the amount of the healthcare insurance premium not covered by the Commonwealth contribution.

Plan members were eligible for benefits upon reaching the applicable pension benefits retirement age. Act No. 3 of 2013 eliminated this healthcare benefit to the Plan members that retired after June 30, 2013.

Collective Total OPEB Liability and Actuarial Information

The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016. The actuarial valuation used the following actuarial assumptions applied to all periods in the measurement period.

a) Actuarial assumptions

Discount rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality

Pre-retirement Mortality

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
NOTES TO BASIC FINANCIAL STATEMENTS-CONTINUED
JUNE 30, 2020

For general employees not covered under Act No. 127, RP-2014 Employee Mortality Rates for males and females adjusted to reflect Mortality Improvement Scale MP-2017 from the 2006 base year and projected forward using MP-2017 on a generational basis. For members covered under Act No. 127, RP-2014 Employee Mortality Rates are assumed with blue collar adjustments for males and adjusted to reflect Mortality Improvement Scale MP-2017 from the 2006 base year and projected forward using MP-2017 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.

Post-retirement Healthy Mortality

Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rates from the UP-1994 Mortality Table for Males and 95% of the rates from the UP-1994 Mortality Table for Females, both projected from 1994 to 2010 using Scale AA. The base rates are projected using Mortality Improvement Scale MP-2017 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Post-retirement Disabled Mortality

Rates which vary by gender are assumed for disabled retirees based on a study of the Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 105% of the rates from the UP-1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. The base rates are projected using Mortality Improvement Scale MP-2017 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

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

The following presents the Senate total OPEB liability of the Plan at June 30, 2017 calculated using the discount rate of 3.58%, as well as the Plan's total OPEB liability if it were calculated using the discount rate of 1-percentage point lower (2.58%) or 1-percentage point higher (4.58%) than the current rate:

	1% Decrease 2.58%	Current Discount Rate 3.58%	1% Increase 4.58%
Total OPEB liability as of June 30, 2017	<u>\$ 2,651,264</u>	<u>\$ 2,407,662</u>	<u>\$2,201,891</u>

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
NOTES TO BASIC FINANCIAL STATEMENTS-CONTINUED
JUNE 30, 2020

(5) Deferred Outflows of Resources and Deferred Inflows of Resources

Because all participants are inactive, there are no deferred outflows or inflows of resources as changes in actuarial assumptions, economic or demographic gains and losses, and changes in proportionate share are recognized immediately during the measurement year.

(6) OPEB Expense

The components of Senate OPEB expense with a proportionate share of .26155% for the year ending June 30, 2017 is as follows:

	<u>Amount</u>
Interest on total OPEB liability	\$ 85,487
Effect of economic/demographic gains and losses	(31,909)
Effect of assumptions changes or inputs	<u>(543,926)</u>
	<u>\$(490,348)</u>

NOTE H – LEASE COMMITMENTS

The Senate leases some of its facilities and equipment's through various operating lease agreements, with the latest expiring on September 30, 2023. Rent expense under such lease agreements for the fiscal year ended June 30, 2020 amounted to \$421, 000, aproximately. Future minimum lease payments under these agreements are \$207,360, \$207,360, \$207,360 and \$51,840 for the fiscal years ending June 30, 2021, 2022, 2023 and 2024, respectively.

NOTE I – CONTINGENCIES

The Senate is defdandt in lawsuits arising in the normal course of operations. In the agregate, these claims seek monetary damages in significant amounts. With respect to the pending and threatened litigations, the Senate, in consultation with legal counsel, has advised that at this stage of the proceedings they cannot offer an opinion as to the probable outcome. Accordingly, management does not consider necessary making any provision on its books for these cases and intends to contest them vigorously.

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
NOTES TO BASIC FINANCIAL STATEMENTS-CONTINUED
JUNE 30, 2020

NOTE J – UNCERTAINTY AND LIQUIDITY RISK

As discussed in Note A to the basic financial statements, The Senate's principal source of revenue is legislative appropriations from the Commonwealth of Puerto Rico (the Commonwealth). The funds of the Senate are under the custody of the Secretary of Treasury of the Commonwealth until transferred to the Senate during the year.

The Commonwealth's liquidity was severely affected during fiscal year 2020 and remains extremely limited, primarily, as a result of the Commonwealth's inability to access external sources of financing. The Commonwealth has not been able to fulfill its obligations on a timely manner.

Considering that the Senate is financially dependent from the Commonwealth, the limitations of the Commonwealth to meet its obligations on a timely manner may prevent the Senate's operations in the future.

NOTE K– SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 29, 2021, which is the same date the financial statements were available to be issued.

END OF NOTES

REQUIRED SUPPLEMENTARY INFORMATION

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
STATEMENT OF REVENUES AND EXPENDITURES BUDGET TO ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts in Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Legislative appropriations	\$ 26,001,000	\$ 26,342,820	\$ 26,342,820	\$ -
	<u>26,001,000</u>	<u>26,342,820</u>	<u>26,342,820</u>	<u>-</u>
EXPENDITURES				
Salaries and payroll related costs	19,680,477	24,443,587	23,703,264	740,323
Meals and travel	214,362	126,812	124,544	2,268
Administrative	2,333,115	251,095	40,569	210,526
Professional services	2,907,885	1,252,348	1,176,955	75,393
Insurance	-	10,793	10,793	-
Rent	332,639	1,930	1,930	-
Equipment	131,510	73,218	64,606	8,612
Repairs and maintenance	65,442	9,905	6,110	3,795
Utilities	76,852	5,207	5,207	-
Materials and supplies	161,169	136,248	108,731	27,517
Announcement and medial publicatic	43,380	4,263	4,263	-
Postage	54,169	27,414	27,412	2
Total expenditures	<u>26,001,000</u>	<u>26,342,820</u>	<u>25,274,384</u>	<u>1,068,436</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,068,436</u>	<u>\$ 1,068,436</u>

See accompanying notes to the Statement of Revenues and Expenditures Budget to Actual – General Fund.

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
NOTES TO STATEMENT OF REVENUES AND EXPENDITURES- BUDGET TO ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Control

The Senate's budget is prepared on the budgetary basis of accounting, which is not in accordance with US GAAP, and represents departmental appropriations recommended by the President and approved by the Senate prior to the beginning of the fiscal year. Amendments to the budget require the approval of the Senate in accordance with Administrative Order 10-35 of January 2010. The Senate prepares its annual budget including the operations of the general fund. The annual appropriated budget for the fiscal year ended June 30, 2020 was \$26,342,820.

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.

The Commonwealth of Puerto Rico Accounting Law establishes that unreserved funds (excess of revenues over expenditures) at the end of the fiscal year from the Legislative Branch will be carried forward and made available for spending for the next three fiscal years. The Senate's Administrative Order 2010-35 of January 2010 stipulates that such unreserved funds must be spent for non-recurrent expenditures. The remaining unexpended amounts after the three years have lapsed should be reverted to the Secretary of Treasury of Puerto Rico pursuant to Act 230.

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
NOTES TO STATEMENT OF REVENUES AND EXPENDITURE- BUDGET TO ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Budget GAAP/Reconciliation

The following schedule presents comparisons of the legally adopted budget with actual data on a budget basis. Because accounting principles applied for purposes of developing data on a budget basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of differences in expenditures for the fiscal year ended June 30, 2020 is presented below:

Revenues according to the Statement of Revenues and Expenditures- Budget to Actual	\$ 26,342,820
Plus savings and other funds' revenues	5,621,814
Revenues according to the Statement of Revenues, Expenditures and Changes in Fund Balance- Governmental Fund	<u>\$ 31,964,634</u>
Expenditures according to the Statement of Revenues and Expenditures- Budget to Actual	\$ 25,274,384
Plus savings and other funds' expenditures	11,183,403
Expenditures according to the Statement of revenues, Expenditures and Changes in Fund Balance- Governmental Fund	<u>\$ 36,457,787</u>



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

To the Members of the Senate
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 basic financial statements of the governmental activities and the major fund information of the Senate of Puerto Rico (the Senate) (a component unit of the Commonwealth of Puerto Rico), as of and for the year ended June 30, 2020, and the related notes to the basic financial statements, which collectively comprise the Senate's basic financial statements, and have issued our report thereon dated June 29, 2021. Our report was qualified for the governmental activities because the retirement plan's administrator (PRGERS) does not have the information available to implement the requirements of Statement No. 73 and No.75 of the Governmental Accounting Standards Board.

Internal Control over Financial Reporting

In Planning and performing our audit of the basic financial statements, we considered the Senate's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Senate's internal control. Accordingly, we do not express an opinion on the effectiveness of the Senate's internal control.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Senate's basic financial statements are free from material misstatement, we performed test 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 determination of basic financial statements amounts. 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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Carolina, Puerto Rico
June 29, 2021

Aquino, De Cordova, Alfaro & Co. LLP

Stamp Number 457515
of the Puerto Rico CPA Society
has been affixed to the
original report



STATISTICAL SECTION

STATISCAL SECTION

INTRODUCTION

This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Senate of Puerto Rico overall financial health. Unless otherwise noted, the information in the following schedules is derived from the comprehensive annual financial reports for the relevant year. The Senate of Puerto Rico implemented Statement 34 in 2011, when it became fiscally autonomous, pursuant to the provisions of Act 230 of July 23, 1974 as amended.

The following are the categories of the various schedules that are included in this section:

Financial Trends Information	Page
These schedules contain trend information to help the reader understand how the House of Representatives' financial performance and well-being have change over time.	69-73
Revenue Capacity Information	
This schedule contains information to help the reader assess the House of Representatives most significant revenue source, legislative appropriations.	74
Demographic and Economic Information	
This schedule offers demographic and economic indicators to help the reader understand the environment within the House of Representatives financial activities take place.	75
Operating Information	
This schedule contains service data to help the reader understand how the information in the financial reports relates to the services the House of Representatives provides and the activities it performs.	76

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
NET POSITION (DEFICIT) GOVERNMENT WIDE
FOR THE LAST TEN FISCAL YEARS

	2020	2019	As Restated 2018	2017	As Restated 2016	As Restated 2015	As Restated 2014	2013	2012	2011
Net position										
Invested in capital assets	\$ 1,266,024	\$ 1,722,328	\$ 2,365,705	\$ 2,042,529	\$ 1,430,417	\$ 1,112,707	\$ 1,070,432	\$ 864,311	\$ 910,590	\$ 844,002
Restricted	307,585	232,772	213,307	179,751	172,915	310,712	362,720	112,709	752,629	-
Unrestricted (Deficit)	(29,444,261)	(24,466,101)	(21,271,138)	(20,937,489)	(27,092,834)	(24,596,613)	(21,568,611)	8,051,160	5,346,894	1,237,379
	<u>\$ (27,870,652)</u>	<u>\$ (22,511,001)</u>	<u>\$ (18,692,126)</u>	<u>\$ (18,715,209)</u>	<u>\$ (25,489,502)</u>	<u>\$ (23,173,194)</u>	<u>\$ (20,155,459)</u>	<u>\$ 9,028,180</u>	<u>\$ 7,010,113</u>	<u>\$ 2,081,381</u>

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
CHANGES IN NET POSITION (DEFICIT) -- GOVERNMENT WIDE
FOR THE LAST TEN FISCAL YEARS

	2020	2019	As Restated 2018	2017	As Restated 2016	As Restated 2015	As Restated 2014	2013	2012	2011
Expenses										
Government activities	\$ 37,324,285	\$ 40,493,245	\$ 41,941,479	\$ 35,462,026	\$ 42,691,281	\$ 43,542,410	\$ 39,055,434	\$ 43,766,452	\$ 44,401,031	\$ 36,776,390
Revenues										
Legislative appropriations	26,001,000	30,614,000	39,355,000	40,704,000	40,204,000	40,492,880	44,122,600	44,122,600	38,372,600	38,372,600
Joint commission	-	-	-	-	-	-	-	210,805	176,000	276,000
Contributions from Commonwealth	4,202,339	4,357,205	-	-	-	-	-	-	-	-
Other revenues	1,346,500	1,626,000	1,626,000	3,085,636	370,973	31,795	10,872	1,450,000	10,750,000	1,747,758
Miscellaneous income	414,795	77,165	169,155	19,942	-	-	-	1,114	31,163	-
	<u>31,964,634</u>	<u>36,674,370</u>	<u>41,150,155</u>	<u>43,809,577</u>	<u>40,574,973</u>	<u>40,524,675</u>	<u>44,133,472</u>	<u>45,784,519</u>	<u>49,329,763</u>	<u>40,396,358</u>
Increase (decrease) in net position before transfers	(5,359,651)	(3,818,875)	(791,324)	8,347,551	(2,316,308)	(3,017,735)	5,078,038	2,018,067	4,928,732	3,619,968
Transfers, net	-	-	814,407	(1,573,258)	-	-	-	-	-	-
Net change in net position	(5,359,651)	(3,818,875)	23,083	6,774,293	(2,316,308)	(3,017,735)	5,078,038	2,018,067	4,928,732	3,619,968
Net position (deficit) at beginning of year	(22,511,001)	(18,692,126)	(18,715,209)	(25,489,502)	(23,173,194)	(20,155,459)	9,028,180	7,010,113	2,081,361	(1,538,587)
GASB 68 Adjustments	-	-	-	-	-	-	(34,261,677)	-	-	-
Net position (deficit) at beginning of year, as restated	(22,511,001)	(18,692,126)	(18,715,209)	(25,489,502)	(23,173,194)	(20,155,459)	(25,233,497)	7,010,113	2,081,361	(1,538,587)
Net position (deficit) at end of year	<u>\$ (27,870,652)</u>	<u>\$ (22,511,001)</u>	<u>\$ (18,692,126)</u>	<u>\$ (18,715,209)</u>	<u>\$ (25,489,502)</u>	<u>\$ (23,173,194)</u>	<u>\$ (20,155,459)</u>	<u>\$ 9,028,180</u>	<u>\$ 7,010,113</u>	<u>\$ 2,081,361</u>

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
FUND BALANCE -- GOVERNMENTAL FUND
FOR THE LAST TEN FISCAL YEARS

General Fund	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Fund balance										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 233,719
Restricted	307,585	232,772	213,307	179,751	172,915	310,712	362,720	112,709	752,629	718,123
Unassigned	7,924,463	12,492,429	16,615,614	14,838,186	11,308,866	14,754,004	17,781,953	12,402,821	10,226,139	4,619,274
	<u>\$ 8,232,048</u>	<u>\$ 12,725,201</u>	<u>\$ 16,828,921</u>	<u>\$ 15,017,937</u>	<u>\$ 11,481,781</u>	<u>\$ 15,064,716</u>	<u>\$ 18,144,673</u>	<u>\$ 12,515,530</u>	<u>\$ 10,978,768</u>	<u>\$ 5,571,116</u>

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
FOR THE LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues										
Legislative appropriations	\$26,001,000	\$30,614,000	\$39,355,000	\$40,704,000	\$40,204,000	\$40,492,880	\$44,122,600	\$44,122,600	\$38,372,600	\$38,372,600
Contributions from Commonwealth	4,202,339	4,357,205	-	-	-	-	-	-	-	-
Joint commission	-	-	-	-	-	-	-	210,905	176,000	276,000
Other revenues	1,346,500	1,626,000	1,626,000	2,550,000	43,485	31,795	10,872	1,450,000	10,750,000	1,747,758
Miscellaneous income	414,795	77,165	169,155	364,273	-	-	-	1,114	16,533	-
	<u>31,984,634</u>	<u>36,674,370</u>	<u>41,150,155</u>	<u>43,618,273</u>	<u>40,247,485</u>	<u>40,524,675</u>	<u>44,133,472</u>	<u>45,784,519</u>	<u>49,315,133</u>	<u>40,396,358</u>
Expenditures										
General government	36,457,787	40,778,090	39,338,171	38,508,859	43,830,420	43,604,632	38,504,329	44,247,757	43,907,481	39,223,788
Excess (deficiency) of revenues over expenditures	(4,493,153)	(4,103,720)	1,810,984	5,109,414	(3,582,935)	(3,079,957)	5,629,143	1,536,762	5,407,652	1,172,570
Transfers net	-	-	-	(1,573,258)	-	-	-	-	-	-
Net change in fund balance	<u>(4,493,153)</u>	<u>(4,103,720)</u>	<u>1,810,984</u>	<u>3,536,156</u>	<u>(3,582,935)</u>	<u>(3,079,957)</u>	<u>5,629,143</u>	<u>1,536,762</u>	<u>5,407,652</u>	<u>1,172,570</u>
Fund balance at beginning of year	<u>12,725,201</u>	<u>16,828,921</u>	<u>15,017,937</u>	<u>11,481,781</u>	<u>15,064,716</u>	<u>18,144,673</u>	<u>12,515,530</u>	<u>10,978,768</u>	<u>5,571,116</u>	<u>4,398,546</u>
Fund balance at end of year	<u>\$ 8,232,048</u>	<u>\$12,725,201</u>	<u>\$16,828,921</u>	<u>\$15,017,937</u>	<u>\$11,481,781</u>	<u>\$15,064,716</u>	<u>\$18,144,673</u>	<u>\$12,515,530</u>	<u>\$10,978,768</u>	<u>\$ 5,571,116</u>

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
CAPITAL ASSETS – GOVERNMENT WIDE
FOR THE LAST TEN FISCAL YEARS

<u>Governmental activities</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Capital assets that are not depreciated										
Work of arts and historical treasures	\$ 61,750	\$ 61,750	\$ 58,000	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated										
Equipment	1,111,050	1,480,758	1,528,074	1,505,592	1,283,740	1,408,460	1,537,380	1,605,364	1,573,279	1,568,024
Computer equipment and software	1,911,237	2,095,748	2,226,037	2,218,748	1,879,610	1,649,883	1,653,499	1,776,616	1,787,210	1,708,824
Furniture	2,123,509	2,180,353	2,310,294	1,591,507	1,415,671	1,460,436	1,686,563	1,582,708	1,647,157	1,590,341
Vehicles	818,889	818,889	828,042	797,073	847,385	805,052	925,093	750,510	776,805	679,353
Total capital assets	<u>5,964,685</u>	<u>6,575,748</u>	<u>6,892,447</u>	<u>6,112,920</u>	<u>5,426,406</u>	<u>5,323,831</u>	<u>5,802,535</u>	<u>5,715,198</u>	<u>5,784,451</u>	<u>5,546,542</u>
Less: Accumulated depreciation										
Equipment	(901,422)	(1,171,665)	(1,117,749)	(1,045,381)	(961,221)	(1,209,700)	(1,378,696)	(1,448,508)	(1,444,075)	(1,425,310)
Computer equipment and software	(1,764,446)	(1,813,483)	(1,623,582)	(1,471,646)	(1,330,555)	(1,234,588)	(1,274,379)	(1,326,070)	(1,319,278)	(1,273,702)
Furniture	(1,402,240)	(1,307,555)	(1,277,357)	(1,162,407)	(1,136,061)	(1,187,889)	(1,397,425)	(1,390,146)	(1,417,540)	(1,340,244)
Vehicles	(692,303)	(622,467)	(586,054)	(415,957)	(568,152)	(578,947)	(681,603)	(686,163)	(692,968)	(663,284)
Total accumulated depreciation	<u>(4,760,411)</u>	<u>(4,915,170)</u>	<u>(4,584,742)</u>	<u>(4,095,391)</u>	<u>(3,985,989)</u>	<u>(4,211,124)</u>	<u>(4,732,103)</u>	<u>(4,850,887)</u>	<u>(4,873,861)</u>	<u>(4,702,540)</u>
Total capital assets, net	<u>\$ 1,266,024</u>	<u>\$ 1,722,328</u>	<u>\$ 2,365,705</u>	<u>\$ 2,042,529</u>	<u>\$ 1,430,417</u>	<u>\$ 1,112,707</u>	<u>\$ 1,070,432</u>	<u>\$ 864,311</u>	<u>\$ 910,590</u>	<u>\$ 844,002</u>

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
REVENUES
FOR THE LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues										
Legislative appropriations	\$ 26,001,000	\$ 32,240,000	\$ 40,981,000	\$ 43,254,000	\$ 40,204,000	\$ 44,492,880	\$ 44,122,600	\$ 44,122,600	\$ 38,372,600	\$ 38,372,600

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
DEMOGRAPHIC AND ECONOMIC INDICATORS
FOR THE LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population (In Thousands)</u>	<u>Personal Income (In Thousands)</u>	<u>Per Capita</u>	<u>Inflation Rate</u>	<u>Employment (In Thousands)</u>	<u>Unemployment Rate</u>
2019	3,194 p	61,129 p	21,015 p	0.5% p	986 p	8.5% p
2018	3,259 r	62,166 r	21,526 r	1.6% r	971 r	10.3% r
2017	3,366 r	53,956 r	18,814 r	0.6% r	982 r	11.5% r
2016	3,440	51,769	17,837	-0.2% r	989	11.8%
2015	3,504	52,766	17,477	-0.3%	977	12.8%
2014	3,564	51,356	17,054	0.9%	987	14.4%
2013	3,614	53,259	17,118	0.9%	1,012	14.0%
2012	3,657	51,048	16,370	2.6%	1,024	15.2%
2011	3,700	49,605	15,869	1.8%	1,043	16.2%
2010	3,731	48,231	15,307	2.0%	1,075	16.3%

Source Data: Puerto Rico Economic Summary
 Report from the Puerto Rico Planning Board to
 the Governor of Puerto Rico
 Dated November 2019

p - Preliminary figures

SENATE (A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
OPERATING INDICATORS
FOR THE LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Number of employees:										
Legislative	187	208	324	324	272	301	322	267	336	305
Administrative	248	316	239	239	304	302	296	291	332	325
Total employees	<u>435</u>	<u>524</u>	<u>563</u>	<u>563</u>	<u>576</u>	<u>603</u>	<u>618</u>	<u>558</u>	<u>668</u>	<u>630</u>
Legislative sessions:										
Number of days	<u>68</u>	<u>75</u>	<u>75</u>	<u>53</u>	<u>67</u>	<u>73</u>	<u>77</u>	<u>120</u>	<u>90</u>	<u>60</u>
Number of commissions hearings	<u>658</u>	<u>886</u>	<u>759</u>	<u>668</u>	<u>659</u>	<u>713</u>	<u>782</u>	<u>948</u>	<u>1,218</u>	<u>779</u>
Number of legislative bills	<u>956</u>	<u>891</u>	<u>926</u>	<u>583</u>	<u>274</u>	<u>693</u>	<u>1,601</u>	<u>1,643</u>	<u>2,001</u>	<u>1,597</u>