

The background of the entire page is a photograph of the interior of the Senate Chamber of the Commonwealth of Puerto Rico. The room features a large, ornate dome with intricate murals and a series of circular medallions. The walls are lined with tall, fluted columns. In the center of the room, there is a circular display case containing historical documents, surrounded by a rope barrier. The floor is polished and reflects the light from the dome.

# Senate

## of the Commonwealth of Puerto Rico



# Annual Comprehensive Financial Report

For the Fiscal Year Ended  
June 30, 2024

Prepared by the  
Office of Fiscal and Financial Affairs  
Secretary of Administration

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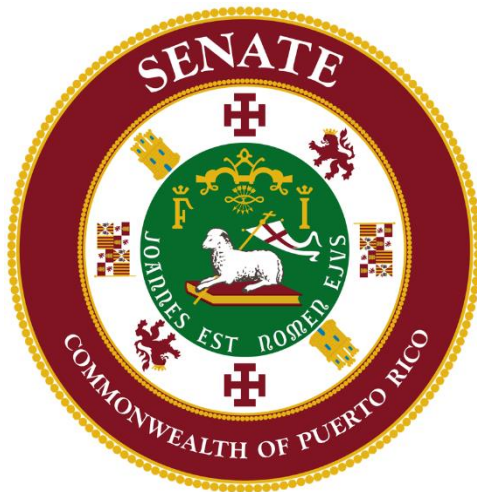
# Senate

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of the Commonwealth of Puerto Rico

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Office of Fiscal and Financial Affairs  
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*(Unaudited)*

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# Annual Comprehensive Financial Report

## For the Fiscal Year Ended June 30, 2024

### Introductory Section

- Letter of Transmittal
- List of Senators – By District
- List of Senators – At Large
- List of Administrative Staff
- Permanent, Special and Joint Commissions
- Senate Organization Charts

*(Unaudited)*

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January 24, 2025

To the Governor of Puerto Rico  
Members of the Senate and  
Citizens of Puerto Rico

It is my pleasure to present the Annual Comprehensive Financial Report (Annual Report) of the Senate of the Commonwealth of Puerto Rico (hereinafter referred to as the "Senate") for the fiscal year ended June 30, 2024. The responsibility for both the accuracy of the presented data and the completeness of fairness of the presentation, including all disclosures, rests with management. The Office of Fiscal and Financial Affairs of the Secretary of Administration (Office) was in charge of preparing these financial statements and is responsible for the completeness and reliability of the information presented. To provide a reasonable basis for making these representations, the Office has established a comprehensive internal control framework designed to protect the Senate's assets from loss, theft, or misuse and to compile sufficient, reliable information for the preparation of this report in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). The cost of internal controls has been designated to provide reasonable rather than absolute assurance that the financial statements are free of material misstatement. I believe the accompanying financial statements are accurate and fairly stated in all material respects and presented in a manner designed to report the Senate's financial position, result of operations and changes in net position/fund balances.

The ACFR is presented in three major sections that provide Introductory, Financial and Statistical information about the Senate. The Introductory Section includes this Transmittal Letter, a List of the Senators by District and At Large, Administrative Staff, Designated Committees and the Senate's Organization Charts. The Financial Section includes the Independent Auditor's Report, Basic Financial Statements, and Notes to the Basic Financial Statements and Required Supplementary Information. The Statistical Section, which is unaudited, includes selected financial and demographic information in the format of charts and graphs.

The Notes to the financial statements are provided in the Financial Section and are considered essential to fair presentation and adequate disclosure. The notes include the summary of significant accounting policies for the Senate and other necessary disclosures of important matters relating to the financial position of the Senate. The notes are treated as an integral part of the financial statements and should be read in conjunction with them.

Generally accepted accounting principles (GAAP) require that management provide a narrative of introduction, overview and analysis to accompany the basic financial statements in the form of Management's Disclosures and Analysis (MD&A). This letter complements the MD&A and should be read in conjunction with it. The Senate's MD&A can be found in the Financial Section of this document, immediately following the report of the independent auditors.

At the end of the document, a Glossary is included containing definitions and explanations of the technical accounting and auditing terminology for better interpretation of the Senate's financial statements.

## **REPORTING ENTITY**

The legal entity of the Senate of Puerto Rico is the reporting entity for these financial statements. This includes all activities under the Senate such as administrative and operating functions conducted by the Senate. The Senate uses fund accounting to ensure that restricted sources of funds are properly used and these financial statements contain the activities and positions both separately and combined.

## **PROFILE OF THE SENATE**

The Jones Act of 1917 was passed by Congress for Puerto Rico. Said Act provided for a House of Representatives with 39 members elected by the people, and create a Senate of 19 members who also be elected by the people of Puerto Rico. The elections, in which the people would continue to elect the Resident Commissioner of Puerto Rico in the United States (position created by Foraker Act of April 12, 1900), would be held every four years beginning in 1917.

The Constitution of the Commonwealth of Puerto Rico (hereafter referred to as the "Constitution"), with the approval of the people of Puerto Rico and the United States Congress, was enacted on July 25, 1952. The Constitution established the Legislative Power composed of the House of Representatives and the Senate organized by virtue of Article 3, Sections 1 to 2 of the Constitution. 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 Legislature's members are 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 (2) senators. In addition, the Senate has eleven senators at large. No elector can vote for more than one candidate to senators at large.

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 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. During the 15 remaining weeks, the Committees shall continue working full time, and the prior approval of the President of the Senate and the Speaker of the House of Representatives shall be required to hold meetings outside of business days.

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.

## **LEGISLATIVE PROCEEDING**

The constitutional authority granted to the Legislative Assembly to enact its own legislation as well as to evaluate, through its Committees and through public hearings, every bill introduced by citizens and the Executive Branch, for approval, amendment or rejection, highlights the leading role it plays in the general development of Puerto Rico. Following are the bills submitted by the Senators and approved during the Fiscal Year 2023-2024:

### **1. Act No. 74 of July 28, 2024 (Senate Bill No. 0865)**

To amend Articles 1.3, 2.1, and 3.1 of Act No. 54 of August 15, 1989, also known as the "Domestic Violence Prevention and Intervention Act", to recognize economic violence as a form of domestic violence; to order the Office of the Women's Advocate, Department of the Family; Department of Justice; Department of Education; Department of Housing; Department of Economic Development; Department of Health; Police Bureau; and the Statistics Institute to take affirmative action to ensure the dissemination of and compliance with public policy against this and all other forms of domestic violence; and for other pertinent purposes.

### **2. Act No. 83 of August 8, 2023 (Senate Bill No. 1065)**

To establish the "Special Law on Base Salary for Firefighters", for the purpose of providing that the base salary of firefighters belonging to the Fire Department Bureau shall begin at two thousand five hundred (\$2,500) dollars per month; and to grant an increase of three hundred seventy-five (\$375.00) dollars per month to all firefighters assigned to the Fire Department Bureau for the purpose of promoting their job retention and to provide them with salary justice; to establish the responsibilities of the Office of Management and Budget, the Department of Public Safety, and the Financial Advisory Authority and Fiscal Agency of Puerto Rico; and for other related purposes.

### **3. Act No. 93 of August 8, 2023 (Senate Bill No. 1003)**

To facilitate, in an exceptional manner, the configuration of the Board of Contractors for Waterproofing, Sealing and Roof Repair Services of Puerto Rico and allow the granting of licenses to its members without the need to take any exam, subject to compliance with certain requirements; to allow a new term of twelve (12) months for said Board, once established, to grant licenses without the need for an exam, subject to compliance with certain requirements; and for other related purposes.

### **4. Act No. 94 of August 8, 2023 (Senate Bill No. 1197)**

To amend Article 7 of Act No. 136-2006, as amended, known as the "Puerto Rico Regional Academic Medical Centers Act"; to amend subsection (c) of Article 21 of Act No. 139-2008, as amended, known as the "Medical Licensing and Discipline Board Act"; and to amend Article 41.050 of Act No. 77 of June 19, 1957, as amended, known as the "Insurance Code of Puerto Rico", in order to clarify the public policy of the Commonwealth of Puerto Rico regarding the immunity that applies to students, resident physicians, physicians in internship programs, and physicians in postgraduate training, of public and private medical-hospital institutions, including Regional Academic Medical Centers.

**5. Act No. 97 of August 9, 2023 (Senate Bill No. 1115)**

To add subsection (38) to Section 1031.02 of Act No. 1-2011, as amended, known as the "Puerto Rico Internal Revenue Code of 2011", for the purpose of exempting from income tax the salaries paid retroactively to civilian employees of the Puerto Rico Police Bureau for salary increases granted under Act No. 164-2003 and any other income generated by subsequent promotions according to salary scales, which are still owed; and for other purposes.

**6. Act No. 98 of August 29, 2023 (Senate Bill No. 0689)**

To declare the second Sunday of the month of December of each year as the "Day of Choral Music in Puerto Rico"; and for other related purposes.

**7. Act No. 99 of August 29, 2023 (Senate Bill No. 0969)**

To declare the second week of August of each year as "Employee Assistance Program Week"; to declare the Friday of the second week of August of each year as "EAP Coordinator and Director Day" for the purpose of recognizing and promoting the importance of employee assistance programs in educating, preventing and promoting healthy lifestyles for employees and their families; and for other related purposes.

**8. Act No. 100 of August 30, 2023 (Senate Bill No. 0871)**

To amend subsection (a) of Article 2.02 of Chapter II, Article 3.05 of Chapter III, and Articles 6.03 and 6.23 of Chapter VI of Act No. 168-2019, as amended, better known as the "Puerto Rico Weapons Act of 2020", to clarify that the exception of issuing a weapons license for Puerto Rico Police officers eighteen (18) years of age or older applies not only to members of the Puerto Rico Police Bureau, but also to members of the Municipal Police; and for other related purposes.

**9. Act No. 101 of August 30, 2023 (Senate Bill No. 0227)**

To create the "Act for the prevention, detection and effective treatment of postpartum depression"; to order the Secretary of the Department of Health to implement a preventive protocol for the detection of symptoms and postpartum depression disorder; to establish that health plans have the obligation to expressly cover, without prejudice to deductibles that are reasonable and lawful, the corresponding physical or emotional treatment in the event that any of their beneficiaries develop symptoms of the aforementioned disorder, or is identified as a patient at risk of suffering from it; to declare the month of May as the month of postpartum depression; to order the Department of Health to carry out media campaigns to raise awareness, consciousness and education about prepartum and postpartum depression; and to decree other complementary provisions.

**10. Act No. 102 of August 30, 2023 (Senate Bill No. 0299)**

To amend Articles 3.4 and 3.7 of Act No. 2-2018, as amended, known as the "Anti-Corruption Code for New Puerto Rico", in order to specify and reaffirm the legislative intent that the conviction of a contractor of the Government of the Commonwealth of Puerto Rico for any of the crimes established in the Act entails the immediate termination of the contract without any discretion by the relevant agency; to provide that the Government, through the Secretary of Justice, may claim compensation under Article 5.2 of this Code; and for other purposes.

**11. Act No. 103 of August 30, 2023 (Senate Bill No. 0375)**

To add a second paragraph to Article 2.12(c) of Act No. 85-2018, as amended, known as the "Puerto Rico Education Reform Act", in order to establish by law incentives for teachers of the Public Education System of Puerto Rico who move to reside temporarily or who travel daily to teach classes in the schools of the Municipal Islands of Vieques and Culebra.

**12. Act No. 104 of August 30, 2023 (Senate Bill No. 0620)**

To amend subsection (l) of Article 4 of Act No. 173-2018, cited as the "Bill of Rights of the Deaf or Hearing Impaired School Community in Puerto Rico", for the purpose of providing that the Department of Education will assign and provide deaf students under the special education program, the option of having a sign language interpreter when the need is established, and for other related matters.

**13. Act No. 105 of August 30, 2023 (Senate Bill No. 0930)**

To create the "Velda González de Modestti Boarding School Act", attached to the Office of the Women's Advocate of the Commonwealth of Puerto Rico.

**14. Act No. 106 of August 30, 2023 (Senate Bill No. 0972)**

To add a new subsection (g) and renumber current subsections (g) through (k) as new subsections (h) through (l) of Section 6020.01 of Act No. 60-2019, as amended, known as the "Puerto Rico Incentives Code", for the purposes of establishing the "Expedited Procedure for Young Doctors Entrepreneurs", so that those young people, duly admitted to the practice of medicine, pediatrics, be a dentist surgeon or practice any specialty of dentistry who submit an application for an incentive grant under Section 2100.01 of this Code, obtain their Exemption Decree under this Section of the Code expeditiously within a maximum of forty-five (45) days, counted from the date on which the incentive grant application process was completed and the payment of the fees for the corresponding procedure has been issued; and for other related purposes.

**15. Act No. 107 of August 30, 2023 (Senate Bill No. 1070)**

To amend Article 6 of Act No. 125 of May 7, 1942, as amended, known as the "Puerto Rico Ports Authority Act", so that the Ports Authority may foster and promote collaborative agreements with educational entities in the public and private sectors, as well as port authorities from other jurisdictions, to learn about and capitalize on various areas of development of the maritime industry in Puerto Rico; and for other related purposes.

**16. Act No. 108 of August 30, 2023 (Senate Bill No. 1137)**

To add a new subsection (c) to Section 2083.01 of Act No. 60-2019, as amended, known as the "Puerto Rico Incentives Code", so that a Bonafide Farmer who at the time of submitting a request for a Decree in accordance with the provisions of Subtitle F of this Code and has a current Bonafide Farmer certification issued by the Secretary of Agriculture, will be entitled to the tax benefits contained in the Act, as of the first day of the Tax Year during which he submitted the aforementioned request for a Decree, even when the request is in the evaluation stage before the Incentives Office.



**17. Act No. 109 of August 31, 2023 (Senate Bill No. 1008)**

To amend Article 4.050 of Act No. 194-2011, as amended, known as the "Puerto Rico Health Insurance Code", in order to insert a subsection (E) and provide that every health insurance organization or contracted third party shall include in the calculation or in the contribution or cost-sharing requirement any payment, discount or item that is part of an assistance program, discount plan, coupons or contribution offered to the insured by the manufacturer of the drug, considering this contribution for all purposes for the exclusive benefit of the patient in the calculation of his/her contribution.

**18. Act No. 110 of August 31, 2023 (Senate Bill No. 0014)**

To amend Article 7 of Act No. 235-2015, which created the "Multisectoral Council of the Puerto Rico Health System", attached to the Medical Sciences Campus of the University of Puerto Rico, in order to expressly include the duty of the Puerto Rico Health Insurance Administration (ASES), created under Act No. 72-1993, as amended, to provide the documentation and information necessary for the full compliance of the purposes, principles, functions and powers delegated to said Council, and for other related purposes.

**19. Act No. 111 of August 31, 2023 (Senate Bill No. 0235)**

To amend section 40 of Article 1-104 of Act No. 447 of May 15, 1951, as amended, by which the so-called "Retirement System for Employees of the Government of the Commonwealth of Puerto Rico" is created, in order to include in the definition of "High Risk Public Servants" the Medical Emergency Technicians of the Bureau of the Medical Emergency Corps of Puerto Rico, to provide that the aforementioned officials may voluntarily retire after having reached fifty-five (55) years of age and thirty (30) years of service; and for other related purposes.

**20. Act No. 112 of September 1, 2023 (Senate Bill No. 0465)**

To amend Section 15 of Act No. 120-2018, as amended, known as the "Act to Transform the Puerto Rico Electric System", for the purposes of creating the Puerto Rico Reserve of Caretakers, attached to the Puerto Rico Electric Power Authority; to provide for its composition, operation, and benefits; and for other related purposes.

**21. Act No. 113 of October 3, 2023 (Senate Bill No. 0515)**

To declare July 28 of each year as "Hepatitis Awareness Day in Puerto Rico"; order the Department of Health to develop activities to raise awareness and educate about this disease; and for other related purposes.

**22. Act No. 115 of October 3, 2023 (Senate Bill No. 0690)**

To add a new subsection (67) to section (b) of Article 2.04 of Act No. 85-2018, as amended, known as the "Puerto Rico Education Reform Act", for the purpose of providing education in guidance and awareness on diabetes, hypoglycemia and childhood obesity at the elementary, intermediate and higher levels of the public education system of Puerto Rico; and for other purposes.

**23. Act No. 117 of October 4, 2023 (Senate Bill No. 0678)**

To adopt the "Protective Law of Mothers Athletes of Puerto Rico", establish its public policy, obligations, administrative fines, and other pertinent matters.

**24. Act No. 118 of October 16, 2023 (Senate Bill No. 1033)**

To amend Article 11 of Act No. 170 of July 20, 1979, as amended, known as the "Podiatric Physician Examining Board Act", for the purposes of issuing a temporary license to podiatric physicians enrolled in a postgraduate residency program or Fellowship in Puerto Rico so that they may practice the profession within authorized locations where the podiatric physician trains within his or her postgraduate residency program or Fellowship for which such temporary license is issued; to require that they possess either a personal professional medical malpractice insurance policy or that the podiatric physician to whom such temporary license is issued has been included within the coverage of the professional medical malpractice insurance policy of the postgraduate residency program or Fellowship where the podiatric physician is working under training; and for other related purposes.

**25. Act No. 123 of November 6, 2023 (Senate Bill No. 0258)**

To amend subsection (ccc) of Article 1.03, add a subsection (l) to Article 2.02, amend Article 2.04, amend paragraphs (c), (f), (i), and (j), add paragraphs (p), (q), and (r) and renumber current paragraph (p) as (s) to Article 5.02, amend paragraph (e) of Article 5.04, and add an Article 4.16 to Act No. 247-2004, as amended, known as the "Puerto Rico Pharmacy Law", for the purpose of facilitating the transmission of prescriptions to pharmacies; facilitating communication between those pharmacies that decide to share databases; making the process of renewing pharmacists' licenses more practical, establishing standards on the process of dispensing a prescription in the absence of a pharmacist, and providing for the early vaccination process; and for other related purposes.

**26. Act No. 124 of November 6, 2023 (Senate Bill No. 0834)**

To amend subsection (b) of Article 2.034 of Act No. 107-2020, as amended, known as the "Municipal Code of Puerto Rico", for the purpose of increasing to one thousand dollars (\$1,000.00) the maximum amount of donations that a mayor may offer, in emergency situations, to natural persons without prior ordinance or resolution of the Municipal Legislature and so that, in exceptional cases of loss due to fire, floods, meteorological events or earthquake, the amount to be donated may rise up to a maximum of two thousand five hundred dollars (\$2,500.00).

**27. Act No. 125 of November 6, 2023 (Senate Bill No. 1027)**

To insert a new Article 2.38 to Act No. 22-2000, as amended and known as the "Puerto Rico Vehicle and Traffic Law" for the purpose of creating a distinctive license plate for veteran police officers of the Puerto Rico Police in recognition of their work providing security and protection to the country; to renumber current Articles 2.38, 2.39, 2.40, 2.41, 2.42, 2.43, 2.44, 2.45, 2.46 and 2.47, as new Articles 2.39, 2.40, 2.41, 2.42, 2.43, 2.44, 2.45, 2.46, 2.47 and 2.48; and for other related purposes.

**28. Act No. 126 of November 10, 2023 (Senate Bill No. 0045)**

To amend Articles 2.02, 3.02, 4.02, 5.02 and 6.02 of Act No. 20-2017, as amended, known as the "Puerto Rico Department of Public Safety Act", for the purpose of expanding and standardizing the requirements to fill the positions of Commissioner of the Police Bureau, Commissioner of the Fire



Department, Commissioner of 9-1-1 Emergency Systems, Commissioner of Emergency Management and Disaster Administration, and Commissioner of the Medical Emergency Corps; and for other related purposes.

**29. Act No. 127 of November 10, 2023 (Senate Bill No. 1119)**

To insert a new subsection (4) in Article 6 of Act No. 51-1996, as amended, known as the "Comprehensive Educational Services for Persons with Disabilities Act", in order to include, among the functions of the Auxiliary Secretariat of Comprehensive Educational Services for Persons with Disabilities, the orientation of parents of students in the Special Education Program who are about to reach the age of majority, on the figure of extended parental authority; to renumber the current subsections 4 to 21 of Article 6 of Act No. 51-1996, as the new subsections 5 to 22, respectively; and for other related purposes.

**30. Act No. 128 of November 13, 2023 (Senate Bill No. 0010)**

To amend Article 2 of Act No. 35-1994, as amended, to provide that any person suffering from a medical emergency or a woman in labor who goes to the emergency room of a public or private hospital shall not be denied hospital medical services on the basis of race, color, sex, age, religion, birth, ethnic or national origin or identification, political ideology, present or future physical or mental disability, socioeconomic status, gender identity, sexual orientation, or immigration status; to amend Article 3 of Act No. 25 of September 25, 1983, as amended, in order to prohibit any public or private school in Puerto Rico from discriminating against students who do not have their vaccination certificate up to date due to their immigration status and to order, in turn, that the educational institution make all pertinent arrangements with the Department of Health so that said boy or girl receives the required vaccination, regardless of the immigration status of the student or his or her parents, guardian or custodian; and for other related purposes.

**31. Act No. 129 of November 13, 2023 (Senate Bill No. 0304)**

To amend Article 9, Section 9.1, subsection (3) (b) of Act No. 8-2017, as amended, known as the "Act for the Administration and Transformation of Human Resources in the Government of Puerto Rico"; and Article 2.04, subsection (3) (b) of Act No. 26-2017, as amended, known as the "Fiscal Plan Compliance Act"; in order to increase the period of maternity leave; and for other purposes.

**32. Act No. 135 of December 20, 2023 (Senate Bill No. 0895)**

To amend Articles 2, 5, 6, and 9 of Act No. 508-2004, as amended, known as the "Roosevelt Roads Naval Station Lands and Facilities Redevelopment Authority Act" to modify the authority of the Roosevelt Roads Naval Station Lands and Facilities Redevelopment Authority; to increase the term of the Executive Director of the Authority; to establish affordable housing in the Master Development Plan; and for other related purposes.

**33. Act No. 3 of January 10, 2024 (Senate Bill No. 0057)**

To create the "Government Retiree Benefit Act", for the purpose of providing all retired employees of the Government of the Commonwealth of Puerto Rico a twenty-five (25) percent discount on the purchase of the Internal Revenue receipt required to apply for the official Identification Card issued by the Government; to amend Article 3.24 of Act No. 22-2000, as amended, known as the "Vehicle

and Traffic Act of Puerto Rico", so that the identification issued to government retirees complies with the provisions of the REAL ID Act; and for other related purposes.

**34. Act No. 4 of January 10, 2024 (Senate Bill No. 0328)**

To declare April 14 of each year as "Ricardo Alegría's Birthday"; and for other related purposes.

**35. Act No. 5 of January 10, 2024 (Senate Bill No. 0388)**

To amend Articles 1 and 2, add a new Article 4, and renumber Article 4 as Article 5 of Act No. 166-2019, in order to establish the second week of February as the "Week of Shelters, Animal Rescuers, and Pet Awareness and Adoption in Puerto Rico", as well as to establish that the Sunday of that week in February will be celebrated as "Pet Awareness Day"; the Department of Education is authorized to establish activities during this week that promote love for animals; Act No. 205-1999 is repealed; and for other purposes.

**36. Act No. 6 of January 10, 2024 (Senate Bill No. 0466)**

To declare May 15 of each year as "Ehlers-Danlos Syndrome Awareness Day" for the purpose of educating the public on this issue; and for other related purposes.

**37. Act No. 7 of January 10, 2024 (Senate Bill No. 0696)**

To establish public policy of the Commonwealth of Puerto Rico for prevention and guidance on the different sexually transmitted infections, in order to promote and encourage citizens to be well informed on public health issues; as well as to establish responsibilities for the Department of Health and the Puerto Rico Corporation for Public Broadcasting; and for other related purposes.

**38. Act No. 8 of January 10, 2024 (Senate Bill No. 0645)**

To establish public policy in Puerto Rico, and order the development of the Plan for Prevention, Action and Mitigation of Active Shooters in government facilities, educational areas and other facilities of intensive public use in Puerto Rico; and for other related purposes.

**39. Act No. 9 of January 10, 2024 (Senate Bill No. 0616)**

To amend Section 2011.04 of Act No. 60-2019, as amended, known as the "Puerto Rico Incentives Code", in order to recognize the power of municipal governments to grant exemptions from the various items of municipal taxes in excess of the fifty percent (50%) provided by Law; and to introduce technical amendments.

**40. Act No. 10 of January 10, 2024 (Senate Bill No. 1064)**

To amend Articles 4 and 9 of Act No. 114-2007, as amended, known as the "Net Metering Program Act at the Electric Power Authority", to restate the term provided for conducting a study on net metering and distributed energy; and for other purposes.

**41. Act No. 11 of January 10, 2024 (Senate Bill No. 0919)**

To amend Articles 3, 4, 8, 9, 10, 19, 21, 22, and 27 of Act No. 296-2002, as amended, known as the "Puerto Rico Anatomical Donations Act", for the purpose of providing that, from those cadavers under the jurisdiction of the State, the pathologist, forensic pathologist, ophthalmologist, surgeon, or their assistants, may remove the corneas, glands, organs, tissues, or other parts, to be delivered to the Board for the Disposition of Human Bodies, Organs, and Tissues; to make technical corrections to the Act; and for other related purposes.

**42. Act No. 20 of January 10, 2024 (Senate Bill No. 0837)**

To create the "Anti-Cyber Discrimination Act" in order to eliminate technological barriers to the availability of public services, to provide that every government agency that offers public services through a digital platform will have the obligation to maintain the alternative that said services can be requested through traditional means, including in person or through printed forms, so that the services are accessible to all persons, regardless of their socioeconomic limitations, age, education, physical or cognitive skills, or functional diversity, among others; and for other related purposes.

**43. Act No. 21 of January 16, 2024 (Senate Bill No. 1018)**

To amend Article 25 of Act No. 45 of April 18, 1935, as amended, known as the "Workers' Compensation System Act"; to amend Articles 15.01, 15.03, and 23.13 of Act No. 164-2009, as amended, known as the "General Corporations Law"; to amend Articles 7.207 and 7.208 of Act No. 107-2020, as amended, known as the "Municipal Code of Puerto Rico", in order to harmonize the due dates of the payrolls and payments of the different agencies and municipalities with the due date determined by the Secretary of the Treasury in the event of a postponement of due date due to an imminent threat of an atmospheric phenomenon or a disaster declared by the Governor of the Commonwealth of Puerto Rico; and for other related purposes.

**44. Act No. 22 of January 16, 2024 (Senate Bill No. 1139)**

To amend Article 9 of Act No. 213-2012, known as the "Enabling Act for the Development of Alternative Education in Puerto Rico", in order to adjust the budget allocated to the Alternative Schools Alliance and the C.A.S.A. Project so that the organizations that comprise it and the alternative educational centers can continue to offer quality educational and psychosocial services to young people who have abandoned traditional schools and can, in turn, absorb the salary increase granted to the Puerto Rican teaching staff and mitigate the increase in their operating costs as a result of the high inflation rate in the country; and for other related purposes.

**45. Act No. 23 of January 16, 2024 (Senate Bill No. 1141)**

To amend Article 5 of Act No. 25 of September 25, 1983, as amended, known as the "Act on Compulsory Immunizations for Preschool Children and Students in the Commonwealth of Puerto Rico" so that the affidavit of religious exemption does not require that the name of a religion or sect be stated, and that it does not require being signed by a minister of a religion or sect.



**46. Act No. 24 of January 16, 2024 (Senate Bill No. 0717)**

To create the "Pablo Casals Trust Law", establish and execute the new public policy for the protection of the legacy of Maestro Casals, authorize the Corporation of Musical Arts, which administers the Pablo Casals Museum, to appear by public deed to the formation of a trust that will be known as the "Pablo Casals Trust"; grant it duties and obligations by law; delimit the powers over the corpus of the trust to the trustee; establish the Pablo Casals Trust Fund, grant it control and custody of the assets that comprise it; provide for the applicable exemptions from legal liability, its accounting system, stipulate that its debts and obligations will not be debts and obligations of the Government, regarding its immunity, determine the tax treatment that will be granted to it; and to amend Articles 2 and 3 of Act No. 42-2014, as amended, known as the "Pablo Casals Museums Official Headquarters Law"; and for other related purposes.

**47. Act No. 25 of January 16, 2024 (Senate Bill No. 1254)**

To amend Article 5.14 of Act No. 58-2020, known as the "Puerto Rico Electoral Code of 2020", in order to establish a term of ten (10) days to submit requests for recusals that political parties or voters of the corresponding precinct deem appropriate.

**48. Act No. 28 of January 18, 2024 (Senate Bill No. 0076)**

To amend Section 6 of Article 6 of Act No. 72-1993, as amended, known as the "Puerto Rico Health Insurance Administration Act", and to amend Article 2.050 of Act No. 194-2011, as amended, known as the "Puerto Rico Health Insurance Code", in order to eliminate the referral requirement for beneficiaries with chronic and high-cost diseases; and for other related purposes.

**49. Act No. 29 of January 18, 2024 (Senate Bill No. 0671)**

To add subsection (l) and rename the following subsections to Article 2– Definitions of Act No. 194-2000, as amended, known as the "Patient Bill of Rights and Responsibilities Act"; to add a new subsection (i) to Article 9 of Act No. 194-2000, as amended, known as the "Patient Bill of Rights and Responsibilities Act", for the purpose of providing that every patient shall have access to the services of a clinical laboratory and to certain tests offered by such laboratories without the need for a physician's order, provided that the patient pays the costs of the test; to authorize the necessary regulations to carry out the provisions of this Act; and for other related purposes.

**50. Act No. 31 of January 18, 2024 (Senate Bill No. 0791)**

To amend subsection (i) of Article 2; amend Articles (5), (6), (7), (8), (9), (12) and (17); add a new Article 18; and renumber current Articles 18, 19 and 20 as Articles 19, 20 and 21 of Act No. 199-2015, as amended, known as the "Act for the Care of Students with Type 1 and Type 2 Diabetes in Public and Private School Institutions of Puerto Rico", in order to establish additional responsibilities for school institutions and parents, guardians or tutors of students with Diabetes; provide them with additional legal tools to avoid discrimination based on the health condition of these students; and for other related purposes.



**51. Act No. 32 of January 18, 2024 (Senate Bill No. 0880)**

To establish the “Special Fund for Social Equality” as a permanent fund tasked with funding public works aimed at combating poverty and social inequality in Puerto Rico; to give priority in its allocations to addressing the needs of marginalized communities and the most vulnerable population groups, and to increase allocations for nonprofit and community self-management entities that offer direct services to citizens; to add subsection(s) of Article 6 of Act No. 84-2021, known as the “Puerto Rico Public Policy Act to Combat Child Poverty and Social Inequality” for the purposes of having said commission administer the fund; to amend Section 6020.10 subsection (b) of Act No. 60-2019 as amended, known as the “Puerto Rico Incentives Code” for the purposes of the annual contribution of ten thousand dollars (\$10,000.00) being allocated to non-profit entities operating in Puerto Rico and to the fund created by this Act; and for other related purposes.

**52. Act No. 33 of January 18, 2024 (Senate Bill No. 0968)**

To amend Articles 1, 3, 4, 6, 7, 11, 12, 13, 15, and 16 of Act No. 167-2002, as amended, to clarify the legislative mandate that all agencies shall be authorized to have an Employee Assistance Program and an internal Program Coordinator or Director; to establish minimum education and continuing education requirements; to clarify the powers that the Mental Health and Addiction Services Administration shall have in implementing this Act; to ensure compliance in the allocation of funds for the operation of the Program; and for other related purposes.

**53. Act No. 34 of January 18, 2024 (Senate Bill No. 1040)**

To add subsections (v) and (w) to Article 23.05 of Act No. 22-2000, as amended, known as the “Vehicle and Traffic Law of Puerto Rico”, for the purposes of providing for the powers of the Secretariat of Transportation and Public Works of Puerto Rico to regulate everything related to the operations and functioning of the Traffic Management Corps, in order to optimize its functions; expressly prohibit the contracting of private entities to perform the functions and responsibilities of the Traffic Management Corps; establish performance metrics; provide for the revenues that this Corps generates through the issuance of fines; and for other related purposes.

**54. Act No. 35 of January 18, 2024 (Senate Bill No. 1101)**

To insert a new subsection (DD) in Article 3 and a new Article 13 in Act No. 430-2000, as amended, known as the “Puerto Rico Navigation and Aquatic Safety Act”, for the purposes of defining what constitutes an abandoned vessel or navigation vehicle; establishing a procedure for the disposition of such vessels and means of water transportation; renumbering Articles 13, 14, 15, and 15[bis] as new Articles 14, 15, 16, and 17, respectively; and for other related purposes.

**55. Act No. 36 of January 18, 2024 (Senate Bill No. 1218)**

To amend subsection (o) of Section 6 of Act No. 83 of May 2, 1941, as amended, known as the “Puerto Rico Electric Power Authority Act”, in order to prohibit charging customers for administrative calculation errors or estimates, only if said charge is made after one hundred twenty (120) days from the issuance of invoices for electric power consumption; to extend the provisions of this Act to all customers of the Authority, including residential, commercial, industrial and institutional customers, as well as to specify that the amounts to be charged for these concepts will not be subject to interest, surcharges or penalties and that customers may request a payment plan for the same, without being required to pay any initial deposit; and for other related purposes.



**56. Act No. 43 of February 16, 2024 (Senate Bill No. 0729)**

To amend Article 4 of Act No. 21-2021, known as the "Puerto Rico Anti-Pornographic Revenge Act", in order to classify as a less serious crime the conduct of threatening to disseminate, disclose, reveal or transfer to a third party or third parties explicit material of the victim, through any type of communication, including electronic communications or using electronic or cybernetic means of communication; to include recklessness as a subjective element of the crime; to clarify the aggravating and mitigating circumstances applicable to the serious crime defined in said Article 4; to make technical amendments; and for other related purposes.

**57. Act No. 47 of February 19, 2024 (Senate Bill No. 0531)**

To add a new Article 208-A to Act No. 146-2012, as amended, known as the "Puerto Rico Penal Code", for the purpose of establishing as a felony impersonating or representing oneself to be a law enforcement officer to commit any crime; and for other related purposes.

**58. Act No. 48 of February 19, 2024 (Senate Bill No. 1264)**

To repeal Section 3.19 and substitute a new Section 3.19 of Chapter 3 and amend Section 4.2 of Chapter 4 of Act No. 38-2017, as amended, known as the "Uniform Administrative Procedure Act of the Government of Puerto Rico", and amend the title of Chapter V and Articles 4, 10, 22, 25, 31, 32, 35, 42, 46, 50, 51, 53, 64, 66, 72 and 79 of Act No. 73-2019, as amended, known as the "General Services Administration Act for the Centralization of Procurement of the Government of Puerto Rico of 2019", in order to standardize the terms of judicial review in public bidding processes, provide for bidding methods, standardize the amounts in purchases and auctions formal and informal with the provisions of Act No. 107-2020, as amended, known as the "Municipal Code of Puerto Rico" and federal regulations; and for other related purposes.

**59. Act No. 49 of February 19, 2024 (Senate Bill No. 1352)**

To amend Articles 61.010 and 61.260, and to add a new Article 61.035 to Act No. 77 of June 19, 1957, as amended, known as the "Insurance Code of Puerto Rico", for the purposes of clarifying the purpose and scope of the Puerto Rico International Insurance Insurers and Reinsurers Act, clarifying the terms under which an international insurer or reinsurer may underwrite or reinsure risks resident, located or to be executed in the United States; establishing the obligation of the Office of the Insurance Commissioner to develop the International Insurance Center; and for other related purposes.

**60. Act No. 50 of February 21, 2024 (Senate Bill No. 1209)**

To add a new Article 6 and renumber current Articles 6 through 10 of Act No. 146-2013, as amended, known as the "Equal Opportunity and Access to Higher Education Act", for the purpose of providing the blind community with the opportunity to take the College Board exam using the Braille reading and writing system.

**61. Act No. 57 of March 27, 2024 (Senate Bill No. 0467)**

To declare February 12 of each year as "Klinefelter Syndrome Awareness Day" for the purpose of educating the public about this syndrome; and for other related purposes.

**62. Act No. 58 of March 27, 2024 (Senate Bill No. 0612)**

To amend Article 3.040, subsection (b), of Act No. 107-2020, as amended, known as the "Municipal Code of Puerto Rico"; and Articles 2.22, 6.28, in their subsections (a) (b) (c) (i) and (j), and Article 10.19 of Act No. 22-2000, as amended, known as the "Vehicle and Traffic Law of Puerto Rico", in order to clarify and standardize the process of disposal of abandoned motor vehicles, and of those unusable or junk vehicles when the owner of the vehicle cannot be identified; to reduce the terms for the Puerto Rico Police or the municipalities to dispose of those unusable, dilapidated and junk vehicles that have been abandoned; and for other purposes.

**63. Act No. 59 of March 27, 2024 (Senate Bill No. 1224)**

To amend Article 30.040 of Act No. 77 of June 19, 1957, as amended, known as the "Insurance Code of Puerto Rico", in order to reduce from six (6) years to two (2) years the term for an insurer, third party administrators (TPA), pharmacy benefit administrators or health services organization to request reimbursement of a previously paid non-processable claim to the provider; establish exceptions; and for other related purposes.

**64. Act No. 60 of March 27, 2024 (Senate Bill No. 1250)**

To insert a new Article 6; amend existing Article 18; and renumber existing Articles 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, and 20 as new Articles 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, and 21 of Act No. 149-2014, for the purpose of establishing a franchise renewal period for private aqueducts for the term originally approved; and for other related purposes.

**65. Act No. 61 of April 4, 2024 (Senate Bill No. 0158)**

To add a seventh and eighth paragraph to Article 8.4B of Act No. 161-2009, as amended, known as the "Puerto Rico Permit Process Reform Act", in order to exempt the structures and buildings of churches and ecclesiastical institutions from the obligation to install automatic fire sprinkler systems, requiring them only to have fire alarms, smoke detectors, and fire extinguishers for areas designated by qualified personnel; to provide for the instances in which the installation of automatic fire sprinkler systems will be required; and to establish that the Permit Management Office, the Fire Department Bureau, as well as any other department, agency, municipality, corporation or public instrumentality of the Government of the Commonwealth of Puerto Rico and its political subdivisions, shall review, amend or repeal their administrative regulations, administrative orders, memoranda to institute procedures, policies and permit forms with the intention of adjusting them to what is contained herein; and for other related purposes.

**66. Act No. 65 of May 2, 2024 (Senate Bill No. 0602)**

To amend Article 5.03 of Act No. 255-2002, as amended, known as the "Savings and Credit Cooperative Societies Act of 2002", to clarify the quorum required for holding a meeting on the second call; to eliminate the current waiting period for a second call and to establish a new waiting period; and for other related purposes.



**67. Act No. 66 of May 2, 2024 (Senate Bill No. 0648)**

To add a subsection 32 to Article 4 of Act No. 146-2018, known as the "Puerto Rico Gifted Student Bill of Rights", in order to establish that gifted students who receive education in the "Home Schooling" modality may participate in boarding schools, summer camps, scholarships and any other activity reserved for students enrolled in student institutions or colleges, as part of their rights to educational services aimed at meeting the interests and needs of the gifted student population.

**68. Act No. 70 of May 6, 2024 (Senate Bill No. 0434)**

To amend Articles 3, 4, and 5 of Act No. 150-1996, as amended, known as the "Puerto Rico Right to Health Act," in order to expand the definition of Remediable Catastrophic Illness to include those diseases, such as Huntington's disease, that, although the treatment does not save the patient's life, can reduce the symptoms and help extend life expectancy or help the patient to be self-sufficient as long as possible; and to authorize the Secretary of Health to establish, through regulations, the necessary parameters for the implementation of this Act.

**69. Act No. 72 of May 8, 2024 (Senate Bill No. 0438)**

To establish the Law for the Development and Operation of the "El Sueño de un Ángel" project; to order the Department of Recreation and Sports of the Commonwealth of Puerto Rico to grant, through contract, the administration and maintenance of the existing buildings on the property of twenty (20) acres of land located in the Tortuguero Sector of the Municipality of Vega Baja to the Corporation "El Sueño de un Ángel, Inc." for purposes exclusively of public recreation, for the sports, social and cultural development of the population with disabilities and senior citizens; and for other related purposes.

**70. Act No. 73 of May 8, 2024 (Senate Bill No. 1252)**

To amend Articles 1, 2, 3, 4, 5, 6, 7, 8, 10, 11, 12 and 15 of Act No. 212-2016, known as the "Read and Dream® Program for the Promotion of Reading during Early Childhood", to name said Act and Program as the "Luisa 'Piti' Gándara Read and Dream® Program for the Promotion of Reading during Early Childhood".

**71. Act No. 74 of May 10, 2024 (Senate Bill No. 0808)**

To amend Article 171 of the "Political Code of Puerto Rico" of 1902, as amended, for the purpose of clarifying the moment from which the term of office of officials appointed by the Governor of Puerto Rico and confirmed by the Senate or the Legislative Assembly of the Commonwealth of Puerto Rico begins; and to provide for the notification that the Governor must make to the Legislative Assembly.

**72. Act No. 76 of May 10, 2024 (Senate Bill No. 1357)**

To create the "Act on Raising Awareness towards the Immigrant Community in the Provision of Services of the Commonwealth of Puerto Rico"; define the public policy that will implement training in the three branches of the Government to improve the provision of services to the immigrant community, regardless of their immigration status; amend subsection (z) of Article 3 of Act No. 101-2017, known as the "Act of the Office of Legislative Services of the Legislative Assembly of Puerto Rico"; amend sub-subsection (6) of subsection (h) of subsection (2) of section (6.5) of Act No. 8-2017, as amended, known as the "Act for the Administration and Transformation of Human

Resources in the Government of Puerto Rico”; to amend Article 3.3 of Act No. 1-2012, as amended, known as the “Organic Act of the Government Ethics Office of Puerto Rico”; to amend Article 2.006 of Act No. 201-2003, as amended, known as the “Judiciary Act of the Commonwealth of Puerto Rico of 2003”; to order the updating of the regulations of said entities, to adapt them to the purposes of this Act; and for other related purposes.

**73. Act No. 84 of May 28, 2024 (Senate Bill No. 0409)**

To amend Articles 2, 3, and 5 of Act No. 133 of June 14, 1980, as amended, known as the “Motion Picture Distribution and Exhibition Fair Practices Act,” so as to eliminate the figure of the direct exhibitor by exception; to eliminate the prohibition on a motion picture exhibitor participating in the motion picture distribution industry; to eliminate the prohibition on a distribution company operating motion picture exhibition theaters; and to lower the penalties for violation of the Act from a felony to a misdemeanor; and for other related purposes.

**74. Act No. 86 of May 28, 2024 (Senate Bill No. 0809)**

To amend Article 2.019 of Act No. 201-2003, as amended, known as the “Judiciary Act of the Commonwealth of Puerto Rico of 2003”, in order to clarify the moment from which the term of the judges appointed and confirmed by the Senate of the Commonwealth of Puerto Rico begins; and to provide for the notification that the Governor must make to the Office of Court Administration and the Senate of Puerto Rico.

**75. Act No. 87 of May 28, 2024 (Senate Bill No. 1167)**

To amend Article 4, add a new Article 6, and renumber current Articles 6 and 7 as new Articles 7 and 8 of Act No. 169-2016, known as the “Mortgage Debtor Assistance Act”, in order to expand the protections provided in favor of mortgage debtors during the loss mitigation process and to impose on the Office of the Commissioner of Financial Institutions of the Commonwealth of Puerto Rico, through the Division of Financial Education, the responsibility of establishing an orientation campaign on the rights that this Act guarantees to the mortgage debtor during the loss mitigation process; and for other related purposes.

**76. Act No. 88 of May 28, 2024 (Senate Bill No. 1271)**

To amend the last paragraph of Section 10 of Act No. 212-2018, as amended, known as the “Educational Institutions Registration and Licensing Act”, in order to exempt from the requirements established in said Section 10, the study programs in establishments of the Armed Forces in Puerto Rico, if they are limited to students in active military service; to provide, further, that they must comply with the registration requirements for study programs offered to civilians in establishments of the Armed Forces in Puerto Rico that receive local funds, including the Puerto Rico National Guard youth program aimed at deserters or potential school dropouts; and for other related purposes.

**77. Act No. 89 of May 28, 2024 (Senate Bill No. 1281)**

To recognize in Puerto Rico, August 7 of each year, as the “Day of the Cyclist and Citizen Awareness”, in order to make a special distinction to all citizens who practice this sport and recreational discipline, particularly Raúl Velázquez Vázquez, Keisy Toro Espiet, as well as all cyclists who have died in accidents on public roads, and to promote greater safety on roads for these enthusiasts; and for other purposes.

**78. Act No. 90 of June 6, 2024 (Senate Bill No. 0938)**

To create the “Public Policy Act to Eliminate and Remove Invasive Plants from Water Reservoirs in Puerto Rico”, for the purposes of establishing an interagency program for the removal of invasive plants from Puerto Rico’s reservoirs; ordering the design of a joint plan to continuously comply with the purposes of the program; establishing compliance periods for these mandates; and for other related purposes.

**79. Act No. 91 of June 6, 2024 (Senate Bill No. 0939)**

To create the “Act for the Collection and Harvesting of Rainwater in Puerto Rico”, in order to promote the practice of collecting and using rainwater for non-potable purposes and thus encourage the reduction of water consumption from reservoirs managed by the Government; promote education on water resources by the Government; and for other related purposes.

**80. Act No. 93 of June 26, 2024 (Senate Bill No. 0886)**

To amend Article 13 of Act No. 216-1996, as amended, which created the Puerto Rico Corporation for Public Broadcasting in order to create a special dispensation for the Office of the Women’s Advocate so that this agency may have free time in said Corporation to educate citizens about the problem of domestic violence; and other related purposes.

**81. Act No. 94 of June 26, 2024 (Senate Bill No. 1338)**

To amend Article 4 of Act No. 108 of June 29, 1965, as amended, known as the “Act to Regulate the Professions of Private Detectives and Security Guards in Puerto Rico”, in order to establish that the minimum age required to obtain a private guard license will be 18 years old.

**82. Act No. 98 of June 28, 2024 (Senate Bill No. 1094)**

To add a new subsection (55) to Article 1.03 of Chapter I of Act No. 85-2018, as amended, known as the “Puerto Rico Education Reform Act”; to add a new Article 2.17 to Chapter II of Act No. 85-2018, as amended, known as the “Puerto Rico Education Reform Act”, in order to make visible and recognize the profession of social work in schools; and for other related purposes.

## **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 implemented policies and the performance of the mainland economy. These external factors include the exports, direct investment, Federal transfer payments, level of interest rates, rate of inflation, and tourism expenditures.

The unprecedented one-time influx of Federal funds strengthened the economy during the pandemic, but those funds are waning and may mask underlying weaknesses in Puerto Rico’s economy. Puerto Rico’s economic outlook remains uncertain as future growth is highly dependent on the Government’s ability to deploy the exceptional amount of Federal reconstruction funds that will be received through FY2035, amounting to about 145% of its 2023 GNP. The 2024 Fiscal Plan of the Puerto Rico Oversight Board assumes full deployment of disaster relief and COVID-19 relief funds by 2035; less than full deployment would substantially lower GNP growth. For example, a scenario with 50% deployment of relief funds would result in

a 1.0% decrease in average GNP growth between FY2024 and FY2028, while a scenario without the effects of relief funds would decrease the average growth over the same period by 2.1%.

The Economic Development Bank's Economic Activity Index (EDB-EAI), reached to 125.4 points in May 2024, 126.1 in June 2024 and 127.0 in July 2024; which represents decreases of 1.0%, 0.6% and 0.2%, respectively, when compared to the same period of the previous year. The recovery in economic activity maintained an up-trend pace during 28 consecutive months; which is consistent with labor reports displaying employment gains across various industries. However, energy costs remain high, inflationary pressures are still a concern, and the Russia-Ukraine and Gaza-Israel conflicts are proving to be disruptive and a major uncertainty factor.

During fiscal year 2023, the EDB-EAI, increased by 2.4% when compared to fiscal year 2022, and advanced by 1.6% during the fiscal year 2024. For the period of July – June of FY2025 it diminished by 0.2%. Moreover, an increment of 2.6% was registered during calendar year 2023, after a 3.1% growth during calendar year 2022. However, for the January – July 2024 period it weakened by 0.2% when compared to the same period of calendar year 2023.

Total non-farm payroll employment, averaged 963,800 jobs in May, 960,000 jobs in June, and 964,000 jobs in July which means a rise of 0.5% in May, a decrease of 0.4% in June and a recovery of 0.4% in July, all changes in a m-o-m basis. The annual raises were 2.5%, 2.1% and 2.3%. On the other hand, the seasonally adjusted unemployment rate in August 2024 was estimated at 5.7%. This rate represented a decrease of 0.1 percentage point compared to July 2024 (5.8%).

Electric power generation for May 2024, totaled 1,650.9 million kWh, for June 1,628.5 million kWh and for July 1,647.4 million kWh. These results indicated an advance of 4.1% in May, a decay of 1.4% in June and a recovery of 1.2% for July, all on a m-o-m basis. The y-o-y results were an increment of 2.5% for May but declines of 1.2% and 0.2% for June and July.

The preliminary estimate for gasoline consumption in May 2024 totaled 64.2 million of gallons, in June 64.6 millions of gallons and in July 66.5 million of gallons showing increases of 2.5%, 0.6% and 2.9%, all percentages with respect to the previous month. It showed falls of 8.1%, 11.2% and 10.6% when compared to the same month of the previous year.

Cement sales, s. a., totaled 1.17 million of 94lb. bags for May 2024, with an expansion of 0.9% on a m-o-m basis, and a 6.8% reduction when compared to May 2023. For June they totaled 1.21 million of 94lb. bags or an advance of 2.9% on a m-o-m basis, and an increment of 2.0% on a y-o-y basis. For July sales reached 1.23 million of 94 lb. bags or a 2.1% rise compared to June 2024, and a 3.1% compared to July 2023.

The EDB-EAI reached 127.0 points in July 2024, an improvement of 0.8% on a m-o-m basis. On a y-o-y basis, the Index declined by 0.2%.

The Index grew by 2.4% during fiscal year 2023, and by 1.6% for the fiscal year 2024. Similarly, for the calendar year 2023 it closed with an expansion of 2.7%. However, for the period January – July of calendar year 2024, it declined by 0.2%. All the percent changes are the result of a y-o-y comparison.

The EDB-EAI y-o-y percent change increased for 28 consecutive months as the restrictive measures taken to contain the effects of COVID-19 became more flexible, trailing henceforth an improvement in the economic activity.

Although job gains are evident across labor reports, particularly in industries like manufacturing, construction, trade and services, certain factors are still of concern. Inflationary trends, high energy costs and geopolitical pressures linked to the evolution of the Russia-Ukraine and the Gaza-Israel conflict add uncertainty to the Island's economic activity, as they do throughout the rest of the world.

During July 2024, the four Index's s. a. components registered monthly growth: gasoline consumption (2.9%), electric energy generation (1.2%), cement sales (2.1%) and non-farm payroll employment (0.4%).

## **BUDGET AND FISCAL POLICY**

The Required Supplementary Information section includes Budget to Actual comparison schedule for the General Fund. The Senate's budgeting process is described in the Notes to the Schedule of Revenues and Expenditures – Budget to Actual – General Fund – Non-GAAP Budgetary Basis. This schedule presents the fund' original budget, final budget, actual expenditures incurred on a budgetary basis, and the variance between the final budget and actual expenditures incurred. The adopted budget provides legal control over spending.

The fiscal year of the three branches of the Commonwealth of Puerto Rico begins every July 1 and ends on June 30 of the following year. 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 legislative and administrative functions. The Legislative Assembly is responsible for any variations in the budget allocations of each legislative body. Any unreserved balance is available to cover nonrecurring expenditures for a three-year period, according to Act No. 230 of July 23, 1974, as amended.

## **INTERNAL CONTROLS**

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. general 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.

## **INDEPENDENT AUDIT OF THESE FINANCIAL STATEMENTS**

Commonwealth statutes require an annual audit of the Senate's financial reports by an independent certified public accountant firm. Román Toro & Co., CPA, CSP, an independent certified public accounting firm, performed an independent audit of the Senate's basic financial statements, for the fiscal year ended June 30, 2024. The auditors have issued unmodified opinions, the most favorable outcome of the audit process. The audit described in the auditor's report is not intended to meet all requirements of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards rule (commonly called "Uniform Guidance") implemented in December 2014. Rather, the Uniform Guidance Audit Report for

the Senate is issued under separate cover. 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 statements is included in the Financial Section of this report.

## **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 Secretary of Administration 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. We welcome inquiries concerning the report and the finances of the Senate of Puerto Rico.

Respectfully submitted,







Thomas Rivera Schatz



**SENATE**  
OF THE COMMONWEALTH OF PUERTO RICO

**ANNUAL COMPREHENSIVE FINANCIAL REPORT**

LIST OF SENATORS – BY DISTRICT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024





	Name	District
	Hon. Juan Oscar Morales Rodríguez	<b>SJ-I</b>
	Hon. Nitza Morán Trinidad	<b>SJ-I</b>
	Hon. Carmelo J. Ríos Santiago	<b>BY-II</b>
	Hon. Migdalia Padilla Arvelo	<b>BY-II</b>



**SENATE**  
OF THE COMMONWEALTH OF PUERTO RICO

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**LIST OF SENATORS – BY DISTRICT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

	Name	District
	Hon. Elizabeth Rosa Vélez	<b>AR-III</b>
	Hon. Rubén Soto Rivera	<b>AR-III</b>
	Hon. Ada I. García Montes	<b>MY-IV</b>
	Hon. Migdalia González Arroyo	<b>MY-IV</b>



**SENATE**  
OF THE COMMONWEALTH OF PUERTO RICO

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**LIST OF SENATORS – BY DISTRICT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2024**





	Name	District
	Hon. Marially González Huertas	<b>PO-V</b>
	Hon. Ramón Ruiz Nieves	<b>PO-V</b>
	Hon. Héctor Santiago Torres	<b>GY-VI</b>
	Hon. Albert Torres Barrios	<b>GY-VI</b>



**SENATE**  
OF THE COMMONWEALTH OF PUERTO RICO

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

LIST OF SENATORS – BY DISTRICT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Name	District
	Hon. Rosamar Trujillo Plumay	<b>HU-VII</b>
	Hon. Wanda M. Soto Tolentino	<b>HU-VII</b>
	Hon. Javier A. Aponte Dalmau	<b>CR-VIII</b>
	Hon. Marissa Jiménez Santoni	<b>CR-VIII</b>



**SENATE**  
OF THE COMMONWEALTH OF PUERTO RICO

**ANNUAL COMPREHENSIVE FINANCIAL REPORT**

LIST OF SENATORS – AT LARGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024



Hon. José Luis Dalmau Santiago



Hon. Juan Zaragoza Gómez



Hon. William E. Villafañe Ramos



Hon. Thomas Rivera Schatz



**SENATE**  
OF THE COMMONWEALTH OF PUERTO RICO

**ANNUAL COMPREHENSIVE FINANCIAL REPORT**

**LIST OF SENATORS – AT LARGE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2024**



Hon. Gregorio Matías Rosario



Hon. Keren L. Riquelme Cabrera



Hon. María De Lourdes Santiago Negrón



Hon. Joanne M. Rodríguez Veve



**SENATE**  
OF THE COMMONWEALTH OF PUERTO RICO

**ANNUAL COMPREHENSIVE FINANCIAL REPORT**

LIST OF SENATORS – AT LARGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024



Hon. Ana Irma Rivera Lassén



Hon. Rafael Bernabe Riefkohl



Hon. Jose Antonio Vargas Vidot

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**ADMINISTRATIVE STAFF**

Gilbert Hernández Orozco – Secretary of Administration

Yamil Rivera Vélez – Chief Clerk

Javier Torres Rodríguez – Chief Sergeant of Arms

Katherine C. Walker Rodríguez – Director of Fiscal and Financial Affairs

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## **SENATE**

**OF THE COMMONWEALTH OF PUERTO RICO**

## **ANNUAL COMPREHENSIVE FINANCIAL REPORT**

**PERMANENT, SPECIAL COMMITTEES AND JOINT COMMISSIONS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

### **PERMANENT COMMITTEES**

**Agriculture and Natural Resources**

**Appointments**

**Community Initiatives, Mental Health and Addiction**

**Compliance and Restructuring**

**Cooperativism**

**Development of the Central South Region**

**Development of the Eastern Region**

**Development of the North Region**

**Development of the Southeast Region**

**Development of the Western Region**

**Essential Services and Consumer Affairs**

**Education, Tourism and Culture**

**Ethics**

**Government**

**Health**

**Human Rights and Labor Affairs**

**Innovation, Telecommunications, Urban Planning and Infrastructure**

**Internal Affairs**

**Legal and Economic Development**

**Life and Family Affairs**

**Municipal and Housing Affairs**

**Public Safety and Veteran Affairs**

**Rules and Calendars**

**Social Welfare and Old Age Affairs**

**Strategic Projects and Energy**

**Treasury, Federal Affairs and Oversight Board**

**Women's Issues**

**Youth, Recreation and Sports**

### **SPECIAL COMMITTEES**

**Special Commission for Legislative Monitoring of the Special Education Program of the Department of Education**

**Special Commission for the Eradication of Poverty**



## **SENATE**

**OF THE COMMONWEALTH OF PUERTO RICO**

## **ANNUAL COMPREHENSIVE FINANCIAL REPORT**

**PERMANENT, SPECIAL COMMITTEES AND JOINT COMMISSIONS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

### **JOINT COMMISSIONS**

**Joint Commission on Special Reports of the Comptroller**

**Joint Commission of the Córdova Fernós Congressional Internships**

**Joint Commission of the Jorge Alberto Ramos Comas Legislative Internship Program**

**Special Joint Commission on Legislative Funds for Community Impact**

**Joint Commission of the Pilar Barbosa Program of Internships in Education**

**Permanent Joint Commission for the Revision and Reform of the Civil Code of 1930**

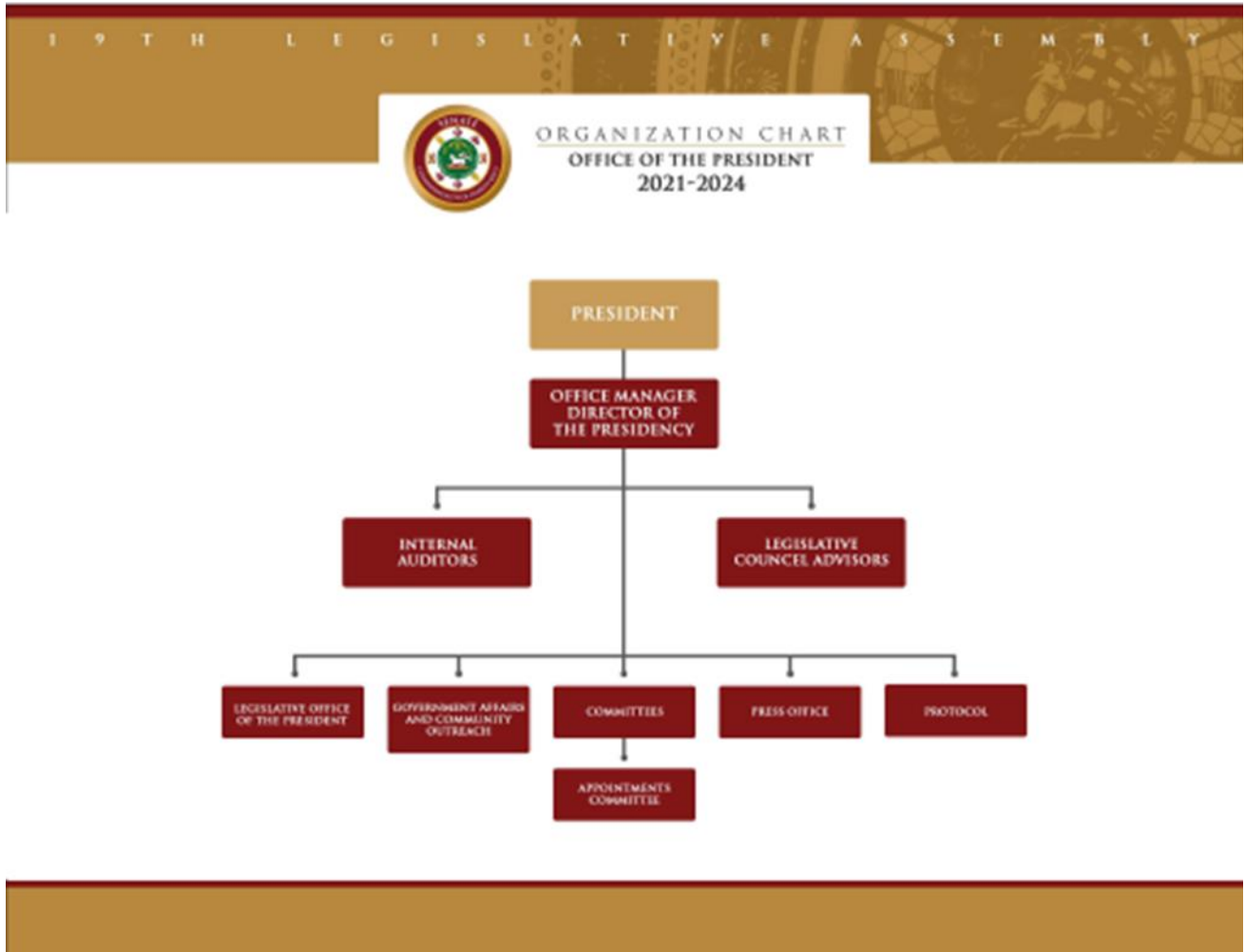
**Joint Commission for Public-Private Partnerships of the Legislative Assembly**

**Joint Commission for the Continuous Review of the Criminal Code and for the Reform of Criminal Laws**

**Joint Commission for the Review and Implementation of Administrative Regulations**

**Joint Commission on Mitigation, Adaptation and Resilience to Climate Change**

**Joint Commission for Legislative Funding for Community Impact**

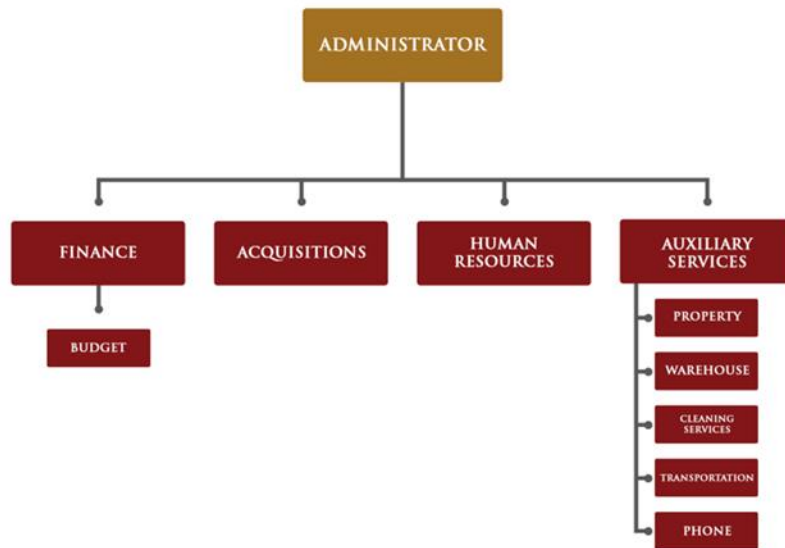




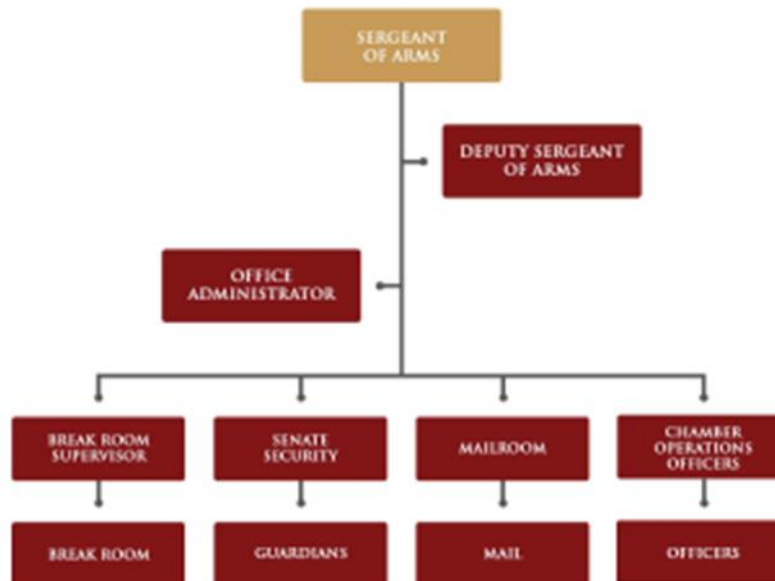
I 9 T H L E G I S L A T I V E A S S E M B L Y



ORGANIZATION CHART  
GENERAL ADMINISTRATION  
OF THE SENATE  
2021-2024









# **Annual Comprehensive Financial Report**

## **For the Fiscal Year Ended June 30, 2024**

### **Financial Section**

- Independent Auditor's Report
- Management Discussion and Analysis (Unaudited)
- Basic Financial Statements
- Notes to the Basic Financial Statements
- Required Supplementary Information (Unaudited)

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## INDEPENDENT AUDITOR'S REPORT

To the Governor of Puerto Rico  
Members of the Senate and  
Citizens of Puerto Rico

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities and each major fund of the Senate of the Commonwealth of Puerto Rico (the Senate) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Senate's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Senate of the Commonwealth of Puerto Rico, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Senate of the Commonwealth of Puerto Rico, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

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

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

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Senate's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Senate's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Revenues and Expenditures and changes in Fund Balances– Budget to Actual – General Fund-Non-GAAP Budgetary Basis, and Employees Retirement System Information on pages 37-50, 122-124, and 125-127 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2025, on our consideration of the Senate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Senate's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Senate's internal control over financial reporting and compliance.



ROMAN TORO & CO., CPA, C.S.P.  
LICENSE # 35 – IN FORCE

Yauco, Puerto Rico  
January 24, 2025



DPSC35-5  
Senate of the Commonwealth of Puerto Rico



# **Annual Comprehensive Financial Report**

## **For the Fiscal Year Ended June 30, 2024**

### **Management Discussion and Analysis**

***(Unaudited)***

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The information in this Section is not covered by the Independent Auditor’s Report but is presented as required supplementary information for the benefit of the readers of the Basic Financial Statements.

As management of the Senate of Puerto Rico (hereafter the Senate), we offer readers of the Senate’s financial statements this narrative overview and analysis of the financial activities of the Senate for the fiscal year ended June 30, 2024. The Management’s Discussion and Analysis (MD&A) is designed to achieve the following:

- Assist the reader in focusing on significant financial issues;
- provide an overview of the Senate’s financial activities;
- identify changes in the Senate’s financial position (its ability to address subsequent year’s challenges);
- identify material deviations from the financial plan (the approved budget); and
- identify individual fund issues or concerns.

Since the MD&A is designed to focus on the current fiscal year’s activities, resulting changes, and currently known facts, please read it in conjunction with the Senate’s basic financial statements beginning on page 51.

## **FINANCIAL HIGHLIGHTS**

### ***Government-Wide Financial Highlights***

- The Senate net position (deficit) amounted to (\$20,131,643) on June 30, 2024. Such net position (deficit) decreased by \$19,349,868 during the fiscal year ended June 30, 2024, when compared to the June 30, 2023 net position (deficit), amounting to (\$39,481,511). This decrease is mostly attributable to the decrease of (\$24.4) million in the reduction of pension related accounts and increase in cash balances of \$5.4 million.
- The total assets of the Senate amounted to \$19.9 million on June 30, 2024. This represented an decrease of \$4.7 million during the fiscal year ending June 30, 2024 when compared to the June 30, 2023 total assets. It is mainly attributable to a decrease in cash for the ARPA program during the fiscal year.
- The total liabilities of the Senate amounted to \$43.5 million include the accrual for vacations and sick leave in the amount of \$5.4 million, \$2.5 million due to contractors and suppliers, payroll and other accruals, \$69 thousand lease liability, \$94 thousand subscription liability (SBITAS), unearned revenues of \$319 thousand, total pension liability \$34 million, and total OPEB liability of \$1 million at the close of the fiscal year ended June 30, 2024. The Senate has the resources to meet its ongoing obligations, including the liabilities for accrued vacations and sick leave.

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### ***Governmental Fund Financial Highlights***

The fund financial statements provide detailed information about the Senate's most significant funds using the current financial resources measurement focus and modified accrual basis of accounting:

- At the close of the current fiscal year, the Senate's governmental funds reported ending fund balances of \$15.9 million, a decrease of \$2.2 million in comparison with the prior year, due principally to the use of prior years' economies to cover annual expenditures, primarily of payroll and related expenditures during the current fiscal year.
- The General Fund reported an excess of revenues over expenditures of \$2,211,628 and unassigned fund balance of \$15.7 million.

### ***General Financial Highlights***

- The Net Investment in Capital Assets from Governmental Activities as of June 30, 2024, was \$1,998,492 (\$2,162,223 of capital assets, net of accumulated depreciation/amortization, less related debt of \$163,731).
- Other noncurrent liabilities decrease by \$3,325,812. Such a decrease is principally for changes in the total pension liability for the amount of \$3.4 million during the fiscal year.
- Current assets decrease by \$5,442,176. Such a decrease is principally for changes in the cash balances.
- On a budgetary basis, actual revenues exceeded actual expenditures by \$5,097,068.

## **USING THE FINANCIAL SECTION OF THIS ANNUAL REPORT**

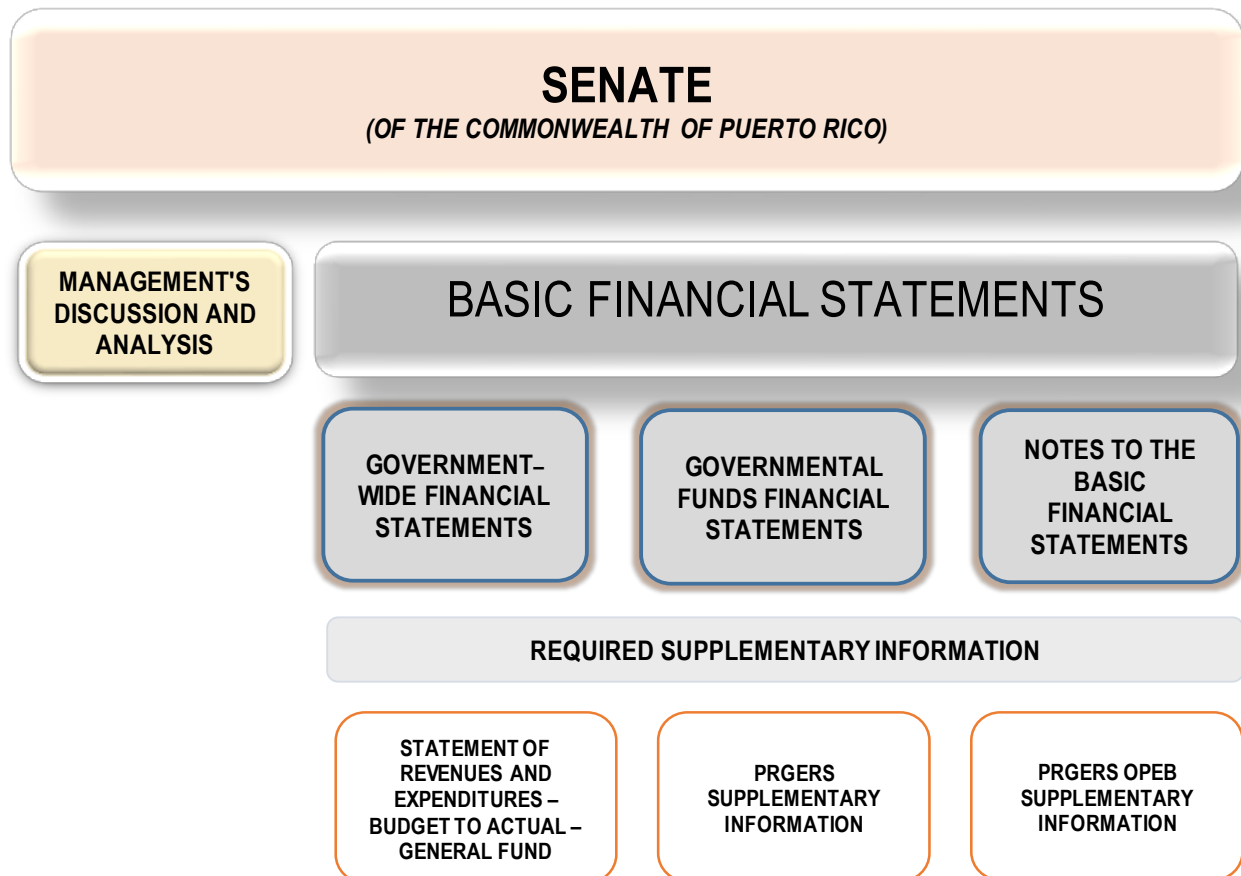
This Management's Discussion and Analysis requires supplementary information to the basic financial statements and is intended to serve as introduction to the basic financial statements of the Senate. The basic financial statements are comprised of three components: (1) Government-Wide Financial Statements (GWFS); (2) Governmental Funds Financial Statements (GFFS), and (3) Notes to the Basic Financial Statements. This report also contains the required supplementary information (Statement of Revenues and Expenditures – Budget to Actual – General Fund) and others supplementary information to the basic financial statements themselves. The focus is on both the Senate as a whole (government-wide) and the major individual funds. The dual perspectives allow the reader to address relevant questions, broaden a basis for comparison (year-to-year or government-to-government), and enhance the Senate's accountability. These components are described below in Figure 1.

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continue



Required Components of Annual Financial Reports  
Figure 1



Summary -----> Detail

### ***Basic Financial Statements***

The Senate's basic financial statements consist of two kinds of statements, each with a different view of the Senate's finances. The GWFS provides both long-term and short-term information about the Senate's overall financial status. The GFFS focuses on major aspects of the Senate's operations, reporting those operations in more detail than the government-wide financial statements. To understand the long-term impact of the Senate's near-term financing decisions, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the GWFS.

Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Senate maintains three governmental funds.



The following figure summarizes the major features of the financial statements. The overview section below also describes the structure and contents of each of the statements in more detail.

	<b>GOVERNMENT-WIDE STATEMENTS</b>	<b>GOVERNMENTAL FUND FINANCIAL STATEMENTS</b>
<b>SCOPE</b>	Entire Senate	The day-to-day operating activities of the Senate for basic governmental services
<b>ACCOUNTING BASIS AND MEASUREMENT FOCUS</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<b>TYPE OF ASSET, LIABILITY, AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES INFORMATION</b>	All assets and liabilities, both financial and capital, short-term and long-term All deferred outflows and deferred inflows of resources	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included All deferred outflows and deferred inflows of resources
<b>TYPE OF INFLOW AND OUTFLOW INFORMATION</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

- **Government-Wide Financial Statements (GWFS)**

The GWFS 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 are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. These statements present short and long-term information about the 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.

*Statement of Net Position* – Presents information on all of the Senate’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. This statement combines and consolidates the governmental fund’s current financial resources (short-term spendable resources) with capital assets and long-term obligations using the accrual basis of accounting and economic resources measurement focus.

$$\text{Net Position} = (\text{Assets} + \text{Deferred Outflows of Resources}) - (\text{Liabilities} + \text{Deferred Inflows of Resources})$$

Over time, increases or decreases in net position may serve as a useful indicator of whether its financial position is improving or deteriorating. Other non-financial factors such as the condition of the Senate’s capital assets may need to be considered to assess the overall financial position of the Senate.

continue



*Statements of Activities* – Presents information showing how the Senate's net position changed during the 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* (Accrual Basis of Accounting). Thus, revenues and expenses are reported in this statement that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 51-52 of this report.

- ***Governmental Funds Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Senate, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The fund financial statements provide more detailed information about the Senate's most significant funds. Funds are accounting devices that the Senate uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by Federal and Government regulations.

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 resources available at the end of the fiscal year. Such information is useful in evaluating the Senate's near term financial requirements.

As required by GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances for the governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government honors constraints on the specific purposes for which amounts in those funds can be spent.

In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the Senate's governmental funds reported combined ending fund balances of \$15.9 million. Approximately 99% of this amount is available for spending at the government's discretion (Unassigned Fund Balance). The remainder of the fund balance is restricted, committed or assigned to indicate that is not available for new spending because it has already been committed.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, users of the basic financial statements may better understand the long-term impact of the 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 three governmental fund and adopts an annual appropriated budget for its General Fund. A Statement of Revenues and Expenditures, and Changes in Fund Balance – Budget to Actual has been provided for the General Fund to demonstrate compliance with such a budget.

continue



The net decrease to fund balance for the General Fund for 2024 was \$2,206,884. This increase was a result of economies during the fiscal year. The Senate will continue streamlining operations throughout the Senate by freezing staff positions.

The governmental fund financial statements can be found on pages 53-56 of this report.

- **Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and can be found on pages 57-121 of this report.

- **Other Information**

The basic financial statements are followed by a section of Required Supplementary Information. This Section includes certain required supplementary information concerning the budgetary comparison to actual experience for the General Fund, as well as the Senate's progress in funding its obligation to provide pension and other post-employment benefits (OPEB) to its employees.

**Required Supplementary Information – Budgetary Information** – The Senate adopts an annual budget for its General Fund as part of the Commonwealth of Puerto Rico. Budgetary Schedule provides additional information to better understand the financial position of the Senate and contains the Schedule of Revenues and Expenditures – Budget and Actual – General Fund – Non-GAAP Budgetary Basis have been disclosed to demonstrate compliance with these budget, and are presented immediately following the notes to the basic financial statements and can be found on pages 122 through 124 of this report.

**Required Supplementary Information – Pension** – The required supplementary information reported are related to the GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68*, after fiscal year 2018, for pension liability reporting. After approval of Act No. 106-2017, the Fiduciary Fund of the Puerto Rico Government Employees Retirement System (PRGERS) was liquidated and a new defined contribution plan was created and the GASB Statement No. 73 is effective as of June 30, 2019. The required supplementary information is presented immediately following the notes to the financial statements. PRGERS has issued the required information for the fiscal year 2023-2024.

**Required Supplementary Information – OPEB Information** – The required supplementary information reported related to the GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, that replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, after fiscal year 2018, for other postemployment benefits liability reporting. The required supplementary information is presented immediately following the notes to the financial statements. PRGERS has issued the required information for the fiscal year 2023-2024.

These information for Pension Plan and OPEB Plan can be found on pages 125 through 127 of this report.

***New Significant Accounting Standards Implemented***

The provisions of the following Governmental Accounting Standards Board (GASB) Statements are effective and have been implemented, when applicable, during the fiscal year ended June 30, 2024:

- Statement No. 99, *Omnibus 2022*
- Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statements No. 62*

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

The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statements No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

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## FINANCIAL ANALYSIS OF THE BASIC FINANCIAL STATEMENTS

### Government-Wide Financial Statements Analysis

The following are the condensed Statements of Net Position for the fiscal years ended June 30, 2024 and 2023:

Senate of Puerto Rico (A Component Unit of the Commonwealth of Puerto Rico) Condensed Statements of Net Position				
	2024	2023	Change	%
Current Assets	\$ 17,777,693	\$ 23,219,869	\$ (5,442,176)	-23.44%
Non Current Assets (Including Capital Assets, Net)	2,162,223	1,387,035	775,188	55.89%
<b>Total Assets</b>	<b>19,939,916</b>	<b>24,606,904</b>	<b>(4,666,988)</b>	<b>-18.97%</b>
Deferred Outflows of Resources	4,704,141	7,002,230	(2,298,089)	-32.82%
Current Liabilities	3,416,484	5,952,266	(2,535,782)	-42.60%
Noncurrent Liabilities	40,050,496	43,376,308	(3,325,812)	-7.67%
<b>Total Liabilities</b>	<b>43,466,980</b>	<b>49,328,574</b>	<b>(5,861,594)</b>	<b>-11.88%</b>
Deferred Inflows of Resources	1,308,720	21,762,071	(20,453,351)	-93.99%
Net Position (Deficit)				
Net Invested in Capital Assets	1,998,492	1,299,458	699,034	53.79%
Restricted	190,696	185,951	4,745	2.55%
Unrestricted (Deficit)	(22,320,831)	(40,966,920)	18,646,089	-45.51%
<b>Total Net Position (Deficit)</b>	<b>\$ (20,131,643)</b>	<b>\$ (39,481,511)</b>	<b>\$ 19,349,868</b>	<b>-49.01%</b>

### Normal Impacts

Five basic (normal) transactions will affect the comparability of the *Statement of Net Position* summary presentation:

**Net-Results of Activities** – This will impact (increase/decrease) current assets and unrestricted net position.

**Borrowing for Capital** – This will increase current assets and long-term debt.

**Spending Borrowed Proceeds on New Capital** – this will reduce current assets and increase capital assets. There is a second impact, an increase in investment in capital assets and an increase in related net debt which will not change net investment in capital assets.

**Principal Payment on Debt** – This will reduce current assets and reduce long-term debt, and reduce unrestricted net position and increase net investment in capital assets.

**Reduction of Capital Assets through Depreciation** – This will reduce capital assets and net investment in capital assets.

continue



### **Current Year Impacts**

As noted earlier, net position (assets + deferred outflow of resources over liabilities + deferred inflows of resources) may serve over time as a useful indicator of a government's financial position. Assets + deferred outflow of resources are under liabilities + deferred inflows of resources by (\$20,131,643) at the close of the most recent fiscal year.

### **Net Investment in Capital Assets**

The Senate net investment in capital assets for its governmental activities amounted to \$7,530,211, net of accumulated depreciation of \$5,367,988, for a net book balance of \$2,162,223, less related debt of \$163,731 for a net investment of \$1,998,492 on June 30, 2024. These investments in capital assets include equipment, computer equipment, furniture, vehicles, and information technology. Depreciation and amortization charges totaled \$467,669 for the year ended June 30, 2024.

### **Restricted Net Position**

An additional portion of the Senate's net position (\$190,696) represents resources that are subject to external restrictions on how they may be used or by enabling legislation.

### **Unrestricted Net Position (Deficit)**

After the implementation of GASB Statement Nos. 73 and 75 adjustments and changes during the fiscal year ended June 30, 2024, and the economies generated by the Senate result in unrestricted net position (deficit) changed favorably by \$19,349,868, or a deficit decrease of 49.01%, from (\$39,481,511) to (\$20,131,643).

## ***Capital Assets and Debt Administration***

### **Capital Assets**

The Senate's investment in capital assets for its governmental activities carrying amount was \$7,530,211 on June 30, 2024, as compared to \$6,897,955 on June 30, 2023. Capital assets include equipment, computer equipment and software, furniture, and vehicles. Depreciation and amortization for the year ended June 30, 2024 and 2023 amounted to \$467,669 and \$443,085, respectively.

### **Noncurrent Liabilities**

Total liabilities of the Senate as of June 30, 2024, were \$43,466,980, of which \$5,952,266 are due within one year. Long term obligations decreased by \$3,325,812, or approximately 7.67% when compared with the prior fiscal year. The decrease is mainly related to the decrease in the amount of pension related liability. The total pension liability amounted to \$33,986,668 or 78.2% of the total liabilities of the Senate. The total pension liability changed in 2024, the ERS issue a report on February 23, 2024 providing information regarding pensions.

Additional information on the Senate's capital assets and noncurrent liabilities can be found in Notes 7 and 9 to the basic financial statements on pages 82 and 83-84 of this report.

continue



### ***Changes in Net Position***

The following **Table** presents a condensed statements of activities that reflects how the Senate net position (deficit) changed during the fiscal years ended June 30, 2024 and 2023:

Senate of Puerto Rico (A Component Unit of the Commonwealth of Puerto Rico) Condensed Statements of Activities				
	2024	2023	Change	%
<b>Expenses</b>				
Governmental Activities	\$ 12,894,837	\$ 6,135,648	\$ 6,759,189	110.16%
<b>Revenues</b>				
Legislative Appropriations	28,442,211	29,769,272	(1,327,061)	-4.46%
Other	3,802,494	6,815,609	(3,013,115)	100.00%
<b>Total Revenues</b>	32,244,705	36,584,881	(4,340,176)	-11.86%
<b>Change in Net Position</b>	19,349,868	30,449,233	(11,099,365)	-36.45%
Net Position (Deficit), As Restated, Beginning of Year	(39,481,511)	(69,930,744)	30,449,233	-43.54%
<b>Net Position (Deficit), End of Year</b>	<b>\$ (20,131,643)</b>	<b>\$ (39,481,511)</b>	<b>\$ 19,349,868</b>	<b>-49.01%</b>

### **Normal Impacts**

Four basic (normal) transactions of revenues and three of expenses will affect the comparability of the *Changes in Net Position* summary presentation:

#### Revenues:

**Economic Condition** – This will reflect a declining, stable, or growing economic environment and has a substantial impact on property, sales, income, and utility tax revenues as well as public spending habits for building permits, elective user fees, and volumes of consumption.

**Changing Patterns in Intergovernmental and Grant Revenues** (but recurring and non-recurring) – Certain recurring revenue (state shared revenues, etc.) may experience significant changes periodically while non-recurring (or one-time) grants are less predictable and often distorting in their impact on a year-to-year comparison.

#### Expenses:

**Changes in Authorized Personnel** – This will reflect a declining, stable, or growing economic environment and has a substantial impact on revenues as well as public spending habits of consumption.

**Salary Increase** – The ability to attract and retain human resources requires the Senate to strive to approach a competitive salary range position in the marketplace.

**Inflation** – While inflation has a reasonably modest impact on expenses most years, the Senate is a major consumer of certain commodities such as supplies, fuels, and parts. Some functions may experience unusual commodity-specific increases.

continue



# SENATE

OF THE COMMONWEALTH OF PUERTO RICO

## REQUIRED SUPPLEMENTARY INFORMATION –

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

### Current Year Impacts

#### Analysis of Changes in Net Position

The Senate had a decrease in legislative appropriations of \$1,327,061 or 4.46 when comparing with 2024. The Senate mayor's expenses are related to salaries, benefits that include accrued vacations and sick leave and payroll taxes, which represent approximately 76.1% of total expenses.

#### Governmental Funds Highlights

The focus of the Senate governmental funds is to provide information on near-terms inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Senate financing requirements. In addition, fund balance for the governmental funds 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 funds as of June 30, 2024 and 2023, respectively:

Senate of Puerto Rico (A Component Unit of the Commonwealth of Puerto Rico) Condensed Balance Sheets - Governmental Funds				
	2024	2023	Change	%
Total Assets	\$ 18,043,038	\$ 23,485,214	\$ (5,442,176)	-23.17%
Total Liabilities & Deferred Revenues	\$ 2,145,559	\$ 5,380,851	\$ (3,235,292)	-60.13%
Fund Balances				
Restricted	190,696	185,952	4,744	2.55%
Unassigned	15,706,783	17,918,411	(2,211,628)	-12.34%
Total Fund Balances	15,897,479	18,104,363	(2,206,884)	-12.19%
Total Liabilities and Fund Balances	\$ 18,043,038	\$ 23,485,214	\$ (5,442,176)	-23.17%

As of the end of the fiscal year 2024, the Senate governmental funds reported a combined ending balance of \$15,897,479. The general fund is the chief operating fund of the Senate. There are restricted fund balances amounting to \$190,696. Restricted fund balance reflects resources that are subject to externally enforceable legal restrictions to pay for specific program purposes. An unassigned fund balance of \$15,706,783 was reported in the governmental funds on June 30, 2024. The Senate fund balance decreased by \$2,206,884 or approximately 12.2% as a result of the current fiscal year's net changes.

The general fund budget for the fiscal year ended June 30, 2024 was \$28,248,796, a decrease of \$500,796 when compared with 2023, and the actual expenditures for the year were \$23,151,728. The total expenditures represented approximately 82.0% of the total budget availability for the fiscal year 2024, an increased by \$5,014,415 when compared with fiscal year 2023.

continue



The following table summarizes the budget revenues, expenditures and unexpended balance for fiscal years ended June 30, 2024 and 2023:

**Senate of Puerto Rico**  
**(A Component Unit of the Commonwealth of Puerto Rico)**  
**Budget Revenues and Expenditures Comparison**

	<b>2024 Budget</b>	<b>2023 Budget</b>	<b>Change</b>
Revenues			
Intergovernmental	\$ 28,248,796	\$ 27,748,000	\$ 500,796
	28,248,796	27,748,000	500,796
Expenditures	23,151,728	18,137,313	5,014,415
Unexpended Balance	\$ 5,097,068	\$ 9,610,687	\$ (4,513,619)
Expenditure Rate	81.96%	65.36%	1001.29%

**PUERTO RICO OVERSIGHT, MANAGEMENT, AND ECONOMIC STABILITY ACT (PROMESA)**

Also, attention was directed to Note 18 to the basic financial statements on pages 106-113 of this report, related to the Puerto Rico Oversight, Management, and Economic Stability Act, Pub. Law 114-187 ("PROMESA" or the "Act"), was enacted into law on June 30, 2016. The Congress had passed PROMESA on June 29, 2016, and President Obama signed the Act into law on June 30, 2016, one day before the Commonwealth of Puerto Rico was expected to, and did, default on substantial payment obligations. As part of the requirement imposed by this bill, the Commonwealth must reduce the deficit by increasing revenues and reducing expenses substantially, including subsidies to the municipalities of Puerto Rico.

Puerto Rico's economic outlook remains uncertain as future growth is highly dependent on the Government's ability to deploy the exceptional amount of Federal reconstruction funds that will be received through FY2035, amounting to about 145% of its 2023 GNP. The 2024 Fiscal Plan of the Puerto Rico Oversight Board assumes full deployment of disaster relief and COVID-19 relief funds by 2035; less than full deployment would substantially lower GNP growth. For example, a scenario with 50% deployment of relief funds would result in a 1.0% decrease in average GNP growth between FY2024 and FY2028, while a scenario without the effects of relief funds would decrease the average growth over the same period by 2.1%.

The Economic Development Bank's Economic Activity Index (EDB-EAI), reached to 125.4 points in May 2024, 126.1 in June 2024 and 127.0 in July 2024; which represents decreases of 1.0%, 0.6% and 0.2%, respectively, when compared to the same period of the previous year. The recovery in economic activity maintained an up-trend pace during 28 consecutive months; which is consistent with labor reports displaying employment gains across various industries. However, energy costs remain high, inflationary pressures are still a concern, and the Russia-Ukraine and Gaza-Israel conflicts are proving to be disruptive and a major uncertainty factor.

continue



### ***Economic Factors and Next Year Budget***

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

During fiscal year 2023, the EDB-EAI, increased by 2.4% when compared to fiscal year 2022, and advanced by 1.6% during the fiscal year 2024. For the period of July – June of FY2025 it diminished by 0.2%. Moreover, an increment of 2.6% was registered during calendar year 2023, after a 3.1% growth during calendar year 2022. However, for the January – July 2024 period it weakened by 0.2% when compared to the same period of calendar year 2023.

Electric power generation for May 2024, totaled 1,650.9 million kWh, for June 1,628.5 million kWh, and for July 1,647.4 million kWh. These results indicated an advance of 4.1% in May, a decay of 1.4% in June and a recovery of 1.2% for July, all on a m-o-m basis. The y-o-y results were an increment of 2.5% for May but declines of 1.2% and 0.2% for June and July.

The preliminary estimate for gasoline consumption in May 2024 totaled 64.2 million of gallons, in June 64.6 millions of gallons and in July 66.5 million of gallons showing increases of 2.5%, 0.6% and 2.9%, all percentages with respect to the previous month. It showed falls of 8.1%, 11.2% and 10.6% when compared to the same month of the previous year.

Cement sales, s. a., totaled 1.17 million of 94lb. bags for May 2024, with an expansion of 0.9% on a m-o-m basis, and a 6.8% reduction when compared to May 2023. For June they totaled 1.21 million of 94lb. bags or an advance of 2.9% on a m-o-m basis, and an increment of 2.0% on a y-o-y basis. For July sales reached 1.23 million of 94 lb. bags or a 2.1% rise compared to June 2024, and a 3.1% compared to July 2023.

The EDB-EAI reached 127.0 points in July 2024, an improvement of 0.8% on a m-o-m basis. On a y-o-y basis, the Index declined by 0.2%.

The Index grew by 2.4% during fiscal year 2023, and by 1.6% for the fiscal year 2024. Similarly, for the calendar year 2023 it closed with an expansion of 2.7%. However, for the period January – July of calendar year 2024, it declined by 0.2%. All the percent changes are the result of a y-o-y comparison.

The EDB-EAI y-o-y percent change increased for 28 consecutive months as the restrictive measures taken to contain the effects of COVID-19 became more flexible, trailing henceforth an improvement in the economic activity.

Although job gains are evident across labor reports, particularly in industries like manufacturing, construction, trade and services, certain factors are still of concern. Inflationary trends, high energy costs and geopolitical pressures linked to the evolution of the Russia-Ukraine and the Gaza-Israel conflict add uncertainty to the Island's economic activity, as they do throughout the rest of the world.

During July 2024, the four Index's s. a. components registered monthly growth: gasoline consumption (2.9%), electric energy generation (1.2%), cement sales (2.1%) and non-farm payroll employment (0.4%).

### **Employment**

The Governor of PR, Pedro Pierluisi Urrutia, signed on February 18, 2022, the Administrative Statement 2021-023, which increased the minimum wage to \$10.95 per hour for construction workers of reconstruction projects financed with Federal funds. In addition, it created the Multisectoral Advisory Council of Project Labor Agreements to establish the guidelines and protocols to develop a Project Labor Agreement as a requirement to bid and contract with Federal funds.



## SENATE

OF THE COMMONWEALTH OF PUERTO RICO

### REQUIRED SUPPLEMENTARY INFORMATION –

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Construction workers will receive a wage increase on Puerto Rico reconstruction, or recovery projects paid, in whole or in part, with Federal funds. Specialized workers will be paid \$15.00 an hour, while the salary for laborers will be \$11.00 an hour. The increase will apply to government construction projects for the reconstruction and recovery of the archipelago after the hurricanes of 2017 and the earthquakes of 2020. The public policy is consistent with U.S. President Joe Biden's administration, which mandated a minimum wage of \$15.00 an hour for employees of Federal government contractors. The implementation will begin with a pilot program for the Incorporation of Labor Agreements that will be implemented only in the construction projects of more than \$5 million fully or partially paid for with Federal funds allocated to the reconstruction from the Public Assistance program of the Federal Emergency Management Agency (FEMA) under Section 406 of the Stafford Act.

Total non-farm payroll employment, averaged 963,800 jobs in May, 960,000 jobs in June, and 964,000 jobs in July which means a rise of 0.5% in May, a decrease of 0.4% in June and a recovery of 0.4% in July, all changes in a month basis. The annual raises were 2.5%, 2.1% and 2.3%. On the other hand, the seasonally adjusted unemployment rate in August 2024 was estimated at 5.7%. This rate represented a decrease of 0.1 percentage point compared to July 2024 (5.8%).

The Senate adopted the 2024-2025 fiscal year budgets on July 1, 2024. The legislative appropriations for the fiscal year ending June 30, 2025 amount to \$27,080,000, an increase of \$82,000, when compared with 2023-2024 budget.

### 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: Senate of the Commonwealth of Puerto Rico, Secretary of Administration, Office of Fiscal and Financial Affairs, PO Box 9022228, San Juan, PR 00902-2228.



# Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2024

## Basic Financial Statements

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**SENATE**  
**OF THE COMMONWEALTH OF PUERTO RICO**

**STATEMENT OF NET POSITION**  
**JUNE 30, 2024**

	<b>GOVERNMENTAL ACTIVITIES</b>
<b>ASSETS:</b>	
Current Assets:	
Cash	\$ 17,740,397
Account Receivables (Net)	37,296
<b>Total Current Assets</b>	<b>17,777,693</b>
Non-Current Assets:	
Capital Assets, Net	2,162,223
<b>Total Non-Current Assets</b>	<b>2,162,223</b>
<b>TOTAL ASSETS</b>	<b>19,939,916</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Pension Related	4,570,361
OPEB Related	133,780
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>4,704,141</b>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	1,263,738
Accrued Liabilities	297,497
Christmas Bonus	901,323
Unearned Revenues – Covid Related	318,979
Short-Term Obligations:	
Leases Liability (Intangible Right-To-Use)	69,231
Subscription Liability (SBITAS)	94,500
Compensated Absences	471,216
<b>Total Current Liabilities</b>	<b>3,416,484</b>
Non-Current Liabilities:	
Compensated Absences	4,988,234
Total OPEB Liabilities	1,075,594
Total Pension Liabilities	33,986,668
<b>Total Non-Current Liabilities</b>	<b>40,050,496</b>
<b>TOTAL LIABILITIES</b>	<b>43,466,980</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Employees Retirement System Related	1,308,720
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,308,720</b>
<b>NET POSITION (DEFICIT):</b>	
Net Investment in Capital Assets	1,998,492
Restricted for:	
Subsidies and Incentives	190,696
Unrestricted (Deficit)	(22,320,831)
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>\$ (20,131,643)</b>

The accompanying Notes to the Basic Financial Statements are an integral part of this Statement.



**SENATE**  
OF THE COMMONWEALTH OF PUERTO RICO

**STATEMENT OF ACTIVITIES**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
Governmental Activities:					
General Government – Administrative and Operating	\$ 12,894,837	\$ -	\$ 3,802,494	\$ -	\$ (9,092,343)
Total Primary Government	\$ 12,894,837	\$ -	\$ 3,802,494	\$ -	(9,092,343)
General Revenues:					
Intergovernmental					28,442,211
Total General Revenues					28,442,211
CHANGES IN NET POSITION					
Net Position – Beginning of Year					(39,481,511)
NET POSITION – ENDING OF YEAR					
					\$ (20,131,643)

The accompanying Notes to the Basic Financial Statements are an integral part of this Statement.



**SENATE**  
OF THE COMMONWEALTH OF PUERTO RICO

**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2024**

	GENERAL FUND	SPECIAL FUND	ARPA FUND	TOTAL FUNDS
<b>ASSETS:</b>				
Cash	\$ 16,652,023	\$ 451,580	\$ 636,794	\$ 17,740,397
Account Receivables, Net	5,457	31,839	-	37,296
Due from Other Funds	265,345	-	-	265,345
<b>Total Assets</b>	<b>\$ 16,922,825</b>	<b>\$ 483,419</b>	<b>\$ 636,794</b>	<b>\$ 18,043,038</b>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 945,923	\$ -	\$ 317,815	\$ 1,263,738
Accrued Liabilities	270,119	27,378	-	297,497
Due to Other Funds	-	265,345	-	265,345
Unearned Revenues	-	-	318,979	318,979
<b>Total Liabilities</b>	<b>1,216,042</b>	<b>292,723</b>	<b>636,794</b>	<b>2,145,559</b>
<b>FUND BALANCES:</b>				
Restricted	-	190,696	-	190,696
Unassigned	15,706,783	-	-	15,706,783
<b>Total Fund Balances</b>	<b>15,706,783</b>	<b>190,696</b>	<b>-</b>	<b>15,897,479</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 16,922,825</b>	<b>\$ 483,419</b>	<b>\$ 636,794</b>	<b>\$ 18,043,038</b>

The accompanying Notes to the Basic Financial Statements are an integral part of this Statement.



**SENATE**  
**OF THE COMMONWEALTH OF PUERTO RICO**

**RECONCILIATION OF THE BALANCE SHEET –  
GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE**

**STATEMENT OF NET POSITION**  
**JUNE 30, 2024**

<b>Total Fund Balances – Government Funds (Page 53)</b>	<b>\$ 15,897,479</b>
Amount reported for Governmental Activities in the Statement of Net Position (Page 51) are different because:	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds. In the current period, these amounts are:	
Capital Assets	\$ 7,530,211
Accumulated Depreciation and Amortization	<u>(5,367,988)</u>
Total Capital Assets	2,162,223
Deferred Outflows of Resources in Governmental Activities are paid in the current available soon period and therefore are reported in the funds.	4,704,141
Deferred Inflows of Resources in Governmental Activities corresponded to future period and therefore are not reported in the funds.	(1,308,720)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Christmas Bonus	(901,323)
Leases Liability (Intangible Right-To-Use)	(69,231)
Subscription Liability (SBITAS)	(94,500)
Accrued Compensated Absences	(5,459,450)
Total Pension Liability	(33,986,668)
Total OPEB Liability	<u>(1,075,594)</u>
Total Long-Term Liabilities	<u>(41,586,766)</u>
<b>Total Net Position (Deficit) of Governmental Activities (Page 51)</b>	<b><u>\$ (20,131,643)</u></b>

The accompanying Notes to the Basic Financial Statements are an integral part of this Statement.



**SENATE**  
OF THE COMMONWEALTH OF PUERTO RICO

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**

**IN FUND BALANCE – GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

	GENERAL FUND	SPECIAL FUND	ARPA FUND	TOTAL FUNDS
<b>REVENUES:</b>				
Intergovernmental	\$ 28,248,796	\$ 193,415	\$ -	\$ 28,442,211
Federal Awards	-	-	3,802,494	3,802,494
<b>Total Revenues</b>	<b>28,248,796</b>	<b>193,415</b>	<b>3,802,494</b>	<b>32,244,705</b>
<b>EXPENDITURES:</b>				
Current				
General Government - Administrative and				
Operating Activities	29,798,142	188,671	3,290,135	33,276,948
Capital Outlays	573,717	-	676,090	1,249,807
Debt Service:				
Principal	87,577	-	42,570	130,147
Interest	988	-	-	988
<b>Total Expenditures</b>	<b>30,460,424</b>	<b>188,671</b>	<b>4,008,795</b>	<b>34,657,890</b>
<b>EXCESS OF REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>(2,211,628)</b>	<b>4,744</b>	<b>(206,301)</b>	<b>(2,413,185)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Other Financing Sources - (Intangible Right-To-Use)	-	-	206,301	206,301
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>206,301</b>	<b>206,301</b>
<b>Net Change in Fund Balances</b>	<b>(2,211,628)</b>	<b>4,744</b>	<b>-</b>	<b>(2,206,884)</b>
Fund Balances – Beginning	17,918,411	185,952	-	18,104,363
<b>FUND BALANCES – ENDING</b>	<b>\$ 15,706,783</b>	<b>\$ 190,696</b>	<b>\$ -</b>	<b>\$ 15,897,479</b>

The accompanying Notes to the Basic Financial Statements are an integral part of this Statement.



**SENATE**  
OF THE COMMONWEALTH OF PUERTO RICO

**RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE – GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**Net Change in Fund Balances – Government Funds (Page 55)** **\$ (2,206,884)**

Amount reported for Governmental Activities in the Statement of Activities (Page 52)  
are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of  
Activities the cost of those assets is allocated over their estimated useful lives and reported  
as depreciation expense. In the current period, these amounts are:

Depreciation and Amortization Expense	\$ (467,669)	
Capital Outlays	1,249,807	
Excess of Depreciation Expense over Capital Outlays		782,138

Governmental Funds only report the proceeds received in the disposal of assets. In the Statement  
of Activities, a gain or loss is reported for each disposal. Thus, the change in net assets differs  
from the change in fund balance by the cost of the disposed asset (6,950)

Proceed of Loan provide current financial resources to governmental funds, but issuing debt  
increase Noncurrent Liabilities in the Statement of Net Position. In the current period, proceeds  
corresponded to the implementation of GASB Statement No. 96, Subscription Liability (SBITAS) (206,301)

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	(1,175,462)	
Principal Payments on Leases Liability (Intangible Right-To-Use)	105,577	
Change in Subscription Liability (SBITAS)	24,570	
Change in Total OPEB Liability	130,016	
Change in Christmas Bonus	(199,563)	
Change in Total Pension Liability	22,102,727	
Total Additional Expenses		20,987,865

**Change in Net Position of Governmental Activities (Page 52)** **\$ 19,349,868**

The accompanying Notes to the Basic Financial Statements are an integral part of this Statement.



# SENATE

OF THE COMMONWEALTH OF PUERTO RICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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## **1. FINANCIAL REPORTING ENTITY**

The accompanying financial statements present information on the financial activities of the Senate of the Commonwealth of Puerto Rico over which the President and Senators, have direct or indirect governing and fiscal control. These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for State and Local Governments in the United States of America as prescribed by the Government Accounting Standard Board (GASB).

### **A. Organization**

The 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 composed of two bodies: a Senate and a House of Representatives, whose members will be elected through direct vote in each general election. This four-year term, the Senate is composed of twenty-seven senators who are elected by the citizens. The majority and minority caucuses 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 Senate and the House of Representatives enact and approve all legislation related to public safety, public health, public housing, public works and transportation, culture and recreation, welfare, urban development, education, and economic development; while the Executive Branch executes the legislation to provide such services to the citizens of the Commonwealth of Puerto Rico.

### **B. Reporting Entity**

The 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 No. 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.

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

There are two methods of presentation of the component unit in the financial statements: blending – the financial data of the component unit's balances and transactions in a manner similar to the presentation of the Senate's balances and transactions; and discrete – presentation of the component unit's financial data in column separates from the Senate's balances and transactions. The relative importance of each criterion must be evaluated in light of specific circumstances in order to determine which components units are to be included as part of the reporting entity. Based on these criteria, there are no other organizations which should be included in these basic financial statements.



**1. FINANCIAL REPORTING ENTITY – continuation**

**C. Going Concern Evaluation**

On an annual basis, as required by Governmental Accounting Standards Board (“GASB”) Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, the Senate performs an evaluation to determine whether there are conditions or events (known and reasonably knowable), considered in the aggregate, that raise substantial doubt about the Senate’s ability to continue as a going concern within one year for the twelve (12) months beyond the financial statements date, including any currently known information that raise substantial doubt shortly thereafter. Management has concluded that there is no material uncertainty related to the Senate’s ability to continue as a going concern through the date the financial statements were available to be issued.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements present the financial position of the Governmental Activities, each major fund, and the aggregate remaining fund information of the Senate, as of June 30, 2024, and the respective changes in financial position, and the cash flows, where applicable, thereof for the fiscal year then ended. The Senate follows accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Boards (GASB) that is the accepted standard-setting body for established governmental accounting and financial reporting principles.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, identifies GASB Statements and Interpretations as sources of accounting and financial reporting guidance in Category A of the hierarchy of generally accepted accounting principles (GAAP) for state and local governments. As presented in those documents, standards of governmental accounting and financial reporting, interpretations, and glossary definitions are approved by the GASB and are authoritative as Category A guidance.

GASB Statement No. 76 also identifies GASB Technical Bulletins, GASB Implementation Guides, and literature of the American Institute of Certified Public Accountants cleared by the GASB as sources of accounting and financial reporting guidance in Category B of the hierarchy of GAAP for state and local governments. As presented in those documents, questions and responses, questions and answers, and glossary definitions are cleared for issuance by the GASB and are authoritative as Category B guidance.

The more significant of the Senate’s accounting policies are described below.

**A. Basic Financial Statements Presentation**

The accompanying basic financial statements of the Senate present the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Senate, as of June 30, 2024, the respective changes in financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the fiscal year ended June 30, 2024, in conformity with GAAP as applicable to local governmental units, as prescribed by the GASB. The basic financial statements include both government-wide (based on the Senate as a whole) and fund financial statements, which provide a more detailed level of financial information. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental type.



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation**

The financial information of the Senate is presented in this report as follows:

### ***Required Supplementary Information – Management’s Discussion and Analysis (Unaudited)***

Management’s discussion and analysis requires supplementary information that introduces the basic financial statements and provides an analytical overview of the Senate’s financial activities.

### ***Government-Wide Financial Statements (GWFS)***

While separate government-wide and governmental fund financial statements are presented, they are interrelated. The GWFS (the *Statement of Net Position* and the *Statement of Activities*) are reported using the economic resources measurement focus and the accrual basis of accounting on all the activities of the Senate. Revenues from grants and other contributions are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Senate must provide local resources to be used for specified purposes, and expenditure requirements, in which the resources are provided to the Senate on a reimbursement basis.

The focus of GWFS is on the operational accountability of the Senate as a single economic unit and not on compliance with budgets, regulatory requirements or on the use of available or currently expendable financial resources (referred to as fiscal accountability). Operational accountability is the Senate’s responsibility to report to the extent to which it has met its operating objectives efficiently and effectively, using all resources available for that purpose.

The *Statement of Net Position* is designed to be similar to bottom line results for the Senate’s Governmental Activities. This statement combines and consolidates governmental fund’s current financial resources (short-term spendable resources) with capital assets and long-term obligations. The *Statement of Net Position* presents the reporting entities’ assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net positions are classified as net investment in capital assets, restricted when constraints are placed on them that are imposed by external parties or by laws or regulations, and unrestricted. Designations solely imposed by the Senate’s management are not presented as restricted net position.

The *Statement of Activities* presents a comparison between direct expenses and program revenues for the activities of the Senate and for each function of the Senate’s Governmental Activities. *Direct expenses* are those that are clearly identifiable with a specific function or segment.

### ***Governmental Funds Financial Statements (GFFS)***

The GFFS (the *Balance Sheet*, and the *Statement of Revenues, Expenditures and Changes in Fund Balance*) provide information about the Senate’s funds. The emphasis of fund financial statements is on major governmental, each displayed in a separate column.

Each fund is a separate accounting entity with a self-balancing set of accounts used to record the financial transactions and balances of that entity. Individual funds have been established as stipulated by legal provisions or by administrative discretion. The Senate uses fund accounting, which is designed to demonstrate legal compliance and to segregate transactions related to certain government functions or activities.



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation**

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

The Senate reports the following major governmental funds:

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

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

ARPA Fund – This is the fund used to account for transactions of funds received for the Coronavirus State and Local Fiscal Recovery Funds program.

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

The financial statements of the governmental funds are the following:

*Balance Sheet* – Report's information on June 30, 2024 about the current financial resources (assets, liabilities, deferred inflows of resources and fund balances) of each major governmental fund.

*Statement of Revenues, Expenditures and Changes in Fund Balances* – Report's information about the inflows, outflows and balances of current financial resources of each major governmental fund for the fiscal year ended June 30, 2024.

Since the GFFS are presented in a different measurement focus and basis of accounting than the GWFS, reconciliation is presented and separate explanation for each difference.

During the course of operations, the Senate has activity between funds for various purposes. Any residual balances outstanding at year end is reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the GWFS. Balances between the funds included in Governmental Activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the Governmental Activities column.

Further, certain activity occurs during the fiscal year involving transfers of resources between funds. In GFFS these amounts are reported as gross amounts as transfers in/out. While reported in GFFS, certain eliminations are made in the preparation of the GWFS. Transfers between the funds included in Governmental Activities are eliminated so that only the net amount is included as transfers in the Governmental Activities column.

continue



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation**

The Senate reports its financial position (*Balance Sheet*) and results of operations in funds (*Statement of Revenues, Expenditures and Changes in Fund Balances*), which are considered separate accounting entities. The operations of each fund are accounted for within a set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with legal, financial, and contractual provisions.

### ***Notes to the Basic Financial Statements***

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

### ***Required Supplementary Information – Statement of Revenues and Expenditures and Changes in Fund Balance – Budget to Actual – General Fund – Non-GAAP Budgetary Basis (Unaudited)***

The *Statement of Revenues and Expenditures and Changes in Fund Balance – Budget to Actual – General Fund*, includes reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund as presented in the GFFS.

### ***Required Supplementary Information – Employees Retirement System (Unaudited)***

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, that was effective for the Senate's fiscal year beginning July 1, 2014, revises existing standards for measuring and reporting pension liabilities for pension plans provided by the Senate to its employees, and required supplementary information that include the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Senate's Contributions to the Employees' Retirement Systems. After approval of Act No. 106-2018, the Fiduciary Fund of the Puerto Rico Government Employees Retirement System (PRGERS) was liquidated and a new define contribution plan was created and the GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68*, is effective as June 30, 2019.

### ***Required Supplementary Information – Other Postemployment Benefits (OPEB) (Unaudited)***

The contribution requirement of ERS Medical Insurance Plan Contribution (MIPC) is established by Act No. 95 approved on June 29, 1963. There are no member or employer contributions on behalf of the MIPC. This benefit is financed on a "Pay-As-You-Go" basis from the General Fund of the Commonwealth 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 Commonwealth's general assets that are used to pay this benefit.

In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, changes similar to those implemented on GASB No. 67, *Financial Reporting for Pension Plans*, and No. 68, *Accounting and Financial Reporting for Pensions* should be made. As of June 30, 2023, the PRGERS has issued the information in order to properly adjust and disclose the deferred outflow/inflow of resources, and Total OPEB obligation applicable to the Senate.



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation**

### **B. Measurement Focus and Basis of Accounting**

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

#### ***Government-Wide Financial Statements***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met. The Statement of Net Position presents the assets and liabilities with the difference reported as net position. Net position is reported in three categories.

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

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

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

#### ***Governmental Funds Financial Statements***

The GFFS are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Senate considers revenues to be available if they are collected within the current period or soon enough thereafter. The Senate uses a 60-day availability period for revenue recognition. All other revenue items are considered to be measurable and available only when collected by the Senate. On June 30, 2024, all revenues sources met this availability criterion.

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

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

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

continue



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation**

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

**1) Cash**

The Senate held its cash balances in commercial banks. Under Commonwealth of Puerto Rico statutes, public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of Federal Depository Insurance Corporation. All securities pledged as collateral are held by the Secretary of the Treasury of Puerto Rico.

**2) Receivables and Payables**

Receivables consist of all revenues earned but not collected on June 30, 2024. These account receivables are shown net of estimated allowances for uncollectible accounts, which are determined upon past collection experience, historical trends, and current economic conditions. Federal receivable, if any, are amounts due from the Federal government to reimburse the Senate's expenditures incurred. Intergovernmental receivables represent amounts owed to the Senate for reimbursement of expenditures incurred pursuant to state appropriations.

Accounts payable represent amounts, including salaries and wages, owed for goods and services received prior to year-end.

**3) Capital Assets**

Capital assets, which include equipment and equipment under capital lease agreements, computer equipment and software, furniture and vehicles, are reported in the government-wide financial statements. Capital assets, are defined by the Senate as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life of five years or more.

Capital outlay is recorded as expenditures of the General Fund and other governmental funds and as assets in the GFFS to the extent the Senate capitalization threshold is met. All purchased capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available (except for Intangible Right-To-Use Assets, the measurement of which is discussed in the Leases section below). Depreciation and amortization expense are recorded only in the GWFS. No depreciation is recorded for works of art and historical treasures. The other equipment and vehicles of the primary government are depreciated using the straight-line method over the estimated useful lives, as follow:

CAPITAL ASSETS	YEARS
Equipment	5-7
Computer Equipment and Software	5
Furniture	7
Vehicles	5
Right-To-Use Assets	2-5

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

The amortization expense related to Right-To-Use Assets was determined using the straight-line method over the remaining contract lease term, or the estimated useful lives of the asset, whichever is shorter.

The accounting policy for Works of Art is that they are capitalized at their historical cost or acquisition value at date of donation whether they are held as individual items or in a collection. Depreciation is not required for collections or individual items that are inexhaustible. On June 30, 2024, all Work of Art are considered inexhaustible.



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation**

### **Leases Accounting Policies – Lessee**

The Senate determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of an intangible right-to-use assets and lease liabilities on the Statement of Net Position. Right-to-use assets represent the use of an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Senate determines lease classification as operating or finance at the lease commencement date. Finance leases, if applicable, are included in capital assets, other current liabilities and other long-term liabilities in our Statement of Net Position.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The right-to-use asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Senate uses the incremental borrowing rate (IBR) when readily determinable. As most of the leases do not provide an IBR, the Senate uses the interest rate charged by the Lessor based on the information available at the commencement date to determine the present value of lease payments. IBR used to determine the present value of lease payments were derived by reference to the interest rate on the Lessor corresponding to the lease commencement date. Lease assets are amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term.

The lease term is the noncancelable period per the contract. Additionally, the lease term may include options to extend or to terminate the lease that the Senate is reasonably certain to exercise.

The Senate annually performs an impairment analysis of its capital assets in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. 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.

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

### **4) *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 of resources in a separate section following Assets and deferred inflows of resources in a separate section following Liabilities in the *Statement of Net Position*.

The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then.



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation**

The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Based on this concept, the Senate reports the following as deferred inflows of resources.

- The deferred outflows/inflows of resources resulting from GASB Statement No. 73. Notes 8 and 10 presents additional information about the composition of this item.
- Revenues earned but not available within 60 days of fiscal year end, if any.

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 the pension system are reported in the government-wide *Statement of Net Position*, and *unavailable revenue*, is reported only in the governmental funds *Balance Sheet*. The governmental funds report *unavailable revenues* from Federal Grants, if any. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

### **5) Long-Term Obligations**

The liabilities reported in the GWFS include long-term liabilities such as vacations and sick leave, leases, contingencies, and pension and OPEB liabilities.

### **6) Compensated Absences**

The Senate accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. Compensated absences are accounted for under the provisions of GASB Accounting Standards Codification Section C60, *Compensated Absences*. Compensated absences include paid time off made available to employees in connection with vacation, sick leave and compensatory time. The liability for compensated absences recorded in the accompanying Statement of Net Position is limited to leave that: (1) is attributable to services already rendered on or before June 30, 2024 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).

The employees of the Senate do not apply by the Act No. 26 of April 29, 2017 (Act No. 26-2017), the employees of the Senate are granted fifteen (15) days of vacation and eighteen (18) days of sick leave annually. The employee has the right to accumulate an 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*.



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation**

Upon termination of employment, an employee receives compensation for all accumulated unpaid regular vacation leave at the current rate up to the maximum of sixty (60) days. When the reason for the separation is to qualify for the retirement for years of services or disability, a deferred pension or after having worked for at least ten (10) years of services without being a participant in a retirement system sponsored by the government you will also be entitled to pay of the lump sum of sick leave accumulated and not use up to maximum of ninety (90) days. However, if the employee worked ten years in the services within which some years, he has port of some retirement system sponsored by the government and the other were not involved, he will not be entitled to the payment of the mentioned license, except if he withdraws the contributions made to the retirement systems, which would make him a non-participant with 10 years or service.

In accordance with the above criteria and requirements in conformance with GASB Accounting Standards Codification Section C60, *Compensated Absences*, the Senate has accrued a liability for compensated absences, which has been earned but not taken by Senate's employees, including its share of social security and Medicare payments made on behalf of the employees in the accrual for vacation and sick leave pay using salary rates effective on June 30, 2024. All vacation pay is accrued when incurred in the GWFS. For the GWFS, the current portion is the amount estimated to be used in the following year.

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

### **7) Reduction of Working Day**

Act No. 8 of February 6, 2017 establishes that any employee will have the option of requesting a voluntary reduction of their working day by means of a prior agreement with their employer, for a reduction period equivalent to one day of work.

### **8) Claims and Judgments**

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

### **9) Fair Value**

The Senate follows the provisions of GASB Statement No. 72, *Fair Value Measurements and Application*. *GASB Statement No. 72* defines fair market value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurements made in the accompanying financial statements assume that transactions take place in the Senate's principal market, or the Senate's most advantageous market in the absence of a principal market.

Fair values have been measured assuming that general market participants would act in their economic best interest.

To determine fair value measurements, fair values have not been adjusted for transaction costs and the Senate has considered the unit of account of the asset or liability. The unit of account refers to the level at which an asset or a liability is aggregated or disaggregated for measurement, recognition, or disclosure purposes as provided by the accounting standards.

continue



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation**

The Senate has used valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair values. The techniques applied are consistent with one or more of the following approaches: (i) the market approach, (ii) the cost approach, or (iii) the income approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount. Valuation techniques have been applied consistently, though a change may be appropriate in certain circumstances.

The fair value measurements applied by management take into account the highest and best use for a nonfinancial asset. A fair value measurement of a liability assumes that the liability would be transferred to a market participant and not settled with the counterparty. In the absence of a quoted price for the transfer of an identical or similar liability and if another party holds an identical item as an asset, the Senate uses the fair value of that asset to measure the fair value of the liability. The Senate's financial instruments consist of cash and cash equivalents, accounts receivable, other assets, accounts payable and accrued liabilities, and other long-term obligations.

This Statement also established a hierarchy of inputs to valuation techniques used to measure fair value. The disclosure of fair value estimates in the hierarchy is based on whether the significant inputs into the valuations are observable. The three levels of the fair value hierarchy are described as follows:

**Level 1** – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that we can access.

**Level 2** – Inputs to the valuation methodology whose values are based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; and model derived valuation in which all significant inputs are observable.

**Level 3** – Inputs to the valuation methodology are unobservable inputs for asset or liability and may require a degree of professional judgment.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. Based on the criteria set forth above, the Senate has classified its financial instruments as Level 2 instruments as of June 30, 2024.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Senate's valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

The observability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer would be reported at the beginning of the fiscal year. For the fiscal year ended June 30, 2024, there were no transfers from Level 2 to other categories.

The following methods and assumptions were used to estimate the fair values of the most significant financial instruments on June 30, 2024. There have been no changes in valuation methods.



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation**

- For cash in commercial banks, accounts receivable, other assets and accounts payable and accrued liabilities, their respective estimated fair values approximate their carrying amounts recorded in the accompanying financial statements. The cost or contract value (net realizable value of assets and estimated settlement amounts of liabilities) was used to determine their respective fair values of these assets and liabilities due to their short-term nature and maturity periods.
- For long-term obligations, the estimated fair values also approximate carrying amounts. The Senate determined their fair values using valuation models that use observable market quotes.

Fair value reporting requires management to make estimates and assumptions about the effects of matters that are inherently uncertain. The judgments made in determining the estimated fair value assigned to each financial instrument is significant and can materially impact the changes in net position and fund balances of the Senate. The valuations are based on information available on June 30, 2024 and are based on expectations and assumptions that have been deemed reasonable by management.

Estimates developed using alternate are subjective, requiring significant judgments such as the amount and timing of future cash flows and the selection of appropriate discount rates that reflect market and credit risk.

The preceding valuation methods described may produce a fair value calculation that may not be indicative of net realizable or reflective of future fair values. Furthermore, while management believes that the Senate's valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

However, the difference between the estimated fair values and carrying values of the Senate's financial instruments were not considered significant by the Senate on June 30, 2024.

### **10) Accounting for Pension Costs**

As further disclosed in Note 12, effective July 1, 2017, a new "Pay-As-You-Go" ("Pay-Go") system was enacted into law by Act No. 106 of 2017 (Act No. 106-2017), significantly reforming the defined benefit plan (the Plan) of the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (ERS). Under the "Pay-Go" system, employers' contributions and other contributions ordered by special laws were all eliminated and substantially all the assets of the Plan were liquidated, and its proceeds transferred to the Commonwealth's General Fund for payment of pension benefits; therefore, since the enactment of Act No. 106-2017, the Commonwealth's General Fund makes direct payments to the pensioners and is then reimbursed for those payments by the participating employers.

Act No. 106-2017 impacts the benefits provided to ERS members as follows:

- New employees hired July 1, 2017 or later will be participants in a separate defined contribution plan and will not become ERS members.
- Effective July 1, 2017, current ERS members will no longer make any contributions to ERS. Prospectively, active members will participate in a separate defined contribution plan.

continue



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation**

In addition, Act No. 106-2017 provides that ERS will be funded on a “Pay-As-You-Go” basis. This funding change resulted in the change in the applicable accounting standard from GASB Statement Nos. 67/68 to GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*, for employer financial accounting purpose. The following contributions are eliminated by Act No. 106-2017:

- Act No. 116-2011 employer contributions – was 15.525% of payroll in 2016-2017 and was scheduled to increase by 1.25 of payroll per year to an ultimate rate of 20.525% of payroll in 2020-2021 and later.
- Act No. 32-2013 Additional Uniform Contribution.
- Act No. 3-2013 Supplemental Contributions – was \$2,000 for each pensioner who was previously benefiting as an Act No. 447-1951 and Act No. 1-1990 member while an active employee. The contribution paid for the Medical Insurance Plan Contribution (up to \$1,200 per member), the Christmas Bonus (\$200 per member), and Medication Bonus (\$100 per member) payable to members who retired prior to July 1, 2013. The excess of these Supplemental Contributions remained in the System to pay down the unfunded actuarial accrued liability.

As ERS is a multiple employer plan and the benefits are no longer funded by a pension trust, GASB Statement No. 73 applies to the pension benefits provided to each participating employer’s own employees. The Central Government and its component units are considered to be one employer. Other employers, like the Senate, also participate in ERS (see Note 12).

### **11) Other Postemployment Benefits**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, that replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, governs the specifics of accounting for public OPEB plan obligations for participating employers and is required to be implemented for employer fiscal years beginning after June 15, 2017.

In addition to the pension benefits described in Note 12, the Commonwealth provides other retirement benefits, such as Christmas Bonus, and postemployment healthcare benefits (OPEB) for its retired employees in accordance with local law. Substantially, all of the employees may become eligible for these benefits if they reach normal retirement age while working for the Commonwealth. There are no member or employer contributions on behalf of the MIPC. This benefit is financed on a “Pay-As-You-Go” basis from the General Fund of the Commonwealth of Puerto Rico.

### **12) Net Position/Fund Balance**

#### **A) Net Position**

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

The GWFS utilize a net position presentation, which are categorized as follow:



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

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

Net Investment in Capital Assets is comprised of the following:

Capital Assets .....	\$ 7,530,211
Less Lease Liability .....	(69,231)
Less Subscription Debt .....	(94,500)
Accumulated Depreciation / Amortization.....	(5,367,988)
Total Net Investment in Capital Assets .....	<u>\$ 1,998,492</u>

- *Restricted Net Position* – These results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – These consist of net position which do not meet the definition of the two preceding categories. An unrestricted net position is often designated, to indicate that management does not consider them to be available for general operations. Unrestricted Net Position often has constraints on resources that are imposed by management, but can be removed or modified.

### ***Net Position Flow Assumption***

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

## **B) Fund Balance**

### ***Fund Balance Classification***

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

- *Nonspendable* – amounts that cannot be spent because they are either (1) not spendable in form; or (2) legally or contractually required to be maintained intact.
- *Restricted* – amounts with constraints placed on their use that are either (1) externally imposed by creditors, grantors, contributors, or laws or regulation of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

continue



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation**

- *Committed* – amounts that can only be used for specific purposes determined by formal action of the Senate's highest level of decision-making authority (Legislature Assembly) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- *Assigned* – amounts that are constrained by the Senate's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority, or by a body or an official designated for that purpose.
- *Unassigned* – the residual classification for the Senate's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

### ***Fund Balance Flow Assumption***

Sometimes the Senate will fund outlays for a particular purpose from both restricted and unrestricted resources (the total committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the GFFS a flow assumption must be made about the order in which the resources are considered to be applied.

It is the Senate's policy to consider restricted fund balance to have been depleted before using any of the components or unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

### ***Fund Balance Policy***

The Senate believes that sound financial management principles require that sufficient funds be retained by the Senate to provide a stable financial base at all times. To retain this stable financial base, the Senate needs to maintain a General Fund balance sufficient to fund all cash flows of the Senate, to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. The purpose of this policy is to specify the size and composition of the Senate's financial reserves and to identify certain requirements for replenishing any fund balance reserves utilized.

### ***Restrictions of Fund Balance***

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

### ***Policy on Committing Funds***

It is the policy of the Senate that fund balance amounts will be reported as "Committed Fund Balance" only after formal action and approval of the President. It is the policy of the Senate that the Legislative Assembly may commit fund balance for any reason that is consistent with the definition of Committed Fund Balance.

continue



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation**

Examples of reasons to commit fund balance would be to display intentions to use portions of fund balance for future capital projects, stabilization funds, or to earmark special General Fund streams unspent at year-end that are intended to be used for specific purposes.

### ***Policy on Assigning Funds***

Funds that are *intended* to be used for a specific purpose but have not received the formal approval action at the Legislative Assembly level may be recorded as Assigned Fund Balance. Having reviewed the requirements for assigning fund balance, therefore, is the policy of the Senate that the President shall have the authority to assign fund balance of the Senate based on the intentions of the use of funds. In addition, the President can delegate to the Fiscal and Financial Office Director or other employee of the Senate, the authority to assign the funds.

### ***Policy on Unassigned General Fund Balance***

It is the goal of the Senate to achieve and maintain an Unassigned General Fund Balance equal to 5% of budgeted expenditures. The Senate considers a balance of less than 2.5% to be a cause for concern, barring unusual or deliberate circumstances, and a balance of more than 10% as excessive. An amount in excess of 20% is to be considered for reservation to accumulate funding for the purchase of machinery and equipment, for capital projects, and shall be determined in conjunction with the annual budget process. In the event that the Unassigned General Fund Balance is less than the policy anticipates, the Senate shall plan to adjust budget resources in the subsequent fiscal years to restore the balance.

### ***Prioritization of Fund Balance Use***

In circumstances where expenditure is for a purpose that quantities are available in multiple fund balance classifications, the order in which the resources will be used shall be as follows: Restricted Fund Balance, followed by Committed Fund Balance, Assigned Fund Balance, and last but not least, Unassigned Fund Balance.

## **D. Risk Financing**

The Commonwealth of Puerto Rico purchases commercial insurance covering casualty, theft, tort, claims, and other losses for the Senate. The Senate reimburses the Commonwealth for premium payments made on its behalf. The Senate's current insurance policies have not been canceled or terminated.

The Senate carries commercial insurance to cover property and casualty, theft, tort claims and other losses with private insurance companies. Also, principal officials of the Senate are covered under various surety bonds. Cost of insurance to the Senate for the year ended June 30, 2024 amounted to \$53,716, paid in full at the beginning of the fiscal year. The current insurance policies have not been cancelled or terminated.

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



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation**

The Senate obtains workers compensation insurance through the State Insurance Fund Corporation (SIFC), a component unit of the Commonwealth of Puerto Rico. This insurance covers workers against injuries, disability or death because of work or employment-related accidents, or because of illness suffered as a consequence of their employment. The cost of insurance allocated to the Senate for the year ended June 30, 2024 amounted to \$414,550.

The Senate obtains unemployment compensation, non-occupational disability, and drivers' insurance coverage for its employees through various insurance programs administered by the Department of Labor and Human Resources of the Commonwealth of Puerto Rico (DOLHR). These insurance programs cover workers against unemployment and provide supplementary insurance coverage for temporary disability, or death because work or employment-related accidents or non-occupational disability and drivers' insurance premiums are paid to DOLHR on a cost reimbursement basis. During the fiscal year the total amount paid was \$23,485.

### **E. Use of Estimates**

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

### **F. Reclassifications**

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

## **3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### ***Budgetary Information***

The Senate annually receives an appropriation from the general Budget Resolution of the Commonwealth of Puerto Rico. Budgetary control is legally maintained at the fund level. The budget is prepared using the modified accrual basis of accounting with encumbrance included as budgetary basis expenditures. Unexpended appropriations at the end of the fiscal year generally lapse. However, they may be re-appropriated for expenditures in the following two fiscal year.

Expenditures are generally recorded when the related expenditure is incurred or encumbered. Available appropriations and encumbrances will lapse the year following the end of the fiscal year when the encumbrance was established, by means of Act No. 123 from August 17, 2001, which amended the existing appropriations and encumbrances lapsing provision of Act No. 230 from July 23, 1974.

Amounts required setting claims and judgments against the Senate, and certain other liabilities are not recognized until they are encumbered or otherwise processed for payment. Under the statutory basis of accounting, the Senate uses encumbrance accounting to record the full amount of purchase orders, contracts and other commitments of appropriated resources as deductions from the appropriation prior to actual expenditure. In the Senate governmental funds, encumbrance is a significant aspect of budget control.



### **3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – continuation**

#### ***Budgetary Control***

On January 2, 2017, the Governor of Puerto Rico signed the Executive Order No. 2017-005, which required that all departments, agencies, and instrumentalities of the Government of Puerto Rico and those expressly required by the Governor, are ordered to implement the Zero-Base Budget methodology for the preparation of the budget for fiscal year 2017-2018 and subsequent fiscal years, per the applicable techniques and approaches of Zero-Base Budget and should be in conformity with the Fiscal Plan approved by the Oversight Board for Puerto Rico, pursuant to the Federal Law Pub. L. 114-187, *Puerto Rico Oversight, Management and Economic Stability Act* (PROMESA).

For budgetary purposes, encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. The encumbrances (i.e., purchase orders, contracts) are considered expenditures when incurred. For GAAP reporting purposes, encumbrances outstanding at year-end are reported as assigned fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. In addition, under the budgetary basis of accounting, revenues are recorded when cash is received. The unencumbered balance of any appropriation at the end of the year will lapse at the end of such fiscal year. Other appropriations, mainly capital project appropriations, are continuing accounts for which the Legislative Assembly has authorized that an unspent balance from the prior year be carried forward and made available for current spending.

Pursuant to Section 202(a) of PROMESA, the Oversight Board should certify the Consolidated Budget of the Commonwealth of Puerto Rico in accordance with a schedules for a period of six months ending June 30, for the process of developing, submitting, approving, and certifying the Fiscal Year Budget as follow:

- Consistent with PROMESA 202(b), Oversight Board sends Governor and Legislature a forecast of revenues. The Oversight Board sends the Governor and Legislature agency budget targets on a personnel and non-personnel basis and a detailed data request.
- Consistent with PROMESA 202(c)(1), the Governor submits a proposed Fiscal Year Budget based on the forecast of revenues and budget targets together with detailed supporting documentation for any variances. The Government must update the inventory listing of all agencies, including agency contacts and details on any consolidation of agencies or new agencies. The Government must provide a signed certificate from the OCFO stating that the proposed budget was developed in accordance with modified accrual accounting standards.
- The Boards of Directors of Independently Forecasted Component Units submit proposed budget resolutions based on the forecast revenues and agency budget targets along with detailed support documentation for any variances.
- Pursuant to PROMESA 202(c)(1)(B), the Oversight Board shall send the Governor a notice of violation if it determines that the proposed budget is not compliant with the Certified Commonwealth Fiscal Plan.
- Pursuant to PROMESA 202(c)(2), the Governor must submit a revised proposed budget, as needed.
- Pursuant to PROMESA 202(c)(2), the Oversight Board submit a compliant Fiscal Year Budget to the Governor and Legislature.
- Pursuant to PROMESA 202(d)(1), the Legislature must submit a proposed adopted Fiscal Year Budget to the Oversight Board.
- Pursuant to PROMESA 202(d)(1)(B), the Oversight Board must send the Legislature a notice of violation, as needed.
- Pursuant to PROMESA 202(d)(2), the Legislature must submit a revised adopted Fiscal Year Budget to the Oversight Board, as needed.
- Pursuant to PROMESA 202(e), the Oversight Board shall certify the Fiscal Year Budget.

continue



### 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – continuation

The Governmental Funds Financial Statements each include a schedule that reconciles the fund balances and net changes in fund balances in the governmental fund statements to the net position and changes in net position in the Government-Wide Financial Statements. Differences between the two occur because the current financial resources measurement focus and modified accrual basis of accounting that is used in governmental funds must be converted to the economic resources' measurement focus and accrual basis of accounting that is used in government-wide reporting. In addition, differences will occur because balances and transactions associated with interfund activity must be eliminated in the process of preparing the Government-Wide Financial Statements.

### 4. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

#### A. *Explanation of certain differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position*

Total fund balances of the **Senate's** governmental funds, reported in the *Balance Sheet*, **\$15,897,479**, differ from net position (deficit) of Governmental Activities, **(\$20,131,643)**, reported in the *Statement of Net Position*.

- Also, an elimination of the Due from/to Other Funds of \$265,345 was excluded in the *Statement of Net Position*.
- When capital assets (works of arts and historic treasures, equipment, computer equipment and software, furniture, motor vehicles, and right-to-use equipment) that are to be used in Governmental Activities are purchased, the costs of those assets are reported as expenditures in governmental funds. However, the *Statement of Net Position* includes those capital assets, net of accumulated depreciation/amortization, among the assets of the **Senate** as a whole.

Cost of Capital Assets .....	\$ 7,530,211
Accumulated Depreciation/Amortization .....	<u>(5,367,988)</u>

Net adjustment to increase <i>Fund Balance – Governmental Funds</i> to arrive at <i>Net Position – Governmental Activities</i> .....	<u>\$ 2,162,223</u>
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- Deferred outflows of resources and deferred inflows of resources are reported when a given item that otherwise meets the definition of a revenue or expenditure/expense relates to a future period. These deferred amounts apply to governmental activities related to the implementation of GASB Statement Nos. 73 and 75.

Deferred Outflows of Resources – Pension Related Items .....	<u>\$ 4,570,361</u>
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Deferred Outflows of Resources – OPEB Related Items .....	<u>\$ 133,780</u>
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Deferred Inflows of Resources – Pension Related Items .....	<u>\$ 1,308,720</u>
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- Noncurrent liabilities applicable to the **Senate's** Governmental Activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and noncurrent, are reported in the *Statement of Net Position*.



**4. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – continuation**

Compensated Absences.....	\$ 5,459,450
Subscription Liability (SBITAS) .....	94,500
Right-To-Use Liability .....	<u>69,231</u>
Sub-Total .....	5,623,181
Christmas Bonus .....	901,323
Total Pension Liability.....	33,986,668
Total OPEB Liability.....	<u>1,075,594</u>
Net adjustment to decrease <i>Fund Balance – Governmental Funds</i> to arrive at <i>Net Position (Deficit) – Governmental Activities</i> .....	<u>(\$36,029,122)</u>

**Balance Sheet/Statement of Net Position**

	<b>Total Governmental Funds</b>	<b>Noncurrent Assets, Liabilities (A)</b>	<b>Reclassi- fications and Eliminations</b>	<b>Statement of Net Position Totals</b>
<b>Assets:</b>				
Current Assets:				
Cash	\$ 17,740,397	\$ -	\$ -	\$ 17,740,397
Account Receivables, net:	37,296	-	-	37,296
Due from Other Funds	265,345	-	(265,345)	-
Non-Current Assets:				
Capital Assets, Net	-	2,162,223	-	2,162,223
<b>Total Assets</b>	<u>18,043,038</u>	<u>2,162,223</u>	<u>(265,345)</u>	<u>19,939,916</u>
<b>Deferred Outflows of Resources:</b>				
Pension Related		4,570,361		4,570,361
OPEB Related	-	133,780	-	133,780
<b>Total Deferred Outflows of Resources</b>	-	<u>4,704,141</u>	-	<u>4,704,141</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 18,043,038</u>	<u>\$ 6,866,364</u>	<u>\$ (265,345)</u>	<u>\$ 24,644,057</u>
<b>Liabilities:</b>				
Accounts Payable	\$ 1,263,738	\$ -	\$ -	\$ 1,263,738
Accrued Liabilities	297,497	-	-	297,497
Christmas Bonus	-	901,323	-	901,323
Due to Other Funds	265,345	-	(265,345)	-
Unearned Revenues	318,979	-	-	318,979
Noncurrent Liabilities	-	5,623,181	-	5,623,181
Total OPEB Liabilities	-	1,075,594	-	1,075,594
Total Pension Liabilities	-	33,986,668	-	33,986,668
<b>Total Liabilities</b>	<u>2,145,559</u>	<u>41,586,766</u>	<u>(265,345)</u>	<u>43,466,980</u>
<b>Deferred Inflows of Resources:</b>				
Employees Retirement System Related	-	1,308,720	-	1,308,720
<b>Total Deferred Inflows of Resources</b>	-	<u>1,308,720</u>	-	<u>1,308,720</u>
<b>Fund Balances/Net Position (Deficit):</b>				
Total Fund Balances/Net Position (Deficit)	<u>15,897,479</u>	<u>(36,029,122)</u>	-	<u>(20,131,643)</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances / Net Position (Deficit)</b>	<u>\$ 18,043,038</u>	<u>\$ 6,866,364</u>	<u>\$ (265,345)</u>	<u>\$ 24,644,057</u>

continue



**4. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – continuation**

**B. Explanation of certain differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities**

The net change in fund balances for governmental funds, **(\$2,206,884)**, differs from the change in net position for Governmental Activities **\$19,349,868**. The differences arise primarily from the long-term economic focus in the *Statement of Activities* versus the current financial resources focus on the governmental funds. The differences are presented and explained as follows.

- When capital assets purchased or constructed, their cost is allocated over their estimated useful lives and reported as depreciation/amortization expenses; the resources expended for those assets are reported as expenditures in governmental funds. However, in the *Statement of Activities*, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation/amortization expenses and loss on disposition of assets charged for the year.

Capital Outlays of Governmental Activities .....	(\$ 1,249,807)
Loss on Disposal of Capital Asset .....	6,950
Depreciation/Amortization Expenses .....	<u>467,669</u>

Net Adjustment to Decrease <i>Net Changes in Fund Balance – Total</i> <i>Governmental Funds</i> to arrive at <i>Changes in Net Position –</i> <i>Governmental Activities</i> .....	<u>(\$ 775,188)</u>
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- Proceed of Loan provide current financial resources to governmental funds, but issuing debt increase Noncurrent Liabilities in the Statement of Net Position. In the current period, proceeds corresponded to the implementation of GASB Statement No. 96, Subscription Liability (SBITAS): ..... (\$ 206,301)
- Certain noncurrent liabilities reported in the prior year *Statement of Net Position* were paid during the current period resulting in expenditures in the governmental funds. This is the amount by which the decrease in noncurrent liabilities reduced the expenses reported in the *Statement of Activities* that do not require the use of current financial resources:

Change in Compensated Absences .....	\$ 1,175,462
Christmas Bonus .....	199,563
Subscription Liability (SBITAS) .....	(24,570)
Right-To-Use Liability .....	(105,577)
OPEB Liability .....	(130,016)
Pension Liability .....	<u>(22,102,727)</u>
	<u>(20,987,865)</u>

Net Adjustment to Increase <i>Net Changes in Fund Balance – Total</i> <i>Governmental Funds</i> to arrive at <i>Changes in Net Position –</i> <i>Governmental Activities</i> .....	<u>\$21,556,752</u>
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continue



**4. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – continuation**

**Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities**

	<b>Total Governmental Funds</b>	<b>Noncurrent Revenues/ Expenses (B)</b>	<b>Capital- Related Items (C)</b>	<b>Noncurrent Debt Transactions (D)</b>	<b>Statement of Activities Totals</b>
<b>Revenues:</b>					
Intergovernmental	\$ 28,442,211	\$ -	\$ -	\$ -	\$ 28,442,211
Federal Awards	3,802,494	-	-	-	3,802,494
Total Revenues	<u>32,244,705</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,244,705</u>
<b>Expenditures/Expenses:</b>					
Current:					
General Government – Administrative and Operating Activities	33,276,948	-	474,619	(20,857,718)	12,893,849
Capital Outlay	1,249,807	-	(1,249,807)	-	-
Debt Service:					
Principal	130,147	-	-	(130,147)	-
Interest and Other Charges	988	-	-	-	988
Total Expenditures/Expenses	<u>34,657,890</u>	<u>-</u>	<u>(775,188)</u>	<u>(20,987,865)</u>	<u>12,894,837</u>
<b>Other Financing Sources (Uses)</b>					
Other Financing Sources – (Intangible Right)	206,301	-	-	(206,301)	-
Total Other Financing Sources (Uses)	<u>206,301</u>	<u>-</u>	<u>-</u>	<u>(206,301)</u>	<u>-</u>
<b>Net Change in Fund Balances / Change in Net Position</b>	<b><u>\$ (2,206,884)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 775,188</u></b>	<b><u>\$ 20,781,564</u></b>	<b><u>\$ 19,349,868</u></b>

**5. CASH**

**Cash in Commercial Banks**

Puerto Rico laws authorize governmental entities to invest in direct obligations or obligations guaranteed by the Federal government or the Commonwealth. The Senate is also allowed to invest in bank acceptances, other bank obligations and certificates of deposit in financial institutions authorized to do business under the Federal and Commonwealth laws. Under the laws and regulations of the Commonwealth, public funds deposited by the Senate in commercial banks must be fully collateralized for the amounts deposited in excess of the Federal Deposit Insurance Corporation (FDIC) coverage. All securities pledged as collateral are held by agents designated by the Commonwealth's Secretary of the Treasury, but not in the Senate's name. The Senate cash balances in commercial banks were approximately \$17.7 million as of June 30, 2024.

**Concentration of Credit Risk**

This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. On June 30, 2024, the Senate invested only in cash equivalents of \$17.7 million consisting of interest-bearing accounts in commercial banks, which are insured by the FDIC, generally up to a maximum of \$250,000. As previously mentioned, public funds deposited by the Senate in commercial banks must be fully collateralized for the amounts deposited in excess of the FDIC coverage. No investments in debt of equity securities were made during the Fiscal Year ending June 30, 2024.

continue



**5. CASH – continuation**

Therefore, the Senate's management has concluded that the concentration of credit risk related to any possible loss related to defaults by commercial banks on the Senate's deposits is considered low on June 30, 2024.

***Custodial Credit Risk***

This is the risk that, in the event of the failure of a depository financial institution, the Senate will not be able to recover its cash and investments or will not be able to recover collateral securities that are in the possession of an outside party. Pursuant to the Investment Guidelines for the Commonwealth adopted by FAFAA, the Senate may invest in obligations of the Commonwealth, obligations of the United States, certificates of deposit, commercial paper, banker's acceptance, or in pools of obligations of the municipalities of Puerto Rico, which are managed by FAFAA. On June 30, 2024, the Senate has balances deposited in commercial banks amounting to \$17.7 million which are insured by the FDIC up to the established limit and the excess are fully collateralized as explained above.

***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 exposure to declines in fair values by: (1) not including debt or equity investments in its investments portfolio on June 30, 2024, (2) limiting the weighted average maturity of its investments in certificates of deposit to periods of four months or less, and (3) keeping most of its bank's deposits and certificates of deposit in interest bearing accounts generating interest at prevailing market rates. Therefore, on June 30, 2024, the interest risk associated with the Senate's cash and cash equivalent is considered low.

***Foreign Exchange Risk***

This is the risk that changes in exchange rates will adversely affect the value of an investment or a deposit. According to the aforementioned investment guidelines, adopted by the Senate, 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 on June 30, 2024.

**6. RECEIVABLES**

GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, requires disclosure of significant receivable balances not expected to be collected within one year of the date of the financial statements. As of June 30, 2024, amounts are aggregated into the account receivables line for certain funds and aggregated columns. Accounts receivable, net on June 30, 2024 amounted to \$37,296.

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## 7. CAPITAL ASSETS

Capital Assets for governmental activities for the fiscal year ended June 30, 2024 was as follows:

Description	Balance at June 30, 2023	Change in Accounting Principle	Additions	Retirements	Balance at June 30, 2024
<b>Governmental Activities:</b>					
<b>Capital Assets:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Works of Arts and Historic Treasures	\$ 64,932	\$ -	\$ -	\$ -	\$ 64,932
<b>Depreciable Capital Assets:</b>					
Equipment	1,690,544	-	426,256	(185,362)	1,931,438
Computer equipment and software	1,743,700	-	129,211	(290,278)	1,582,633
Furniture	2,030,070	-	-	(44,876)	1,985,194
Vehicles	912,980	-	475,889	(97,035)	1,291,834
Right-To-Use Equipment	455,729	-	88,881	-	544,610
Subscription Asset	-	-	129,570	-	129,570
<b>Total Depreciable Capital Assets</b>	<b>6,833,023</b>	<b>-</b>	<b>1,249,807</b>	<b>(617,551)</b>	<b>7,465,279</b>
<b>Less: Accumulated Depreciation</b>					
Equipment	(1,242,067)	-	(144,370)	185,695	(1,200,742)
Computer equipment and software	(1,434,002)	-	(79,689)	291,950	(1,221,741)
Furniture	(1,707,625)	-	(92,595)	44,553	(1,755,667)
Vehicles	(722,134)	-	(93,096)	88,403	(726,827)
<b>Less: Accumulated Amortization for Leased Asset &amp; Subscription Asset</b>					
Right-To-Use Equipment	(405,092)	-	(53,600)	-	(458,692)
Subscription Asset	-	-	(4,319)	-	(4,319)
<b>Total Accumulated Depreciation and Amortization</b>	<b>(5,510,920)</b>	<b>-</b>	<b>(467,669)</b>	<b>610,601</b>	<b>(5,367,988)</b>
<b>Total Depreciable Capital Assets (Net)</b>	<b>1,322,103</b>	<b>-</b>	<b>782,138</b>	<b>(6,950)</b>	<b>2,097,291</b>
<b>CAPITAL ASSETS, NET</b>	<b>\$ 1,387,035</b>	<b>\$ -</b>	<b>\$ 782,138</b>	<b>\$ (6,950)</b>	<b>\$ 2,162,223</b>

Depreciation and amortization expenses were charged to governmental functions/programs for the fiscal year ended June 30, 2024 as Administrative and Operating.

## 8. DEFERRED OUTFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the Senate recognized deferred outflows of resources in the government-wide 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.



## 8. DEFERRED OUTFLOWS OF RESOURCES – continuation

At the end of the current fiscal year, the Senate has an item that are reportable on the Government-Wide *Statement of Net Position* that are relates to outflows from changes in the Total Pension Liability (Note 12), as follows:

### Governmental Activities

#### Deferred Outflows of Resources

Pension related	\$ 4,570,361
OPEB Related	133,780
	<u>\$ 4,704,141</u>

## 9. LONG-TERM LIABILITIES

Long-term obligations on June 30, 2024 and changes for the year then ended was as follows:

	<u>Balance at June 30, 2023</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at June 30, 2024</u>	<u>Due within One (1) Year</u>	<u>Due after One (1) Year</u>
Compensated Absences	\$ 4,283,988	\$ 2,248,098	\$ (1,072,636)	\$ 5,459,450	\$ 471,216	\$ 4,988,234
Christmas Bonus	701,760	901,323	(701,760)	901,323	901,323	-
Leases Liability (Intangible Right-To-Use)	87,577	87,231	(105,577)	69,231	69,231	-
Subscription Liability (SBITAS)	-	119,070	(24,570)	94,500	94,500	-
Total Pension Liability	37,930,771	-	(3,944,103)	33,986,668	-	33,986,668
Total OPEB Liability	1,208,972	-	(133,378)	1,075,594	-	1,075,594
<b>TOTAL</b>	<u>\$ 44,213,068</u>	<u>\$ 3,355,722</u>	<u>\$ (5,982,024)</u>	<u>\$ 41,586,766</u>	<u>\$ 1,536,270</u>	<u>\$ 40,050,496</u>

### Compensated Absences

The GWFS, *Statement of Net Position*, includes approximately \$5.4 million in the governmental funds for the estimated accrued vacation benefits, accrued sick leave benefits and payroll related benefits, representing the Senate's commitment to fund such costs from future operations. The General Fund has been used to liquidate the liability for this concept.

### Christmas Bonus

This amount represents the estimated accrued Christmas bonus accumulated as of June 30, 2024 and payroll related benefits, representing the benefit to employees to be paid during the first week of December 2024.

### Total Pension Liability

As of June 30, 2024, the amount of Total Pension Liability amounted to \$33,986,668 for the proportional share in the cost-sharing multi-employers pension plan (see Note 12).



## 9. LONG-TERM LIABILITIES – continuation

### ***Total OPEB Liability***

The Senate implemented the GASB Statement No. 75 that represented a change in accounting principle and required recognition of a one-time prior period adjustment to restate the beginning net position (deficit) with the recognition of a total other postemployment benefit liability during fiscal year 2020. As of June 30, 2024, the amount of Total OPEB Liability amounted to \$1,075,594 (see Note 13).

## 10. DEFERRED INFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the Senate recognized deferred inflows of resources in the government-wide and fund statements. These items are an acquisition 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.

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

### **Governmental Activities**

#### Deferred Inflows of Resources:

Pension Related	<u>\$ 1,308,720</u>
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## 11. INTERGOVERNMENTAL REVENUES

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

## 12. PENSION PLAN

After the approval of Act No. 106-2017, with the elimination of the Board of Trustees and the liquidation of plan assets, the GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*, was implemented instead of GASB Statement No. 68 effective on July 1, 2018. Accordingly, Total Pension Liability, Deferred Outflows / Inflows of Resources is presented. The information related to the Total Pension Liability presented is as of June 30, 2023, and for reporting purpose is as of June 30, 2024.

### ***Employee's Retirement System of the Government of the Commonwealth of Puerto Rico***

As summarized in Section Vi, the Puerto Rico Government Employees Retirement System (PRGERS) provides benefits to members, or their beneficiaries, upon:

- Retirement
- Disability
- Vested Withdrawal
- Death
- Nonvested Withdrawal (return of contributions)

continue



**12. PENSION PLAN – continuation**

These benefits will be referred to as the “Basic System Benefits” throughout this report. Prior to Act No. 106-2017, these benefits were paid from System assets.

For members who retired prior to July 1, 2013, annuity benefits are subject to a \$500 monthly minimum. The amount in excess of \$200 and less than \$300 is a System Administered Benefit (see below) for all employees. The amount in excess of \$300 and less than \$400 is a System Administered Benefit for Public Corporation and Municipality employees. For Act No. 447-1951 and Act No. 1-1990 members who retire July 1, 2013 or later, the accrued benefits as of June 30, 2013, or date of termination if earlier, are subject to a \$400 monthly minimum.

<b>Participant Data</b>			
	<b>July 1, 2021 Census Data Collection</b>	<b>July 1, 2022 Census Data Collection</b>	<b>Total Changes</b>
<b><u>Active Members</u></b>			
Number	37,439	34,380	-3,059
Average Salary	\$ 35,636	\$ 35,406	\$ (230)
Total Annual Salary	\$ 1,334,172,033	\$ 1,217,252,004	\$ (116,920,029)
<b><u>Terminated Vested Members *</u></b>			
Number	n/a	12,451	12,451
Average Monthly Basis System Benefit	n/a	\$ 585	\$ 585
<b><u>Retirees</u></b>			
Number	94,723	95,127	404
Average Monthly Basis System Benefit	\$ 1,109	\$ 1,105	\$ (4)
Average Monthly System Administered Benefit	\$ 71	\$ 69	\$ (2)
<b><u>Disabled Members</u></b>			
Number	12,259	11,661	-598
Average Monthly Basis System Benefit	\$ 414	\$ 419	\$ 5
Average Monthly System Administered Benefit	\$ 209	\$ 207	\$ (2)
<b><u>Beneficiaries</u></b>			
Number	15,271	15,884	613
Average Monthly Basis System Benefit	\$ 392	\$ 417	\$ 25
Average Monthly System Administered Benefit	\$ 25	\$ 24	\$ (1)

\* Effective with the July 1, 2022 census data collection, valuation quality data on terminated vested members was provided by PRGERS.

Basic System Benefit and System Administered Benefit amounts shown above are for pension benefits, including minimum benefits, COLAs, and future benefits to Act No. 211 retirees, and excludes benefits payable at a later date to Law No. 70 Section 4B retirees. Special Law "bonus" benefits are not reflected.

continue



## **12. PENSION PLAN – continuation**

### Change in Plan Provisions since Prior Valuation

There have been no changes in plan provisions since the prior valuation.

### Change in Assumptions since Prior Valuation

In accordance with GASB Statement No. 73, the discount rate is based on a bond market index. PRGERS has selected the Bond Buyer General Obligations 20-Bond Municipal Bond Index for this purpose. The index rate and resulting discount rate increase from 3.54% as of June 30, 2022 to 3.65% as of June 30, 2023.

As PRGERS indicated that very few members who retired July 1, 2013 and later [post- Act No. 3 of April 4, 2013 (Act No. 3-2013 retirees)] have elected a joint & survivor annuity, the assumed form of payment for post-Act No 3-2013 retirees who were indicated as married and not entitled to future benefits payable as a result of Act No. 211 has been revised to a modified cash refund. Previously such retirees were assumed to have a joint and 100% survivor annuity, with a spouse's date of birth imputed based on an assumed age difference of 4 years with males older than females and an adjustment for the probability the spouse has pre-deceased the retiree as of the valuation date.

As valuation quality data on terminated vested members was provided by PRGERS effective with the July 1, 2022 census data collection, the 5% load on the GASB Statement No.73 actuarial accrued liabilities to approximate the value of the liability on behalf of deferred vested participants eliminated.

The Total Pension Liability as of June 30, 2023 decreased by (1) \$0.27 billion due to the increase in the discount rate, (2) \$0.53 billion due to the change in the assumed form of payment for certain current post-Act No. 3-2013 and (3) \$0.04 billion due to reflecting valuation quality data for individual terminated vested members in lieu of loading the actuarial accrued liability.

### **(1) Summary of Plan Provisions**

Act No. 106 of August 23, 2017 (Act No. 106-2017) closed participation in the Defined Benefit Pension Plan for Participants of the Employee's Retirement System of the Government of the Commonwealth of Puerto Rico (PRGERS) to new members effective July 1, 2017, and moved prospective accruals for all current active members to a separate defined contribution plan outside of PRGERS. This summary details the provisions under Act No. 3 of April 4, 2013 (Act No. 3-2013), which was effective July 1, 2013 and under which the benefits to be paid to PRGERS members are determined. Certain provisions are different for the three groups of members who entered PRGERS prior to July 1, 2013 as described below:

- Members of Act No. 447-1951 are generally those members hired before April 1, 1990 (Contributory, Defined Benefit Program)
- Members of Act No. 1-1990 are generally those members hired on or after April 1, 1990 and on or before December 31, 1999 (Contributory, Defined Benefit Program)
- Members of Act No. 305-2000 are generally those members hired on or after January 1, 2000 and on or before June 30, 2013 (Define Contributory Hybrid Program or System 2000).

Act No. 106-2017 eliminate the prior statutory employer contributions and changed the funding of PRGERS benefits to Pay-As-You-Go by the Commonwealth, public corporation or municipality. Prior to July 1, 2017, most benefits were paid from system assets while some benefits were paid by the General Fund, public corporation or municipality.

continue



## **12. PENSION PLAN – continuation**

Subsequent to Act No. 106-2017, 2022 Plan of Adjustment eliminated the Act No. 127-1958 high risk death and disability benefits for System 2000, Act No. 3-2013, and Act No. 106-2017 members in high risk positions, eliminated future cost of living adjustment, including those on the Act No. 127-1958 benefits, and eliminated all future PRGERS benefits for System 2000 and Act No. 3-2013 members who were not in payment status as of March 15, 2022.

As directed by the System, the June 30, 2019 through June 30, 2021 valuations included the Act No. 127-1958 death and disability benefits for Act No. 106-2017 employees (e.g. those hired July 1, 2017 and later) in high-risk positions. These benefits are described in items 8b and 9b.

### **1. Type of Plan**

The System is a contributory, hybrid defined benefit plan.

### **2. Effective Date**

The System was established in 1951 by Act No. 447 of May 15, 1951 to be effective January 1, 1952. The plan was last amended under the 2022 Plan of Adjustment.

### **3. Eligibility for Membership**

Members of the Employees Retirement System of the Government of Puerto Rico and its instrumentalities include all regular full-time and non-municipal temporary employees who are not contributing to other Retirement Systems (Articles 1-104 and 1-105) and were hired before July 1, 2017 (Act No. 106-2017). Employees include those in the following categories:

- Police of Puerto Rico,
- Firefighters of Puerto Rico,
- Elective Officers of the People of Puerto Rico and the employees of the Legislature,
- Officers and employees of the Government of Puerto Rico,
- Officers and employees of public enterprises,
- Officers and employees, including mayors of the municipalities, and
- Irregular personnel fulfilling the requirements of regular employees.

Membership is mandatory, except for the Governor of Puerto Rico, Government Secretaries, heads of public agencies and instrumentalities, the Governor's aides, gubernatorial appointees of commissions and boards, members of the Legislature, the Controller of Puerto Rico, the employees of the Agricultural Extension Service of the U.P.R., the Ombudsman and the Commonwealth Election Board employees (Article 1-105). In addition, membership is optional for eligible employees while working and residing outside the territorial limits of the Commonwealth of Puerto Rico (Act No. 112-2004).

System 2000 and Act No. 3-2013 members who were not in payment status as of March 15, 2022 are no longer entitled to PRGERS benefits based on the provisions of the 2022 Plan of Adjustment.

### **4. Definitions**

- a. Fiscal Year: A Fiscal Year is a 12-month period beginning on July 1 and ending on June 30 (Article 1-104).

continue



**12. PENSION PLAN – continuation**

- b. General Fund: The General Expenses Budget of the Government of the Commonwealth of Puerto Rico.
- c. Government of Puerto Rico or Government: The Government of the Commonwealth of Puerto Rico, its departments, divisions, bureaus, offices, agencies and dependencies (Article 1-104).
- d. Public Enterprise: Any government instrumentality of the People of Puerto Rico (Article 1-104).
- e. Municipality: The Municipality of San Juan (Article 1-104).
- f. Employer: The Government of Puerto Rico, any public enterprise that has elected to participate in the System, or any municipality that has elected to participate in the System (Article 1-104 and 1-110).
- g. Employee: Any officer or employee of the Employer is regularly employed on a full time basis (Article 1-104).
- h. Creditable Service for Act No. 447-1951 members: The years and months of plan participation, during which contributions have been made, beginning on the later date of hire or January 1, 1952 and ending on date of separation from service. For purposes of calculating Creditable Service, the following schedule shall apply:

<b>Service During a Fiscal Year</b>	<b>Creditable Service Earned</b>
15 days during the same month	1 month
2 months and 15 days to 5 months and 14 days	$\frac{1}{2}$ year
5 months and 15 days to 8 months and 14 days	$\frac{3}{4}$ year
8 months and 15 days to 12 months	1 year

Months in which less than 15 days of service are rendered do not count towards Creditable Service (Article 1-106).

In general, Creditable Service may be earned for any period of employment during which no contributions were made if Accumulated Contributions for such periods are paid to the System. The same rules hold for rehired employees who previously received a refund of Accumulated Contributions at separation. (Article 1-106)

Creditable Service also includes purchased service, if any (Article 1-106).

- i. Creditable Service for Act No. 1-1990 members: The years and completed months of plan participation, during which contributions have been made, beginning on date of hire and ending on date of separation from service (Articles 1-106 and 2-109). For purposes of calculating Creditable Service, the following schedule shall apply:

<b>Service During a Fiscal Year</b>	<b>Creditable Service Earned</b>
Less than 3 months	None
3 to 5 months	$\frac{1}{2}$ year
6 to 8 months	$\frac{3}{4}$ year
9 months or more	1 year

continue



**12. PENSION PLAN – continuation**

In general, Creditable Service may be earned for any period of employment during which no contributions were made if Accumulated Contributions for such periods are paid to the System. The same rules hold for rehired employees who previously received a refund of Accumulated Contributions at separation. (Article 1-106)

Creditable Service also includes purchased service, if any (Article 1-106).

- j. Compensation: The gross cash compensation, excluding bonuses and overtime, upon which contributions by a Member to the Fund are based (Article 1-104).
- k. Average Compensation for Act No. 447-1951 members: The average of the 3 highest years (36 highest months) of compensation that the participant has received for Creditable Service (Article 1-104).
- l. Average Compensation for Act No. 1-1990 members: the average of the last 5 years of compensation that the participant has received for Creditable Service. If annual compensation in the average period exceeds by more than 10% the annual compensation in the immediately preceding year, the compensation in excess of said 10% shall not be included in the calculation of Average Compensation. (Article 2-108)
- m. Contributions: The amount deducted from the compensation of a Member and the employer (Section 781).
- n. Regular Interest: The interest rate as prescribed by the Board of Trustees (Article 1-104). Prior to July 1, 2017, the rate was 2.50%. Due to Act No. 106-2017, regular interest ceased July 1, 2017.
- o. Accumulated Contributions: The sum of all amounts deducted from the compensation of a Member prior to July 1, 2013 with regular Interest (Article 1-104).
- p. Actuarial Equivalent: Equality in value such that the present value of the amount under any form of payment is essentially the same as the present value of the amount under the normal form of annuity payment for single participants. Actuarially Equivalent factors are determined based on annuity and mortality tables adopted by the Board of Trustees based on the System's experience and in accordance with the recommendations of the actuary.  
  
For purposes of converting the Define Contribution Hybrid Contribution Account to a lifetime annuity, the current factors adopted by the Board are the single life annuity factors using an interest rate of 4% and the RP-2000 Healthy Annuitant Mortality Table for ages 50 and over and the RP-2000 Employees Mortality Table for ages under 50, projected to 2025 using Scale AA and blended 50% male / 50% female.
- q. Public Officers in High-Risk Positions: The Commonwealth of Puerto Rico Police, the Municipal Police, the Commonwealth Firefighter Corps, the Municipal Firefighter Corps, and the Custody Officers Corps.
- r. Social Security Retirement Age (SSRA): The Social Security Retirement Age varies based on the year of birth as indicated in the table below:



**12. PENSION PLAN – continuation**

<b>Year of Birth</b>	<b>Social Security Retirement Age</b>
1937 or earlier	65 years
1938	65 years and 2 months
1939	65 years and 4 months
1940	65 years and 6 months
1941	65 years and 8 months
1942	65 years and 10 months
1943 to 1954	66 years
1955	66 years and 2 months
1956	66 years and 4 months
1957	66 years and 6 months
1958	66 years and 8 months
1959	66 years and 10 months
1960 and later	67 years

- s. Retirement Savings Account: The individual retirement account established for each member of System 2000 (Article 1-104). Each member has a nonforfeitable right to the value of his Retirement Account (Article 3-107).
- t. Credits to Retirement Savings Account: The credits to the retirement savings account include (1) any initial transfer balance for transferred participants, (2) contributions of the members to System 2000, and (3) the investment yield for each semester of the fiscal year based on the investment alternatives elected by the member (Article 3-107).
- u. Investment Alternatives for Retirement Savings Account: System 2000 members could choose to allocate their Retirement Savings Account, in multiples of 10%, to the following investment options prior to July 1, 2013. Changes in allocation could have been made annually, effective each July 1.
  - i. Fixed income – The yield is equal to the average monthly yield of the Two-Year Constant Maturity Treasuries during each semester of the fiscal year.
  - ii. System's investment portfolio – the yield is equal to 90% (75% prior to July 1, 2004) of the investment portfolio yield of the System during each semester of each fiscal year minus management fees such as fees payable to administrators of the portfolio.
  - iii. Other alternatives adopted by the Board of the System.
- v. Defined Contribution Hybrid Contribution Account: The individual account established for each active member as of July 1, 2013 and for each future member thereafter. Each member has a nonforfeitable right to their contributions to the Defined Contribution Hybrid Contribution Account and, for the System 2000 members, the initial transfer of their Retirement Saving Account as of June 30, 2013.
- w. Credit to Defined Contribution Hybrid Contribution Account: The credits to the retirement savings account include (1) the Retirement Savings Account as of June 30, 2013 for System 2000 members, (2) contributions by all members from July 1, 2013 to June 30, 2017 to PRGERS, and (3) the investment yield for each semester of the fiscal year as determined by the Board. The investment yield determined by the Board shall never be less than 80% of the investment portfolio yield of the System during each semester of each fiscal year minus management fees such as, but not limited to, fees payable to administrator of the portfolio, safekeeping of securities and investment counseling. With the move to Pay-As-You-Go funding under Act No. 106-2017, no credits are applied after June 30, 2017.

continue



**12. PENSION PLAN – continuation**

5. Coordination with Social Security for Act No. 447-1951 Members: Except for police, mayors and employees of the Agricultural Extension Service of the U.P.R., participants may elect to coordinate coverage under the System with Federal Social Security by selecting the lower of two contribution options. Those participants selecting Option (1), the Coordination Plan, are subject to a benefit recalculation upon attainment of Social Security Retirement Age. Those participants selecting Option (2), the Supplementation Plan, will continue to receive the same benefits for life, without any adjustments at SSRA. At any time up to retirement, participants may change from Option (1) to Option (2) by making a contribution including interest to the System retroactive to the later of July 1, 1968 or to the date of plan entry, that will bring their career Accumulated Contributions to the Option (2) level. All police, mayors and employees of the Agricultural Extension Service of the U.P.R. are covered under Option (2), the Supplementary Plan.

6. Retirement Benefits

- 1) Eligibility for Act No. 447-1951 Members: Act No. 447-1951 members who were eligible to retire as of June 30, 2013 would continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 447-1951 members could retire upon (1) attainment of age 55 with 25 years of Credited Service, (2) attainment of age 58 with 10 years of Credited Service, (3) any age with 30 years of Credited Service, and (4), for Mayors, attainment of age 50 with 8 years of Credited Service as a Mayor. In addition, Act No. 447-1951 members who attained 30 years of Credited Service by December 31, 2013 would be eligible to retire at any time.

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

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

- 2) Eligibility for Act No. 1-1990 Members: Act No. 1-1990 members who were eligible to retire as of June 30, 2013 would continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 1-1990 members could retire upon (1) attainment of age 55 with 25 years of Credited Service, (2) attainment of age 65 with 10 years of Credited Service, and (3) for Mayors, attainment of age 50 with 8 years of Credited Service as a Mayor.

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

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

continue



**12. PENSION PLAN – continuation**

System 2000 members who were not eligible to retire as of June 30, 2013 would be eligible to retire upon attainment of the retirement eligibility age shown in the following table.

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

System 2000 members who were not in payment status as of March 15, 2022 are no longer entitled to future benefits from PRGERS based on the provisions of the 2022 Plan of Adjustment.

- 4) *Eligibility for Members Hired after June 30, 2013:* Attainment of age 67.

Act No.3-2013 members who were not in payment status as of March 15, 2022 are no longer entitled to future benefits from PRGERS based on the provisions of the 2022 Plan of Adjustment.

- 5) *Eligibility for Public Officers in High Risk Positions:* Public Officers in High Risk Positions are eligible to retire from active service at age 55 and must retire at age 58, regardless of membership law. Two two-year extensions (delaying retirement until age 62) may be requested by the member from the Superintendent of the Puerto Rico Police, the Chief of the Firefighter Corps, or supervising authority as applicable. Public Officers in High Risk Positions who terminate employment with a vested benefit prior to age 55 are eligible to retire based on the above provisions for the applicable membership law.
- 6) *Benefit:* An annuity payable for the lifetime of the members equal to the annuitized value of the balance in the Defined Contribution Hybrid Contribution Account at the time of retirement, plus, for Act No. 447-1951 and Act No. 1-1990 members, the Accrued Benefit determined as of June 30, 2013. If the balance in the Defined Contribution Account is \$10,000 or less, the balance in the Defined Contribution Hybrid Contribution Account shall be paid as a lump sum instead of as an annuity.
- 7) *Accrued Benefit as of June 30, 2013 for Act No. 447-1951 Members:* The accrued benefit as of June 30, 2013 shall be determined based on the Average Compensation for Act No. 447-1951 members, the years of Creditable Service, and the attained age of the member all as of June 30, 2013. For Act No. 447-1951 Mayors, the Highest Compensation as a Mayor is determined as of June 30, 2013.

If the Act No. 447-1951 member had at least 30 years of Credited Service as of June 30, 2013, the accrued benefit equals 65% of Average Compensation if the member was under age 55 as of June 30, 2013 or 75% of average compensation if the member was at least age 55 as of June 30, 2013. For participants selecting to Coordinate Plan, the benefit is re-calculated at the SSRA as 1.5% of Average Compensation up to \$6,600 multiplied by years of Credited Service, up to 30 years, plus 65% (75% if member was at least age 55 as of June 30, 2013) of Average Compensation in excess of \$6,600.

continue



**12. PENSION PLAN – continuation**

If the Act No. 447-1951 member had less than 30 years of Credited Service as of June 30, 2013, and attains 30 years of Credited Service by December 31, 2013, the accrued benefit equals 55% of Average Compensation if the member was under age 55 as of June 30, 2013 or 60% of Average Compensation if the member was at least age 55 as of June 30, 2013. For participants selecting the Coordination Plan, the benefit is re-calculated at SSRA as 1.5% of average compensation up to \$6,600 multiplied by years of Credited Service, up to 30 years, plus 55% (60% if member was at least age 55 as of June 30, 2013) of Average Compensation in excess of \$6,600. Member contributions received from Act No. 447-1951 members eligible for this transitory benefit during the period beginning July 1, 2013 and ending upon the attainment of 30 years of Credited Service are considered pre-July 1, 2013 contributions; the contributions to the Defined Contribution Hybrid Contribution Account begin after the member attains 30 years of Credited Service.

If the Act No. 447-1951 member had less than 30 years of Credited Service as of December 31, 2013, the accrued benefit equals 1.5% of Average Compensation multiplied by years of Credited Service up to 20 years, plus 2% of Average Compensation multiplied by years of Credited Service in excess of 20 years. The maximum benefit is 75% of the Average Compensation. Except for Commonwealth Police and Commonwealth Firefighters, the benefit is actuarially reduced for each year payment commences prior to age 58. For participants selecting the Coordination Plan, the basic benefit is re-calculated at SSRA as 1% of Average Compensation up to \$6,600 multiplied by years of Credited Service up to 20 years, plus 1.5% of Average Compensation in excess of \$6,600 multiplied by years of Credited Service in excess of 20 years, plus 2.0% of average Compensation in excess of \$6,600 multiplied by years of Credited Service in excess of 20 years. Except for Police and Firefighters, the benefit is actuarially reduced for each year payment commences prior to age 58.

For Act No. 447-1951 Mayors with at least 8 years of Credited Service as a mayor, the accrued benefit will not be less than 5% of Highest Compensation as a Mayor for each year of Credited Service as a Mayor up to 10 years, plus 1.5% of Highest Compensation as Mayor for each year of non-Mayor Credited Service up to 20 years, plus 2.0% of Highest Compensation as Mayor for each year of non-Mayoral Credited Service in excess of 20 years. Non-Mayor Credited Service includes service earned as a Mayor in excess of 10 years. The maximum benefit is 90% of the Highest Compensation as a Mayor.

- 8) Accrued Benefit as of June 30, 2013 for Act No. 1-1990 Members: The accrued benefit as of June 30, 2013 shall be determine based on the average compensation for Act No. 1 members, the years of Credited Service, and the attained age of the member all as of June 30, 2013. For Act No. 1-1990 Mayors, the Highest Compensation as a Mayor is determined as of June 30, 2013.

If the Act No. 1-1990 Commonwealth Police or Firefighter had at least 30 years of Credited Service as of June 30, 2013, the accrued benefit equals 65% of Average Compensation if the member was under age 55 as of June 30, 2013 or 75% of Average Compensation if the member was at least age 55 as of June 30, 2013.

For all other Act No. 1-1990 members, the accrued benefits equal 1.5% of Average Compensation multiplied by years of Creditable Service. The benefit is actuarially reduced for each year payment commences prior to age 65.



**12. PENSION PLAN – continuation**

For Act No. 1-1990 Mayors with at least 8 years of Credited Service as a mayor, the accrued benefit will not be less than 5% of Highest Compensation as a Mayor for each year of Credited Service as a Mayor up to 10 years, plus 1.5% of Highest Compensation as Mayor for each year of non-Mayoral Credited Service up to 20 years, plus 2.0% of Highest Compensation as Mayor for each year of non-Mayoral Credited Service in excess of 20 years. Non-Mayoral Credited Service includes service earned as a Mayor in excess of 10 years. The maximum benefit is 90% of the Highest Compensation as a Mayor.

**7. Termination Benefits**

**a. Lump Sum Withdrawal**

Eligibility: A Member is eligible upon termination of service prior to 5 years of service or if the balance in the Define Contribution Hybrid Contribution Account is \$10,000 or less.

Benefit: The benefit equals a lump sum payment of the balance in the Defined Contribution Hybrid Contribution Account as of the date of the permanent separation of service.

**b. Deferred Retirement**

Eligibility: A Member is eligible upon termination of service prior to 5 or more years of service (10 years of Credited Service for Act No. 447-1951 and Act No. 1-1990 members) prior to the applicable retirement eligibility, provided the member has not taken a lump sum withdrawal of the Accumulated Contribution and the Define Contribution Hybrid Contribution Account.

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

**8. Death Benefits**

**a. Pre-retirement Death Benefit**

Eligibility: Any current non-retired member is eligible.

Benefit: A refund of the Defined Contribution Hybrid Contribution Account, plus the Accumulated Contributions for Act No. 447-1951 and Act No. 1-1990 members.

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

Eligibility: Police, firefighters, and other employees in specified high-risk positions who die in the line of work due to reasons specified in Act No. 127-1958 (as amended). System 2000, Act No. 3-2013 and Act No. 106-2017 members who were not in payment status as of March 15, 2022 are no longer eligible based on the provisions of the 2022 Plan of Adjustment.

Spouse's Benefit: 50% of the participant's Compensation at date of death, payable as an annuity until death or remarriage (Act No. 127-1958 as amended).



**12. PENSION PLAN – continuation**

Children's Benefit: 50% of the participant's Compensation at date of death, payable as an annuity, allocated pro-rata among eligible children. The annuity is payable for life for a disabled child, until age 18 for a non-disabled child not pursuing studies, and until age 25 for a non-disabled child who is pursuing studies. (Act No. 127-1958 as amended)

Benefit if no spouse or children: The parents of the member shall each receive 60% of the participant's Compensation at date of death, payable as an annuity for life. (Act No. 127-1958 as amended)

Post-death increases: Effective July 1, 1996 and subsequently every three years, the above death benefits are increased by 3% provided that the beneficiary(ies) had been receiving payments for at least three years. Future COLAs were eliminated effective March 15, 2022. (Act No. 127-1958 as amended)

c. Post-retirement Death Benefit for Members who retired prior to July 1, 2013

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

Benefit: The benefit is as follows (Act No. 105-1969 as amended by Act No. 4-1985).

- (i) For those married or with dependent children at the time of death, the annual income to a widow, or widower of dependent children is equal to 60% (50% if the Coordination Plan – 30% prior to January 1, 2004) of the retirement benefit payable for life for a surviving spouse and/or disabled children and payable until age 18 (age 25 if pursuing studies) for non-disabled children. If in the Coordination Plan, the benefit to the surviving spouse does not begin until the spouse's attainment of age 60 and the surviving spouse must have been married to the member for at least 10 years to be eligible for this benefit.
- (ii) The benefit, when there is no relation as stated above, is equal to the remaining balance of Accumulated Contributions at the time of retirement after the deduction of lifetime annual income paid and is payable to a beneficiary or to the Member's estate. In no case shall the benefit be less than \$1,000. (Article 2-113 and Act No. 524-2004)

d. Post-retirement Death Benefit for Members who retired after June 30, 2013

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

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

For all members, the excess, if any, of the Defined Contribution Hybrid Contribution Account, plus the Accumulated Contribution for Act No. 447-1951 and Act No. 1-1990 members, at the time of retirement over the total annuity payments paid to the member and any beneficiary per the terms of the optional form of payment shall be payable to a beneficiary or the Member's estate.

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



**12. PENSION PLAN – continuation**

**9. Disability Benefits**

**a. Disability**

Eligibility: All members are eligible upon the occurrence of disability.

Benefit: The balance of the Defined Contribution Hybrid Contribution Account payable as lump distribution, an immediate annuity or a deferred annuity at the election of the participant. Act No. 447-1951 and Act No. 1-1990 members remain eligible to receive the accrued benefit as of June 30, 2013 commencing at the applicable retirement eligibility age.

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

Eligibility: Police, firefighters, and other employees in specified high-risk positions who are disabled in the line of work due to reasons specified in Act No. 127-1958 (as amended). System 2000, Act No. 3-2013 and Act No. 106-2017 members who were not in payment status as of March 15, 2022 are no longer eligible based on the provisions of the 2022 Plan of Adjustment.

Benefit: 80% (100% for Act No. 447 members) of Compensation as of date of disability, payable as an annuity. If the member dies while still disabled, this annuity benefit continues to his beneficiaries. Beneficiaries include the surviving spouse and/or disabled children (for life), non-disabled children until age 18 (age 25 if pursuing studies), and the parents if no other beneficiaries. Effective July 1, 1996 and subsequently every three years, the disability benefit is increased by 3% provided that the member (or beneficiary) had been receiving payments for at least three years. Future COLAs were eliminated effective March 15, 2022. (Act No. 127-1958 as amended)

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

**10. Minimum Benefits**

- a. Past Ad hoc Increases: The Legislature, from time, increases pensions for certain retirees as described in Act No. 124-1973 and Act No. 23-1983.
- b. Minimum Benefit for Members who Retired before July 1, 2013: The minimum monthly lifetime income for members who retired or become disabled before July 1, 2013 is \$500 per month effective July 1, 2013 (\$400 per month effective July 1, 2007 and \$300 per month up to June 30, 2007). (Act No. 156-2003, Act No. 35-2007, and Act No. 3-2013)
- c. Minimum Benefit for Act No. 447-1951 and Act No. 1-1990 Members who Retired before July 1, 2013 or later: The minimum monthly accrued benefit as of June 30, 2013, or date of termination if earlier, for Act No. 447-1951 and Act No. 1-1990 members who retire July 1, 2013 or later is \$400 per month effective July 1, 2013. The benefit derived from the Defined Contribution Hybrid Account is added after this minimum benefit is applied.
- d. Coordination Plan Minimum Benefit: A minimum monthly benefit is payable upon attainment of SSRA such that the benefit, when added to the Social Security Benefit, is not less than the benefit payable prior to SSRA.

continue



**12. PENSION PLAN – continuation**

11. Cost-of-Living Adjustments (COLA) to Pension Benefits: The Legislature, from time to time, increases pensions by 3% for retired and disabled members. Beneficiaries are not entitled to COLAs granted after the retiree's death. The first increase was granted by Act No. 10-1992. Subsequent 3% increases have been granted every third year since 1992, with the latest 3% increase established on April 24, 2007 and effective July 1, 2007 (retroactive to January 1, 2007) for retired and disabled members that were receiving a monthly benefit on or before January 1, 2004 (Act No. 35-2007). In addition, effective July 1, 2008, any retired or disabled member that was receiving a monthly annuity on or before January 1, 2004 less than \$1,250 per month received an increase of up to 3% without exceeding the limit of \$1,250 per month (Act No. 35-2007). Future COLAs were eliminated effective March 15, 2022. (Various Acts)
12. Medical Insurance Plan Contribution: A payment of up to \$100 per month to the eligible medical insurance plan selected by the retiree or disabled member provided the member retired prior to July 1, 2013. (Act No. 483-2004 as amended by Act No. 3-2013)
13. Special "Bonus" Benefits:
  - a. Christmas Bonus: An annual bonus of \$200 for each retiree, beneficiary, and disabled member paid in December provided the member retired prior to July 1, 2013. (Act No. 144-2005 as Amended by Act No. 3-2013)
  - b. Medication Bonus: An annual bonus of \$100 for each retiree, beneficiary, and disabled member to cover health costs paid in July provided the member retired prior to July 1, 2013. (Act No. 155-2003, as Amended by Act No. 3-2013)

**(2) Allocation Methodology**

GASB Statement No. 73 requires that the primary government and the component units that provide pensions through the same defined benefits pension plan of its primary government, recognize their proportionate share of the total pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense (benefit). The employer allocation percentage presented in the schedule of employer allocations and applied to amounts presented in the schedule of pension amounts by employer are based on the ratio of each participating entity's actual benefit payments for allocation to the aggregate total of benefit payments for allocation paid by all participating entities during the year ending on the measurement date. Employer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of pension amounts by employer may result in immaterial differences. The difference between the actual benefits payments' column and the benefits payments for allocation in the schedule of employer allocations represents lump-sum distributions of accumulated benefits that were not considered for allocation purposes.

**(3) Total Pension Liabilities and Actuarial Information**

The Total Pension Liability of the System was approximately \$23.3 billion as of June 30, 2023 and was determined by an actuarial valuation as of July 1, 2022 which was rolled forward to June 30, 2023 (measurement date as of June 30, 2023).

**(a) Actuarial Methods and Assumptions**

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



**12. PENSION PLAN – continuation**

*Discount Rate*

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

*Mortality*

The mortality tables used on the June 30, 2023; actuarial valuation was as follows:

– *Pre-retirement Mortality*

For general employees not covered under Act No. 127-1958, the PubG-2010 employee rates, adjusted by 100% for males and 110% for females, projected using MP-2021 on a generational basis. For members covered under Act No. 127-1958, the PubS-2010 employee rates for males and females, projected using MP-2021 on a generational basis. As generational table, 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. 127-1958.

– *Post-retirement Retiree Mortality*

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

– *Post-retirement Disabled Mortality*

The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females, projected using Mortality Improvement Scale MP-2021 on a generational basis. As generational table, it reflects mortality improvements both before and after the measurement date.

– *Post-retirement Beneficiary Mortality*

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

**(b) Total Pension Liability**

The information disclosed below is presented in accordance with GASB No 73, after the implementation of Act No. 106-2017. The Senate's Total Pension Liability was measured as of June 30, 2022. The measurement Date is June 30, 2023, the date as of which the Total Pension Liability is determined. The Reporting Date is for periods ending July 1, 2023 through June 30, 2024.



**12. PENSION PLAN – continuation**

As June 30, 2024, the Senate's proportional share of the Total Pension Liability used was as follows (last available information):

Proportion – June 30, 2023	0.17123%
Proportion – June 30, 2024	<u>0.16363%</u>
Change - Increase (Decrease)	<u>0.00760%</u>

As June 30, 2024, the Senate reported \$33,986,668 as Total Pension Liability for its proportionate shares of the Total Pension Liability of ERS.

Total Pension Liability	June 30, 2024	
	TOTAL	Proportional Share (0.16363%)
Commonwealth Total Pension Liability	\$ 23,335,683,397	\$ 33,986,668
Covered Payroll	\$ 1,217,252,004	1,772,836
Commonwealth Total Pension Liability as % of Covered Payroll	1917.08%	1917.08%

**(c) Pension Expense**

For the fiscal year ended June 30, 2024, the Senate recognized pension expense of \$3,248,937 of total pension payments of the "Pay-As-You-Go" system.

**(d) Deferred Outflows/Inflow of Resources**

As of June 30, 2024, 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 contributions subsequent to measurement date	\$ 3,248,937	\$ -
Difference between expected and actual experience in measuring the Total Pension Liability	23,684	211,967
Changes in Assumptions	1,297,740	-
Change in Employer's Proportionate Share	-	1,096,753
Total	<u>\$ 4,570,361</u>	<u>\$ 1,308,720</u>

continue



**12. PENSION PLAN – continuation**

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to Total Pension Liability to be recognized in future periods in a systematic and rational manner.

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

<b>Year Ended June. 30,</b>	<b>Amount</b>
2024	\$ 652,328
2025	652,328
2026	652,328
2027	652,328
2028	652,326
Thereafter	-
<b>Total</b>	<b>\$ 3,261,641</b>

***Discount Rate***

After June 30, 2017, the Commonwealth enacted legislation that changed the structure of pension administration managed by ERS. For further information regarding such pension legislation, see Note 2. The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

The discount rate on June 30, 2023 and 2024, was as follow:

	<b>June 30, 2023</b>	<b>June 30, 2024</b>
Discount Rate	3.54%	3.65%
20 Year Tax-Exempt Municipal Bond Yield	3.54%	3.65%

***Changes in Total Pension Liability***

<b>Changes in Total Pension Liability</b>	<b>Increase (Decrease)</b>	
	<b>Total Pension Liability</b>	<b>Proportional Share</b>
Balance as of June 30, 2023 for Central Government	\$ 22,152,465,178	37,930,771
Changes for the year:		
Service Cost	18,825,516	30,804
Interest on Total Pension Liability	761,281,508	1,245,665
Effect of Plan Changes	-	-
Effect of Economic/Demographic (Gains) or Losses	(44,302,560)	(72,491)
Effect of Assumptions Changes or Inputs	(773,481,042)	(1,265,627)
Benefits Payments	(1,344,015,168)	(3,882,454)
<b>Balance as of June 30, 2024 for Central Government</b>	<b>\$ 20,770,773,432</b>	<b>\$ 33,986,668</b>



**12. PENSION PLAN – continuation**

**(e) Sensitivity of the Proportionate Share of the Total Pension Liability to Changes in the Discount Rate**

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

	<b>1% Decrease 2.65%</b>	<b>Current Discount Rate 3.65%</b>	<b>1% Increase 4.65%</b>
Total Pension Liability	\$ 37,889,340	\$ 33,986,668	\$ 30,727,688

***“Pay-As-You-Go” Funding***

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

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

Furthermore, Act No. 106-2017 modified the ERS's governance. Under Act No. 106-2017, the ERS' Board of Trustees was substituted with a new Retirement Board, which is currently responsible for governing all of the Commonwealth's Retirement Systems.

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

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

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

continue



## **12. PENSION PLAN – continuation**

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

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

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

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.

## **13. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

In addition to the pension benefits described in Note 12 the Commonwealth provides other retirement benefits, such as Christmas Bonus, and healthcare benefits for its retired employees in accordance with local laws. Substantially, all of the employees may become eligible for these benefits if they reach normal retirement age while working for the Commonwealth.

### **(1) Plan Description**

The Other Postemployment Benefit Plan of the Commonwealth of Puerto Rico for Retired Participants of the Employees’ Retirement System (the Plan) is an unfunded, 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 Postemployment Benefits Other Than Pensions* (GASB Statement No. 75). Under the guidance of GASB Statement No. 75, the Commonwealth and its component units are considered to be one employer and are classified for financial reporting purposes as a single employer defined benefit OPEB plan.

#### ***Healthcare Benefits***

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. 3-2013).

continue



**13. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – continuation**

***Christmas Bonus Benefits***

The Christmas Bonus was \$200 per retiree, beneficiary, and disabled member paid in December provided the member retired prior to July 1, 2013 (Act No. 144, as Amended by Act No. 3-2013).

***Medication Bonus***

The Plan covers an annual bonus of \$100 for each retiree, beneficiary, and disabled member to cover health costs paid in July provided the member retired prior to July 1, 2013. Evidence of coverage is not required. The amount is prorated if there are multiple beneficiaries. (Act No. 155, as Amended by Act No. 3-2013).

**(2) Allocation Methodology**

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

**(3) Total OPEB Liabilities and Actuarial Information**

The Total OPEB Liability was approximately \$646.6 million as of June 30, 2024 and was determined by an actuarial valuation as of July 1, 2023 which was rolled forward to June 30, 2024 (measurement date as of June 30, 2023).

***Actuarial Methods and Assumptions***

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

***Discount Rate***

The discount rate for June 30, 2024, was 3.65%. this represents the municipal bond return rate as chosen by the Commonwealth. The source is the bond Buyer general Obligation (GO) 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

***Mortality***

***– Pre-retirement Mortality***

For general employees not covered under Act No. 127-1958, the PubG-2010 employee rates, adjusted by 100% for males and 110% for females, projected using MP-2021 on a generational basis. For members covered under Act No. 127-1958, the PubS-2010 employee rates for males and females, projected using Mortality Improvement Scale MP-2021 on a generational basis. As generational table, they reflect mortality improvements both before and after the measurement date.

continue



**13. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – continuation**

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

– *Post-retirement Mortality*

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

– *Post-retirement Disabled Mortality*

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

– *Post-retirement Beneficiary Mortality*

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

***Relationship Between Valuation Date, Measurement Date, and Reporting Date***

The Valuation Date is July 1, 2022. This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2023. This is the date on which the Total OPEB Liability is determined. The Reporting Date is the employer's fiscal year date. This report is for measurement year July 1, 2022 to June 30, 2023 for reporting period ending June 30, 2024.

***Significant Changes***

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

***Total OPEB Liability***

The Total OPEB Liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB No. 75.

Total OPEB Liability	June 30, 2024	
	Total	Proportional Share (0.016636%)
Commonwealth Total OPEB Liability	\$ 646,564,186	\$ 1,075,594
Covered Payroll	N/A	N/A
Total OPEB Liability as a % of Covered Payroll	N/A	N/A



### 13. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – continuation

The Senate's proportionate share of the Total OPEB Liability used was as follows:

Proportion – June 30, 2023	0.17380%
Proportion – June 30, 2024	<u>0.16636%</u>
Change - Increase (Decrease)	<u>0.00744%</u>

#### **Discount Rate**

The discount rate on June 30, 2023 and 2024, was as follow:

	June 30, 2023	June 30, 2024
Discount Rate	3.54%	3.65%
20 Year Tax-Exempt Municipal Bond Yield	3.54%	3.65%

As of June 30, 2023, the PRGERS have issued its audited financial statements schedules as of and for the fiscal year ended June 30, 2023 and has it provided the Senate with the audited schedules of employment allocations and OPEB amounts by employer as of June 30, 2023 (Senate's measurement date), necessary to comply with the requirements of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of June 30, 2024. As a result, amounts reported as Total OPEB Liability, applicable disclosures and required supplementary information were presented with unaudited data.

Changes in Commonwealth Total OPEB Liability	Total OPEB Liability	Proportional Share
Balance as of June 30, 2023 for Central Government	\$ 695,603,332	\$ 1,208,972
Changes for the year:		
Service Cost	-	-
Interest on Total OPEB Liability	23,521,779	39,130
Effect of Plan Changes	-	-
Effect of Economic/Demographic (Gains) or Losses	(4,023,274)	(6,693)
Effect of Assumptions Changes or Inputs	(5,698,612)	(9,480)
Benefits Payments	(62,839,039)	(156,335)
<b>Balance as of June 30, 2024 for Central Government</b>	<b>\$ 646,564,186</b>	<b>\$ 1,075,594</b>

#### **Deferred Inflows and Outflows**

Because all participants are inactive, there are no deferred inflows and outflows as any changes due to changes in actuarial assumptions or demographic gains and losses are recognized immediately during the measurement year.

#### **Sensitivity of the Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the Senate's proportionate share of the Total OPEB Liability calculated using the discount rate, as well as what the Senate's proportionate share of the Total OPEB Liability would be if it were calculated using a discount rate that is 1 – percentage point lower or 1 – percentage point higher than the current rate:

	1% Decrease 2.65%	Current Discount Rate 3.65%	1% Increase 4.65%
<b>Total OPEB Liability</b>	<b>\$ 1,345,086</b>	<b>\$ 1,075,594</b>	<b>\$ 1,148,876</b>

continue



## 14. LEASES

### Lease Assets – Lessee

The Senate has recorded intangible right-to-use lease assets as a result of implementing GASB Statement No. 87. The lease assets are initially measured at an amount equal to the initial measurement of the related lease liability [plus any lease payments made prior to the lease term and ancillary charges necessary to place the lease into service, less lease incentives], if any. Lease assets are amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term.

### Lease Liability – Lessee

The Senate has entered into agreements to lease facilities. The lease agreements have been recorded at the present value of the future lease payments as of the date of their inception or, for leases existing prior to the implementation fiscal year at the remaining terms of the agreement, using the facts and circumstances available on July 1, 2021.

An agreement was in effect on July 1, 2021, to lease equipment through September 2023, requiring 27 monthly payments of \$17,713. The lease liability is measured at the applicable Incremental Borrowing Rate (IBR) of 4.5%. this debt was paid in full during fiscal year ending June 30, 2024.

A new agreement was in effect on May 8, 2024, to lease equipment with a total cost of \$88,881, for five (5) years, requiring one payment of \$18,000 on this date and a second payment of \$72,000 on November 2024. The lease liability is measured at the applicable Incremental Borrowing Rate (IBR) of 4.0%.

As a result of these leases, the Senate has a total lease assets with a net book value of \$85,918, and a lease liability of \$69,231 on June 30, 2024.

The future minimum payments on this lease as of June 30, 2024, were as follows:

<b>Year Ending</b>		
<b>June 30,</b>	<b>Principal</b>	<b>Interest</b>
2024	<u>\$ 69,231</u>	<u>\$ 2,769</u>

## 15. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

### **A. SBITAs Accounting Policies**

The Senate determines if a contract to use another party's information technology (IT) software qualifies as a subscription-based information technology arrangement (SBITAs) at inception. SBITAs result in the recognition of an intangible right-to-use subscription assets and subscription liabilities on the Statement of Net Position. Right-to-use subscription assets represent the use of an underlying asset for the subscription term, and subscription liabilities represent the obligation to make subscription payments arising from the contract, measured on a discounted basis.

At subscription inception, when the subscription asset is placed into service, the subscription liability is measured at the present value of the subscription payments over the subscription term. The right-to-use subscription asset equals the subscription liability adjusted for any payments made before the subscription term, capitalizable implementation costs, and subscription incentives received before the subscription term. The Senate uses the incremental borrowing rate (IBR) when readily determinable. As most of the subscription contracts do not provide an IBR, the Senate uses its most recent borrowing rate based on the information available at the commencement date to determine the present value of lease payments.

continue



**15. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs) – continuation**

IBR used to determine the present value of subscription payments were derived by reference to the interest rate on the vendor corresponding to the subscription commencement date. Subscription assets are amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the subscription term.

The subscription term is the noncancelable period per the contract. Additionally, the subscription term may include options to extend or to terminate the subscription that the Senate is reasonably certain to exercise.

**B. Subscription Assets**

The Senate has recorded intangible right-to-use subscription assets as a result of implementing GASB No. 96. The subscription assets are initially measured at an amount equal to the initial measurement of the related subscription liability [plus any subscription payments made prior to the subscription term and capitalizable implementation costs, less subscription incentives], if any.

Subscription assets are amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the subscription term.

Subscription asset activity for the Senate for the year ended June 30, 2024, was as follows:

Right-To-Use Subscription Asset	\$ 129,570
Amortization – Right-To-Use Subscription Asset	<u>(4,319)</u>
Total Right-To-Use Subscription Asset Less Accumulated Amortization	<u>\$ 125,251</u>

**C. Subscription Liability**

The Senate has entered into agreements for subscription-based information technology. The subscription agreements have been recorded at the present value of the future lease payments as of the date of their inception or, for subscriptions existing prior to the implementation fiscal year at the remaining terms of the agreement, using the facts and circumstances available on July 1, 2022.

An agreement was in effect on May 8, 2024, related to subscription-based information technology during five (5) years, requiring one payment of \$24,570 on this date and a second payment of \$98,280 on November 2024. The lease liability is measured at the applicable Incremental Borrowing Rate (IBR) of 4.0%. The IBR is an estimation made by the Senate as stated in the agreement. As a result of the subscription, the Senate has a subscription asset with a net book value of \$125,251 and a lease liability of \$94,500 on June 30, 2024.

Long-Term Liability Roll-Forward Schedule:

<u>Capital Asset Description</u>	<u>Lease Term</u>	<u>Interest Rate</u>	<u>Outstanding Balance</u>
Subscription Based Information Technology Arrangement for the Employees Time and Attendance System	5 Years	4.0%	<u>\$ 94,500</u>

The future minimum payments on those subscriptions as of June 30, 2024, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	<u>\$ 94,500</u>	<u>\$ 3,780</u>

continue



## 16. CONTINGENCIES

The Senate is also a defendant in several other lawsuits arising out of the normal course of operations. In the aggregate, these claims seek monetary damages in significant amounts. With respect to pending and threatened litigations, the Senate plans to defend vigorously each individual case. The ultimate outcome of such legal proceedings cannot be determined at this time, based on our legal counsel's advice. The Senate is also subject to audits performed by the Office of the Comptroller of Puerto Rico.

## 17. COMPONENTS OF FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned (see Note 2 for a description of these categories). A detailed schedule of fund balances on June 30, 2024 is as follows:

	GENERAL FUND	SPECIAL REVENUE FUND	TOTAL FUNDS
<b>Nonspendable:</b>	\$ -	\$ -	\$ -
<b>Restricted For:</b>			
General Government and Interships	-	190,696	190,696
<b>Total Restricted</b>	<b>-</b>	<b>190,696</b>	<b>190,696</b>
<b>Committed To:</b>			
Total Committed	-	-	-
<b>Assigned To:</b>			
Total Assigned	-	-	-
<b>Unassigned</b>	15,706,783	-	15,706,783
<b>Total Fund Balances</b>	<b>\$ 15,706,783</b>	<b>\$ 190,696</b>	<b>\$ 15,897,479</b>

## 18. RELATED-PARTY TRANSACTIONS AND OTHER INTERGOVERNMENTAL TRANSACTIONS

During the year ended June 30, 2024, the Senate entered into the following related party or intergovernmental transactions:

1. The Superintendent of the Capitol – The Superintendent of the Capitol is charged for purchase of generator and reimbursement of material and repairs of buildings.

## 19. PUERTO RICO OVERSIGHT, MANAGEMENT, AND ECONOMIC STABILITY ACT (PROMESA)

The Puerto Rico Oversight, Management, and Economic Stability Act, Pub. Law 114-187 ("PROMESA" or the "Act"), was enacted into law on June 30, 2016. The Senate had passed PROMESA on June 29, 2016, and President Obama signed the Act into law on June 30, 2016, one day before the Commonwealth of Puerto Rico was expected to, and did, default on substantial payment obligations.

Fiscal responsibility is a high standard. It is the foundation of Puerto Rico's recovery, the mandate of PROMESA to enable Puerto Rico to prosper, and the essence of effective government. Puerto Rico can and will meet this standard.

continue



**19. PUERTO RICO OVERSIGHT, MANAGEMENT, AND ECONOMIC STABILITY ACT (PROMESA) – continuation**

The Puerto Rico Government and the Financial Oversight and Management Board for Puerto Rico (the Oversight Board) together have made significant progress in achieving fiscal responsibility, stabilizing Puerto Rico's finances, substantially reducing its debt burden, and making significant strides to reform its civil service. Fiscal responsibility, however, is more than completing the debt restructuring and stabilizing Puerto Rico's finances.

Fiscal responsibility includes reforms that are critical to ensure budgetary discipline in the future, some of which may require legislative action. Fiscal responsibility requires clear spending priorities. No government can pay for everything it wants to do – every government and every legislature must first determine what needs to be done, prioritizing healthcare, education, and economic development.

When U.S. Congress passed the bi-partisan Puerto Rico Oversight, Management, and Economic Stability Act of 2016 (PROMESA) that created the Oversight Board, the Governor of Puerto Rico had declared the debt unpayable, and the Government was in default. Decades of economic decline and chronic financial mismanagement left Puerto Rico in crisis, soon exacerbated by natural disasters, including Hurricanes Irma and María in 2017, earthquakes, and the global COVID-19 pandemic in 2020.

According to a U.S. Government Accountability Office (GAO) report from 2018, the causes of the crisis were:

- Inadequate financial management and oversight practices, such as the overestimation of potential revenues and persistent spending in excess of appropriated amounts;
- Prolonged economic contraction, impacted by outmigration and resulting diminished labor force, the high cost of energy and importing goods, regulatory challenges to doing business, the phaseout of the possessions tax credit, and banking and housing struggles; and
- Policy decisions, such as allowing the use of debt proceeds to balance budgets, insufficiently addressing public pension funding shortfalls, and inadequately managing the financial condition of the Puerto Rico Electric Power Authority (PREPA).

**EXHIBIT 1: ROOT CAUSES OF THE FISCAL CRISIS AND ACTIONS TO ACHIEVE FISCAL RESPONSIBILITY AND ADEQUATE ACCESS TO CREDIT MARKETS**



continue



**19. PUERTO RICO OVERSIGHT, MANAGEMENT, AND ECONOMIC STABILITY ACT (PROMESA) – continuation**

Prior to PROMESA and for each of the first 16 consecutive years of this century, from fiscal years 2000 to 2016, Government spending exceeded recurring Government revenues. Controls and guardrails, to the extent they existed, were insufficient to prevent overestimation of revenues, excessive borrowing, overspending, and the deficits that eroded Puerto Rico's economic stability. Before PROMESA, Government pensions were not sufficiently funded, putting pension payments for current and future retirees at risk.

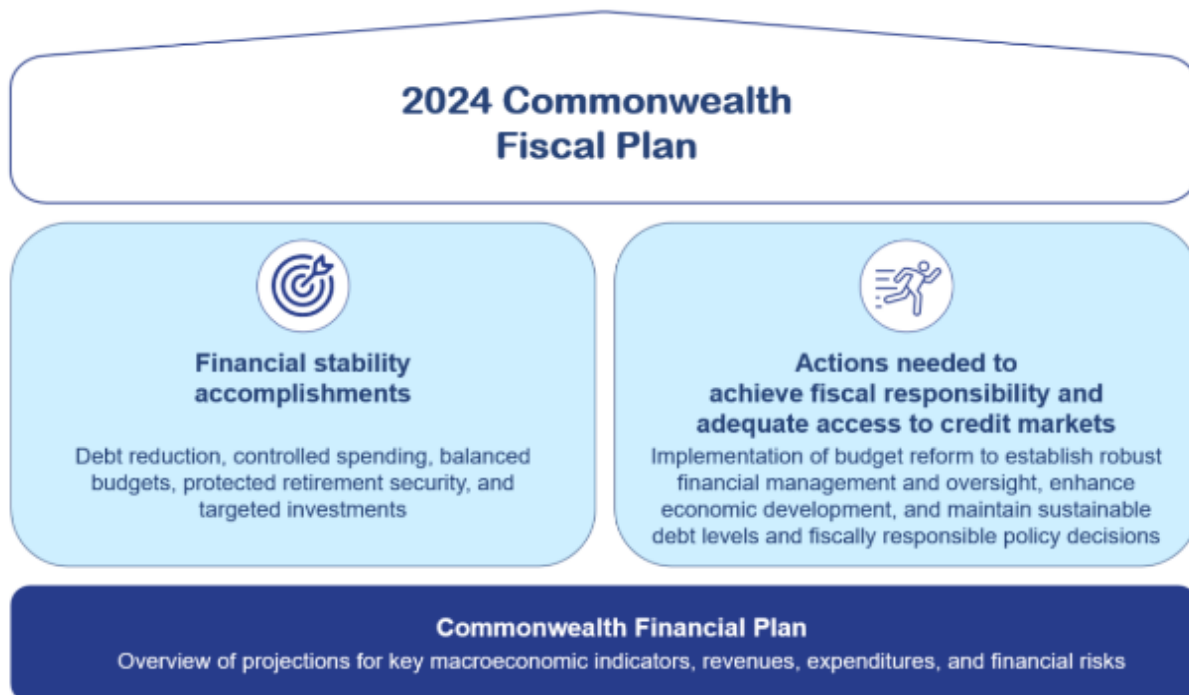
As result of these practices, the consolidated Commonwealth's outstanding debt and pension liabilities had grown to over \$120 billion – with more than \$70 billion in financial debt and more than \$50 billion in pension liabilities – an amount almost twice the size of Puerto Rico's economy.

Puerto Rico has come a long way. Today, Puerto Rico is stable, and the Commonwealth government is solvent. The massive debt is almost completely restructured, a critical element of fiscal responsibility and access to market access. This Fiscal Plan, as mandated by PROMESA, defines the path to complete the journey from bankruptcy to prosperity and to reverse decades of fiscal mismanagement. Completing this path will lead Puerto Rico to sustainable economic growth and opportunity for the people of Puerto Rico right here, in Puerto Rico.

The 2024 Fiscal Plan provides the principles and priorities for Puerto Rico so the Government and the Oversight Board together can fulfill the purpose of PROMESA to achieve fiscal responsibility and adequate access to credit markets, so Puerto Rico will never repeat the mistakes that made PROMESA necessary and has access to investments that will help build a solid infrastructure to improve the quality of life in Puerto Rico and foster economic growth.

This 2024 Fiscal Plan has four parts: (1) Puerto Rico's progress in stabilizing government finances, (2) the Commonwealth's current financial conditions and risks, (3) details of the actions required to achieve fiscal responsibility and adequate access to credit markets, and (4) description of the actions the Oversight Board and the Government must take to complete PROMESA's mandate.

**EXHIBIT 2: THE OVERSIGHT BOARD'S PRINCIPAL AREAS OF FOCUS**



continue



**19. PUERTO RICO OVERSIGHT, MANAGEMENT, AND ECONOMIC STABILITY ACT (PROMESA) – continuation**

**Financial Stability Accomplishments**

The Oversight Board was successful in significantly reducing Puerto Rico's debt burden through restructuring agreements and plans that were confirmed by the U.S. District Court for the District of Puerto Rico. The Commonwealth of Puerto Rico's debt has been drastically reduced and made affordable. Through the concerted efforts of the Oversight Board and the Government described below, the debt burden is on course to be reduced to \$31 billion. Prior to the debt restructuring, 25 cents of every tax dollar Puerto Rico raised was needed to pay debt service. The lower debt service on the post-restructuring debt obligations now accounts for approximately 6% of debt policy revenues compared to roughly 25% before the restructuring. All said, the Oversight Board led debt restructuring will save the people of Puerto Rico approximately \$70 billion in principal and interest payments to creditors.

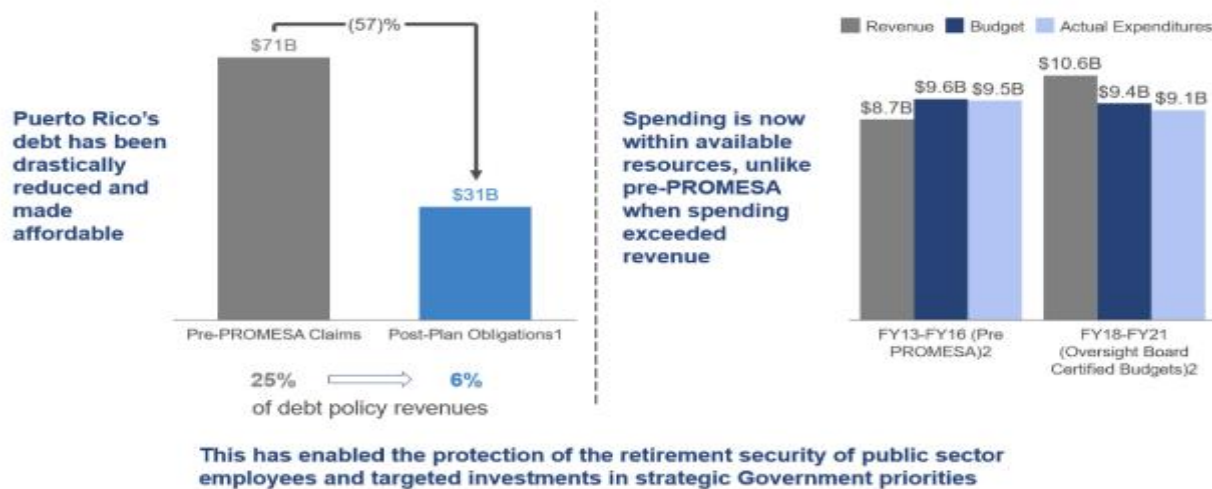
Puerto Rico must not fall back. Stability must turn into recovery. The change that helped Puerto Rico overcome the fiscal crisis must be permanent. Budget reform is essential.

Under the Fiscal Plans and PROMESA certified budgets, Puerto Rico has moved from structural deficits to fiscal stability. The Oversight Board developed a comprehensive process to evaluate budget changes throughout the year to ensure sufficient funding sources are available to support operating needs.

Through the Fiscal Plan, the Government and the Oversight Board made significant investments even as the government budget was rightsized through fiscal year 2022, to fit available resources. Select investments include funding to expand healthcare services, facilities, and infrastructure; police officer and teacher salary increases and new positions for school nurses and psychologists, expanding the Earned Income Tax Credit (EITC) program that benefits low-income households.

The current Government administration has engaged in critical reform initiatives, including the implementation of the Uniform Remuneration Plan across Puerto Rico's civil service, the introduction of private operators to the management of electricity generation and distribution, and the implementation of a uniform time and attendance policy for Government employees.

**EXHIBIT 3: SINCE PROMESA, CONSIDERABLE PROGRESS HAS BEEN MADE TOWARDS ACHIEVING FINANCIAL STABILITY**



<sup>1</sup> In addition to the restructured debt obligations, approximately \$10.5 billion in unused cash from prior fiscal years was paid in accordance with the terms set forth in the Commonwealth Plan of Adjustment.  
<sup>2</sup> Amounts are 4-year averages of revenue, budget, and actual expenditures.  
Section 1 of the 2024 Fiscal Plan

continue



**19. PUERTO RICO OVERSIGHT, MANAGEMENT, AND ECONOMIC STABILITY ACT (PROMESA) – continuation**

**Actions Needed to Achieve Fiscal Responsibility and Adequate Access to Credit Markets**

The Oversight Board, in partnership with the Government, has achieved several critical milestones to tend to the symptoms of Puerto Rico's fiscal crisis, yielded billions in surpluses and ensured that the Government and covered entities' expenditures are in line with revenues. However, the Government must still undertake significant work to put in place the practices needed to ensure that this progress is sustained beyond the longevity of the Oversight Board. In particular, the Government must establish robust financial management and oversight practices, while also making targeted investments to promote sustainable and inclusive economic development.

For example, in addition to bringing delinquent audited financial statements up to date, accessing credit markets will require the government to demonstrate its capacity to consistently deliver future audited financials on a timely basis, typically within 180 days from end of the prior fiscal year consistent with industry and Government Finance Officer Association (GFOA) "best practices" guidelines. Furthermore, the Commonwealth and Instrumentalities will have to adopt and institutionalize the financial practices and fiscal management reforms outlined elsewhere in this Fiscal Plan that are consistent with market standards and investor requirements. The government will also need to demonstrate its ability to comply with the regulatory requirements and securities laws for the issuance of municipal securities. This includes the ability to enter into a standard Continuing Disclosure Agreement (CDA) with dealers and obtain standard market legal and audit opinions.

To lay the groundwork to achieve market access, the Government recently met with credit agencies. It is likely credit rating agencies will look beyond the Section 209 provisions in assessing Puerto Rico's credit worthiness. The rating agencies maintain detailed models to assess the riskiness of public sector debts. In addition to its standard metrics, the rating agencies have also historically required sustained periods of fiscal reform and recovery before assigning new credit ratings for previously bankrupt issuers. The government will need to demonstrate its ability to meet the criteria necessary to achieve credit ratings. The Oversight Board continues to work with the Government so it can eventually meet the requirements to gain access to, and the trust of, the credit markets.

In evaluating whether Puerto Rico has achieved reasonable rates, the Oversight Board will look to see whether new or restructured outstanding debt is actively trading in the municipal market at reasonable levels relative to market indices and will look for evidence investors are ready to invest in Puerto Rico again, including the level of interest from traditional municipal bond buyers. The Oversight Board will rely on the expert opinion of independent third-party entities with municipal market experience for compliance with this requirement.

***The Financial Management Agenda***

The 12 required initiatives to support the Financial Management Agenda, described in Exhibit 1, are grouped into three categories: Foundational, Central, and Supporting:

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**19. PUERTO RICO OVERSIGHT, MANAGEMENT, AND ECONOMIC STABILITY ACT (PROMESA) – continuation**

The 2024 Fiscal Plan highlights a set of initiatives that aim to ensure the successful pursuit of these objectives. The initiatives are designed to cascade throughout the Government of Puerto Rico and serve as an overarching guide to allocating the resources needed to achieve the Commonwealth's long-term fiscal and economic outcomes.

**Actions to Establish Robust Financial Management and Oversight**

The 2024 Fiscal Plan identified eight areas of focus to achieve long-term fiscal responsibility. Success in these areas is critical for Puerto Rico to fully recover from bankruptcy and to fulfil the mandate of PROMESA to achieve fiscal responsibility. The 2024 Fiscal Plan includes initiatives across these eight areas, which aim to address the most crucial financial management challenges that Puerto Rico faces.

**EXHIBIT 4: LIST OF FOCUS AREAS TO ACHIEVE LONG-TERM FISCAL RESPONSIBILITY**

<b>Focus area</b>	<b>Description</b>
Improved economic and revenue forecasting	The Government should assemble its revenue, economic, and budget functions and create a coordinated process to produce and maintain one integrated set of economic and revenue projections over both the short- and long-term.
Budget best practices	The Government must establish a comprehensive framework budget that includes procurement, budgeting, revenue administration, and performance management, and the Office of Management and Budget (OMB) must ensure that all entities adopt best practices in budget preparation.
Comprehensive capital delivery program	The Government must develop and adopt a multi-year capital plan for all its agencies and instrumentalities. The plan would use standardized project prioritization criteria to ensure all investments are aligned with the Government's strategic objectives and with the capacity of Puerto Rico's private sector to absorb investments.
Improved management of education resources	The Government must support high-quality education to Puerto Rico's school children and higher-education students through equitable, fiscally sustainable, and transparent processes.
Improved government service delivery & labor relations	The Government must undertake significant reforms to improve public services in Puerto Rico by building a more efficient civil service and addressing challenges regarding labor relations.
Outcome-based, data-driven, and controlled healthcare spending	The Government must take an active role to support the improvement of public health outcomes and ensure the financial sustainability of Puerto Rico's healthcare system. A plan to address challenges in the health care system is required including an assessment of regulatory and statutory obstacles that contribute to shortcomings in access and quality.
Improved, transparent financial reporting	The Government must address the fiscal management deficiencies and implement procedures and practices that will continue to exist in the post-PROMESA. It must track and report key information about Puerto Rico's financial condition, such as the performance of revenues and expenditures.
Optimized municipal fiscal management	The Government must work with the Oversight Board and municipalities to implement a restructured grant and transfer system that will provide municipalities with a transparent process for the awarding of specific service grants that augment existing municipal service delivery. This envisioned system will also improve performance and enhance accountability through the monitoring of outcome metrics.

continue



**19. PUERTO RICO OVERSIGHT, MANAGEMENT, AND ECONOMIC STABILITY ACT (PROMESA) – continuation**

**Actions to Promote Economic Growth**

With the debt restructurings near completion, the confusion and uncertainty that has plagued the economy for much of the last decade has subsided. To generate revenues that are resilient even when the current influx of federal funding subsidies, fiscal stability alone will not suffice. The Government will also need to execute targeted investments and implement profound structural reforms to produce sustainable growth, support Government revenues, and prevent debt-financed operating expenditures. The 2024 Fiscal Plan describes an effort to develop an integrated plan that will serve as a roadmap to unlock future growth. While that plan is developed, the Oversight Board and the Government will continue to support specific priorities through a first wave of economic growth initiatives that aim to address the most crucial challenges that Puerto Rico faces.

**EXHIBIT 5: LIST OF FOCUS AREAS TO PROMOTE ECONOMIC GROWTH**

Focus area	Description
Integrated framework for economic growth	A robust effort that assesses the current situation and positioning of Puerto Rico, consolidates its identified opportunities, and allows for a coordinated integration of economic development efforts, supported by the Oversight Board, the Government, and stakeholders.
Human capital, focused on robust, highly-skilled, and healthy workforce	<p><u>Highly skilled workforce:</u> Government must identify the appropriate funding level and manage existing resources responsibly to reform K-12 education to give all Puerto Ricans the opportunity to develop core competencies in areas such as information synthesis, creativity, problem-solving, communication, and teamwork.</p> <p><u>Healthy workforce:</u> Government must engage key stakeholders to create a roadmap for the improvement of healthcare in Puerto Rico and develop a deep understanding of the situation of the healthcare workforce to appropriately address the shortage of healthcare professionals that Puerto Rico has historically faced.</p> <p><u>Robust workforce:</u> The Government must prioritize initiatives to boost labor force participation, rolling out targeted re-skilling programs for high-growth occupations and creating an environment that encourages public assistance program recipients to work in the formal sector.</p>
Economic strategies, focused on improved ease of doing business	The Government must create an environment that encourages innovation and entrepreneurship, attracts investment, and promotes exports. To increase the ease of doing business in Puerto Rico.
Economic policies, focused on reforms of Puerto Rico's tax system	The Government must reduce the structural complexity of Puerto Rico's tax system, thus reducing the cost of administration and the cost of compliance for private businesses and enhance the transparency of the system by reducing exemptions and the use of special tax regimes.
Infrastructure, focused on reduced cost and increased reliability of energy, transportation, and internet connectivity	Government must prioritize infrastructure initiatives to build resilient and sustainable infrastructure that reduces the cost of energy, transportation, and internet connectivity. Moreover, the Government must optimize the management of existing infrastructure assets, e.g., by improving the regulation of the electric power sector and by consolidating public transportation assets into mode-aligned entities.

continue



**19. PUERTO RICO OVERSIGHT, MANAGEMENT, AND ECONOMIC STABILITY ACT (PROMESA) – continuation**

**Completing the Oversight Board's PROMESA Mandate**

Prolonged financial stability, necessary to ensure that a debt default and crisis does not happen again in Puerto Rico, will require addressing the root causes described in the 2018 GAO report through the establishment of robust financial management and oversight practices as well as the execution of targeted investments to enhance economic development. The Government must also implement the key structural reforms and confront the reality that the record level of federal fiscal support is waning. Revenue collections appear to have crested, and growth has moderated, highlighting the need for Puerto Rico to focus on accelerating economic growth using its own resources, assets, and capabilities.

Successfully restructuring the vast majority of Puerto Rico's debt is only one step towards achieving fiscal responsibility. It is not enough to declare the mandate completed. The debt was a symptom of a much larger problem: the lack of fiscal responsibility. To complete our mandate, sound fiscal management practices must be accepted and implemented over the long term. For now, only the Oversight Board's presence prevents Puerto Rico from falling back into budget deficits. By the time the Oversight Board terminates, the government must be able to pass and maintain a balanced budget with a long term multiyear financial plan that is in balance to prevent future deficits and the painful adjustments that are so difficult to implement by any elected government.

That is why the Fiscal Plan and the Oversight Board's efforts are now focused on partnering with the Government to complete the reforms required to achieve fiscal responsibility over the long term as required under PROMESA, including the implementation of robust financial management and oversight practices as well as structural reforms, economic growth plans, the advancement and completion of critical projects, and improving the Government's overall economic conditions.

A key element of this Fiscal Plan is to transfer the responsibility to safeguard this balance to Puerto Rico's elected leaders, through significantly strengthened budget processes and guardrails to ensure budgetary discipline enshrined in practice, regulation, and law.

The Oversight Board has consistently been clear that its mandate is finite, and it should only exist until the Oversight Board and the Commonwealth fulfill the requirements of PROMESA. This Fiscal Plan shows the progress the Government has made to fulfill these conditions, the gaps that remain, and the actions the Oversight Board is taking to help the Government close these gaps. Taken together, the actions included in this Fiscal Plan, if thoughtfully implemented, can set the stage for increased growth and opportunity for all in Puerto Rico and the termination of the Oversight Board.

Puerto Rico has come a long way. It is well positioned to take advantage of its current fiscal recovery and the economic upswing to restore sustainable growth and prosperity. Completing the mandate of PROMESA will help to regain trust and restore confidence in the future, and signal to the world the tremendous comeback of Puerto Rico as the shining star of the Caribbean. This Fiscal Plan is the road map to finishing the job.

**20. NEW ACCOUNTING STANDARDS**

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

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

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

continue



## **20. NEW ACCOUNTING STANDARDS – continuation**

The practice issues addressed by this Statement are as follows:

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

The Senate implemented GASB No. 99 with no material impact on the basic financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statements No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period.

The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in the absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

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

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

The Senate implemented GASB No. 100 with no material impact on the basic financial statements.

Implementation Guide No. 2021-1, *Implementation Guidance Update—2021*

Question 5.1.

continue



**20. NEW ACCOUNTING STANDARDS – continuation**

Implementation Guide No. 2023-1, Implementation Guidance Update—2023

Questions 4.1–4.9 and 5.1.

Question 4.10 simultaneously with the requirements of Statement 100.

The Senate implemented these guides with no material impact on the basic financial statements.

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

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

GASB Statement No. 101, Compensated Absences. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

**RECOGNITION AND MEASUREMENT**

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

continue



**20. NEW ACCOUNTING STANDARDS – continuation**

**NOTES TO FINANCIAL STATEMENTS**

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023 (FY 2024-2025), and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 102, Certain Risk Disclosures. State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. Examples include, but are not limited to, the composition of any of the following:

- a. Employers
- b. Industries
- c. Inflows of resources
- d. Workforce covered by collective bargaining agreements
- e. Providers of financial resources
- f. Suppliers of material, labor, or services.

This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. Examples include, but are not limited to, the following:

- a. Limitations on raising revenue
- b. Limitations on spending
- c. Limitations on the incurrence of debt
- d. Mandated spending.

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:



## **20. NEW ACCOUNTING STANDARDS – continuation**

- The concentration or constraint
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements
- Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024 (FY 2024-2025), and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

### **Management's Discussion and Analysis**

This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions.

Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that "boilerplate" discussions should be avoided by presenting only the most relevant information, focused on the primary government. In addition, this Statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units.

### **Unusual or Infrequent Items**

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

### **Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position**

This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses.

continue



## **20. NEW ACCOUNTING STANDARDS – continuation**

In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses. Subsidies are defined as (1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise, (2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services to the proprietary fund and (b) that are recoverable through the proprietary fund's current or future pricing policies, and (3) all other transfers.

### **Major Component Unit Information**

This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements were reduced, combining statements of major component units should be presented after the fund financial statements.

### **Budgetary Comparison Information**

This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

### **Effective Date and Transition**

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025 (FY 2025-2026), and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

State and local governments are required to provide detailed information about capital assets in notes to financial statements. Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires certain information regarding capital assets to be presented by major class. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame.

continue



**20. NEW ACCOUNTING STANDARDS – continuation**

This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

**Effective Date**

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

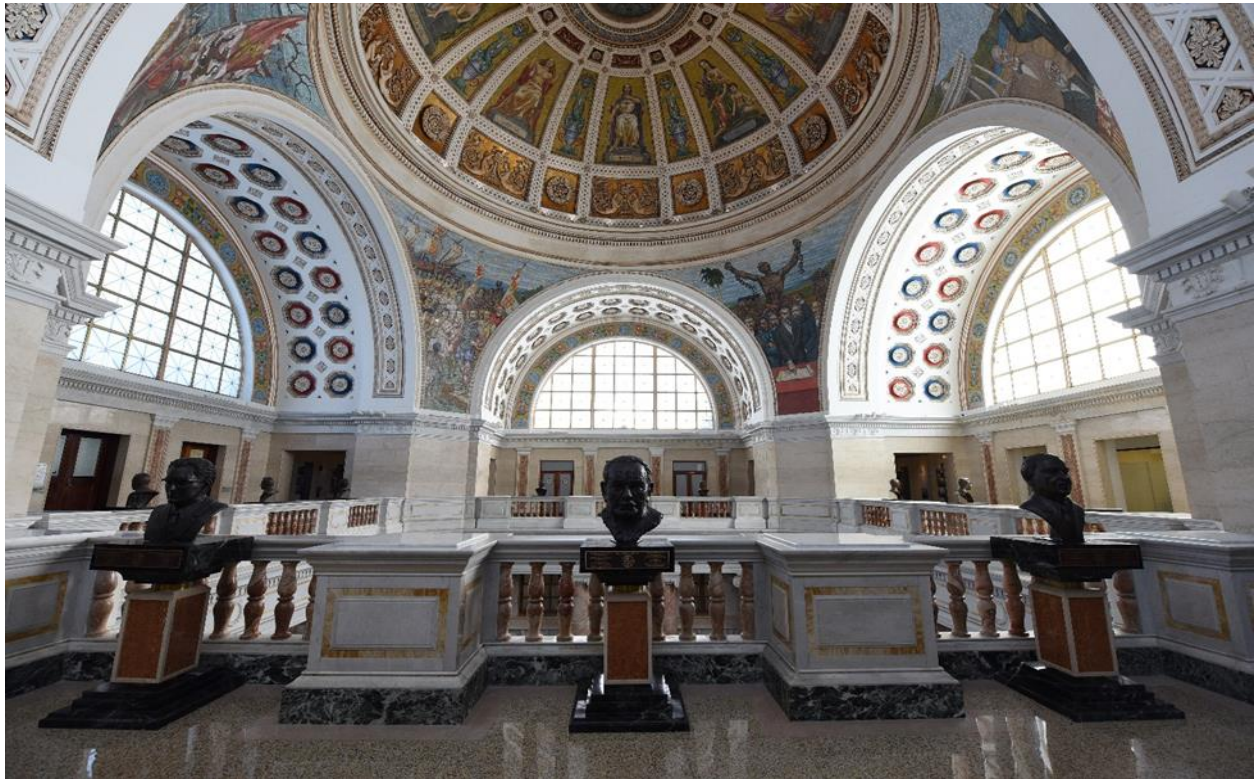
The Senate has not yet determined the effect these statements will have on the basic financial statements.

**21. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 24, 2025 which is the same date the financial statements were available to be issued. No additional subsequent events were identified that should be disclosed or adjusted in the financial statements or its notes.

**END OF NOTES**

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# **Annual Comprehensive Financial Report** **For the Fiscal Year Ended June 30, 2024**

**Required Supplementary  
Information**

***(Unaudited)***

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**SENATE**  
OF THE COMMONWEALTH OF PUERTO RICO

**SCHEDULE OF REVENUES AND EXPENDITURES –  
BUDGET TO ACTUAL – GENERAL FUND –  
NON-GAAP BUDGETARY BASIS (UNAUDITED)  
FOR THE FISCAL YEARS ENDED JUNE 30, 2024**

	Budget Amounts		Actual Amounts	
	Original	Final	(Budgetary Basis)	Variance
<b>REVENUES:</b>				
Intergovernmental	\$ 27,080,000	\$ 28,248,796	\$ 28,248,796	\$ -
Total Revenues	27,080,000	28,248,796	28,248,796	-
<b>EXPENDITURES:</b>				
Current:				
General Government – Administrative and				
Operating Activities	26,947,511	28,116,307	23,019,239	5,097,068
Debt Service – Principal & Interest	88,565	88,565	88,565	-
Capital Outlays	43,924	43,924	43,924	-
Total Expenditures	27,080,000	28,248,796	23,151,728	5,097,068
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ 5,097,068	\$ 5,097,068

See Independent Auditor's Report and Notes to the Schedule of Revenues and Expenditures – Budget to Actual – General Fund.



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, 2024 is presented below:

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

	<u><b>General Fund</b></u>
<b>Sources/Inflows of Resources:</b>	
Actual Amounts (Budgetary Basis) "Available for Appropriation" from the Budgetary Comparison Schedule (See Page 121)	\$ 28,248,796
Difference – Budget to GAAP:	
Non Budgetary Items – Other Revenues	-
Total Revenues as Reported on the Statement of Governmental Funds Revenues, Expenditures and Changes in Fund Balance (See Page 55)	<u>\$ 28,248,796</u>
<b>Uses/Outflows of Resources:</b>	
Actual Amounts (Budgetary Basis) "Total Charges to Appropriation" from the Budgetary Comparison Schedule (See Page 121)	\$ 23,151,728
Difference – Budget to GAAP:	
Non Budgetary Items – Expenditures of Savings Fund	<u>7,308,696</u>
Total Expenditures as Reported on the Statement of Governmental Funds Revenues, Expenditures and Changes in Fund Balance (See Page 55)	<u>\$ 30,460,424</u>

Note: Non Budgetary Items – Expenditures of Savings Funds are included as part of General Fund.

**END OF THIS SECTION**



## SENATE

OF THE COMMONWEALTH OF PUERTO RICO

NOTES TO THE SCHEDULE OF REVENUES AND  
EXPENDITURES – BUDGET TO ACTUAL – GENERAL FUND –  
NON-GAAP BUDGETARY BASIS (UNAUDITED)  
FOR THE FISCAL YEARS ENDED JUNE 30, 2024

### NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### Budgetary Control

The Senate 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 Legislature prior to the beginning of the fiscal year. Amendments to the budget require the approval of the Legislature. Transfers of certain appropriations within the budget do not require the approval of the Legislature in accordance with Administrative Order 07-10 of July 2007. The Senate prepares its annual budget including the operations of the general fund. The final annual appropriated budget for the fiscal year ended June 30, 2024 was \$28,248,796.

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 returned to the Secretary of Treasury of Puerto Rico pursuant to Act No. 230-1974.

The Senate has presented a position contrary to what is established in said communication because the amount indicated does not agree with the records of the Senate. As of the date of the financial statements, no decision has been made on this matter.

**END OF NOTES**

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**SENATE**  
OF THE COMMONWEALTH OF PUERTO RICO

**SCHEDULE OF PROPORTIONATE SHARE OF THE  
TOTAL PENSION LIABILITY (UNAUDITED)  
FOR THE FISCAL YEARS ENDED JUNE 30, 2024**

	2024	2023 **	2022	2021	2020	2019	2018
Proportion of the Total Pension Liability *	0.16363%	0.17123%	0.29747%	0.31129%	0.31545%	0.32262%	0.32262%
Proportionate Share of the Collective Total Pension Liability	\$ 33,986,668	\$ 37,930,771	\$ 80,866,391	\$ 87,377,694	\$ 78,391,353	\$ 90,992,789	\$ 90,992,789
Covered – Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Proportionate Share of the Collective Total Pension Liability as Percentage of Covered- Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Notes to Schedule:**

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

\* Covered payroll is no longer applicable since contributions are not longer based on payroll and were eliminated pursuant to Act No. 106-2017.

\*\* The Modified Eight Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al. ("2022 Plan of Adjustment") confirmed by the U.S. District Court for the District of Puerto Rico on January 18, 2022, eliminated the Act No. 127-1958 high risk death and disability benefits for System 2000, Act No. 3-2013, and Act No. 106-2017 members in high risk positions, eliminated future cost of living adjustment, including those on the Act No. 127-1958 benefits, and eliminated all future PRGERS benefits for System 2000 and Act No. 3-2013 members who were not in payment status as of March 15, 2022. These changes reduced the Total Pension Liability as of June 30, 2022 by \$2.0 billion. The reduction is recognized by the Senate as a plan change and included in the FY2023 financial statements as stated by GASB No. 73..

**Note:** Fiscal year 2019 was the first year that the Senate transitioned from GASB Statement No. 68 to GASB Statement No. 73 as a result of the PayGo implementation. This schedule is required to illustrate 10 years of information. However, until a 10-year trend has been completed, information is presented only for the years for which the required supplementary information is available.

See Independent Auditor's Report and Notes to the Schedules of Proportionate Share of Total Pension Liability and Total Other Post-Employment Benefits Liability.



**SENATE**  
OF THE COMMONWEALTH OF PUERTO RICO

**SCHEDULE OF PROPORTIONATE SHARE OF THE  
TOTAL OTHER POSTEMPLOYMENT  
BENEFITS LIABILITY (UNAUDITED)  
FOR THE FISCAL YEARS ENDED JUNE 30, 2024**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Proportion of Total Other Post-Employment Benefit Liability *	\$ 1,075,594	\$ 1,208,972	\$ 1,941,667	\$ 2,155,134	\$ 2,066,612	\$ 2,156,218	\$ 2,156,218	\$ 2,407,662
Proportionate Share of Total Other Post-Employment Benefit	0.16640%	0.17380%	0.24328%	0.24641%	0.24832%	0.25604%	0.25604%	0.26156%
Covered – Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Proportionate Share of Total Other Post-Employment Benefit Liability as Percentage of Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Notes to Schedule:**

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

\* Covered payroll is no longer applicable since contributions are not longer based on payroll and were eliminated pursuant to Act No. 106-2017.

**Note:** Fiscal year 2019 was the first year that the new requirements of GASB Statement No. 75 were implemented by the Senate. This schedule is required to illustrate 10 years of information. However, until a 10-year trend has been completed, information is presented only for the years for which the required supplementary information is available.

See Independent Auditor's Report and Notes to the Schedules of Proportionate Share of Total Pension Liability and Total Other Postemployment Benefits Liability.



## SENATE

OF THE COMMONWEALTH OF PUERTO RICO

NOTES TO THE SCHEDULES OF PROPORTIONATE SHARE  
OF TOTAL PENSION LIABILITY AND TOTAL OTHER  
POSTEMPLOYMENT BENEFITS LIABILITY (UNAUDITED)  
FOR THE FISCAL YEARS ENDED JUNE 30, 2024

1. The schedules are intended to show information for ten years. Additional years will be displayed as they become available. The information presented relates solely to the Senate of Puerto Rico and not the Employee's Retirement System of the Government of the Government of Puerto Rico as a whole.
2. The data provided in the schedule is based as of the measurement date of the total pension liability and total other post-employment benefits liabilities, which is as of the prior fiscal year ended June 30<sup>th</sup>.
3. On August 23, 2017, was enacted the Act No. 106, known as the "Act to Guarantee Payment to Our Retirees and Establish a New Plan for Defined Contributions for Public Employees". This Act determined and declared that the ERS, JRS and TRS are in a financial emergency. Also, by this Act is hereby created the Account for the Payment of Accumulated Pensions, a trust account, separated from the general assets and accounts of the Government, designated to pay the Accumulated Pensions by the ERS, JRS and TRS under the "Pay-As-You-Go" scheme, as established in Chapter 2 of this Act. Once Retirement Systems exhaust their assets, the Accumulated Pension Payment Account, which will be largely nourished by the General Fund, as provided in this Act, will assume and guarantee the payment of the Accumulated Pensions as established in this Act. However, the Municipalities, the Legislative Branch, the Public Corporations, the Government and the Administration of the Courts will be obliged to pay the "Pay-Go" Charge as appropriate to each one to nurture the Account for the Payment of the Accumulated Pensions.
4. The Modified Eight Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al. ("2022 Plan of Adjustment") confirmed by the U.S. District Court for the District of Puerto Rico on January 18, 2022, eliminated the Act No. 127-1958 high risk death and disability benefits for System 2000, Act No. 3-2013, and Act No. 106-2017 members in high risk positions, eliminated future cost of living adjustment, including those on the Act No. 127-1958 benefits, and eliminated all future PRGERS benefits for System 2000 and Act No. 3-2013 members who were not in payment status as of March 15, 2022. These changes reduced the Total Pension Liability as of June 30, 2022 by \$2.0 billion. The reduction is recognized immediately as a plan change.

END OF NOTES

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# Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2024

## Statistical Section

*(Unaudited)*

No assurance provided

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## 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's overall financial health. Unless otherwise noted, the information in the following schedule is derived from the comprehensive annual financial reports for the relevant year. The Senate implemented GASB Statement No. 34 in 2008, when it became fiscally autonomous, pursuant to the provisions of Act No. 230 of July 23, 1974 as amended.

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

<b>Financial Trends Information</b>	<b>Page</b>
These schedules contain trendy information to help the reader understand how the Senate's financial performance and well-being have changed over time.	129-133
<b>Debt Capacity</b>	
These schedules present information to help the reader understand the Senate's levels of debt.	134
<b>Revenue Capacity Information</b>	
This schedule contains information to help the reader assess the Senate most significant revenue source, legislative appropriations.	135
<b>Demographic and Economic Information</b>	
This schedule offers demographic and economic indicators to help the reader understand the environment within the Senate financial activities take place.	136
<b>Operating Information</b>	
This schedule contains service data to help the reader understand how the information in the financial reports relates to the services the Senate provides and the activities it performs.	137



**SENATE**  
OF THE COMMONWEALTH OF PUERTO RICO

**NET POSITION TRENDS BY COMPONENT FOR THE LAST TEN FISCAL YEARS**  
**PRIMARY GOVERNMENT**

				Restated	Restated		Restated		Restated	Restated
Net Position (Deficit)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Invested in Capital Assets	\$ 1,998,492	\$ 1,299,458	\$ 836,955	\$ 985,121	\$ 1,244,046	\$ 1,722,328	\$ 2,365,705	\$ 2,042,529	\$ 1,430,417	\$ 1,112,707
Restricted	190,696	185,951	196,349	158,567	307,585	232,772	213,307	179,751	172,915	310,712
Unrestricted (Deficit)	(22,320,831)	(40,966,920)	(70,964,049)	(75,339,900)	(81,160,060)	(24,466,101)	(21,271,138)	(20,937,489)	(27,092,834)	(24,596,613)
Total Net Position (Deficit)	<u>\$ (20,131,643)</u>	<u>\$ (39,481,511)</u>	<u>\$ (69,930,745)</u>	<u>\$ (74,196,212)</u>	<u>\$ (79,608,429)</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>



**SENATE**  
OF THE COMMONWEALTH OF PUERTO RICO

**CHANGES OF NET POSITION FOR THE LAST TEN FISCAL YEARS**  
**PRIMARY GOVERNMENT**

	2024	2023	2022	2021	2020	2019	Restated 2018	2017	Restated 2016	Restated 2015
Revenues										
Legislative Appropriations	\$ 28,248,796	\$ 29,396,415	\$ 26,917,205	\$ 27,539,267	\$ 26,001,000	\$ 30,614,000	\$ 39,355,000	\$ 40,704,000	\$ 40,204,000	\$ 40,492,880
Special Legislative Assignments	193,415	372,857	360,429	245,980	5,548,839	5,983,205	1,626,000	3,085,635	370,973	31,795
Other Revenues	3,802,494	6,815,609	936,000	-	414,795	77,165	169,155	19,942	-	-
Total Revenues	32,244,705	36,584,881	28,213,634	27,785,247	31,964,634	36,674,370	41,150,155	43,809,577	40,574,973	40,524,675
Expenses										
Government Activities	12,894,837	6,135,648	24,793,959	26,511,362	37,324,285	40,493,245	41,941,479	35,462,026	42,891,281	43,542,410
Transfers, Net	-	-	-	-	-	-	814,407	(1,573,258)	-	-
Total Change in Net Position	\$ 19,349,868	\$ 30,449,233	\$ 3,419,675	\$ 1,273,885	\$ (5,359,651)	\$ (3,818,875)	\$ 23,083	\$ 6,774,293	\$ (2,316,308)	\$ (3,017,735)



**SENATE**  
OF THE COMMONWEALTH OF PUERTO RICO

**FUND BALANCE – GOVERNMENTAL FUNDS FOR THE LAST TEN FISCAL YEARS**  
**PRIMARY GOVERNMENT**

General Fund	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Fund Balance										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	190,696	185,952	196,349	158,567	307,585	232,772	213,307	179,751	172,915	310,712
Unassigned	15,706,783	17,918,411	11,450,604	8,068,711	7,924,463	12,492,429	16,615,614	14,838,186	11,308,866	14,754,004
Total General Fund Balance	<u>\$ 15,897,479</u>	<u>\$ 18,104,363</u>	<u>\$ 11,646,953</u>	<u>\$ 8,227,278</u>	<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>



**SENATE**  
OF THE COMMONWEALTH OF PUERTO RICO

**CHANGE IN FUND BALANCE FOR THE LAST TEN FISCAL YEARS**  
**PRIMARY GOVERNMENT**

<b>Governmental Activities</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Revenues</b>										
Legislature Appropriations	\$ 28,248,796	\$ 29,396,415	\$ 26,917,205	\$ 27,539,267	\$ 26,001,000	\$ 30,614,000	\$ 39,355,000	\$ 40,704,000	\$ 40,204,000	\$ 40,492,880
Special Legislative Assignment	193,415	372,857	360,429	245,980	5,548,839	5,983,205	1,626,000	2,550,000	-	-
Other	3,802,494	6,815,609	936,000	-	414,795	77,165	169,155	364,273	43,485	31,795
<b>Total Revenues</b>	<b>32,244,705</b>	<b>36,584,881</b>	<b>28,213,634</b>	<b>27,785,247</b>	<b>31,964,634</b>	<b>36,674,370</b>	<b>41,150,155</b>	<b>43,618,273</b>	<b>40,247,485</b>	<b>40,524,675</b>
<b>Expenditures</b>										
Governmental Activities	34,657,890	30,127,471	24,793,959	27,790,017	36,457,787	40,778,090	39,339,171	38,508,859	43,830,420	43,604,632
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(2,413,185)</b>	<b>6,457,410</b>	<b>3,419,675</b>	<b>(4,770)</b>	<b>(4,493,153)</b>	<b>(4,103,720)</b>	<b>1,810,984</b>	<b>5,109,414</b>	<b>(3,582,935)</b>	<b>(3,079,957)</b>
<b>Other Financing Sources (Uses)</b>										
Transfer – In	-	-	-	995,000	-	-	-	-	-	-
Transfer – Out	-	-	-	(995,000)	-	-	-	(1,573,258)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,573,258)</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ (2,413,185)</b>	<b>\$ 6,457,410</b>	<b>\$ 3,419,675</b>	<b>\$ (4,770)</b>	<b>\$ (4,493,153)</b>	<b>\$ (4,103,720)</b>	<b>\$ 1,810,984</b>	<b>\$ 3,536,156</b>	<b>\$ (3,582,935)</b>	<b>\$ (3,079,957)</b>
<b>Debt Service as Percentage of Noncapital Expenditures</b>	<b>0.26%</b>	<b>0.29%</b>	<b>0.36%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>



**SENATE**  
OF THE COMMONWEALTH OF PUERTO RICO

**CAPITAL ASSETS FOR THE LAST TEN FISCAL YEARS**  
**PRIMARY GOVERNMENT**

			Restated		Restated					
Governmental Activities	2024	2023	2022*	2021	2020	2019	2018	2017	2016	2015
<b>Capital Assets</b>										
<b>Capital Assets, Not Being Depreciated:</b>										
Works of Arts and Historic Treasures	\$ 64,932	\$ 64,932	\$ 61,750	\$ 61,750	\$ 61,750	\$ 61,750	\$ 58,000	\$ 25,000	\$ -	\$ -
<b>Capital Assets, Being Depreciated:</b>										
Equipment	1,931,438	1,690,544	1,323,980	1,308,483	1,269,743	1,480,758	1,528,074	1,505,592	1,283,740	1,408,460
Computer Equipment and Software	1,582,633	1,743,700	1,701,823	1,586,327	1,586,327	2,095,748	2,226,037	2,218,748	1,879,610	1,649,883
Furniture	1,985,194	2,030,070	2,055,720	2,108,863	2,108,863	2,180,353	2,310,294	1,591,507	1,415,671	1,460,436
Vehicles	1,291,834	912,980	896,189	896,189	818,889	818,889	828,042	797,073	847,385	805,052
Right-To-Use Equipment	544,610	455,729	455,729	-	-	-	-	-	-	-
Right-To-Use Equipment	129,570	-	-	-	-	-	-	-	-	-
<b>Total Capital Assets</b>	<b>7,530,211</b>	<b>6,897,955</b>	<b>6,495,191</b>	<b>5,961,612</b>	<b>5,845,572</b>	<b>6,637,498</b>	<b>6,950,447</b>	<b>6,137,920</b>	<b>5,426,406</b>	<b>5,323,831</b>
<b>Less: Accumulated Depreciation/Amortization</b>										
Equipment	(1,200,742)	(1,242,067)	(1,234,057)	(1,169,585)	(1,057,016)	(1,171,665)	(1,117,749)	(1,045,381)	(961,221)	(1,209,700)
Computer Equipment and Software	(1,221,741)	(1,434,002)	(1,575,503)	(1,523,008)	(1,456,458)	(1,813,483)	(1,623,582)	(1,471,646)	(1,330,555)	(1,234,588)
Furniture	(1,755,667)	(1,707,625)	(1,613,383)	(1,536,085)	(1,395,750)	(1,307,555)	(1,277,357)	(1,162,407)	(1,136,061)	(1,187,889)
Vehicles	(726,827)	(722,134)	(774,857)	(747,813)	(692,302)	(622,467)	(566,054)	(415,957)	(568,152)	(578,947)
Right-To-Use Equipment	(458,692)	(405,092)	(202,546)	-	-	-	-	-	-	-
Right-To-Use Equipment	(4,319)	-	-	-	-	-	-	-	-	-
<b>Total Accumulated Depreciation/Amortization</b>	<b>(5,367,988)</b>	<b>(5,510,920)</b>	<b>(5,400,346)</b>	<b>(4,976,491)</b>	<b>(4,601,526)</b>	<b>(4,915,170)</b>	<b>(4,584,742)</b>	<b>(4,095,391)</b>	<b>(3,995,989)</b>	<b>(4,211,124)</b>
<b>Total Capital Assets, Net</b>	<b>\$ 2,162,223</b>	<b>\$ 1,387,035</b>	<b>\$ 1,094,845</b>	<b>\$ 985,121</b>	<b>\$ 1,244,046</b>	<b>\$ 1,722,328</b>	<b>\$ 2,365,705</b>	<b>\$ 2,042,529</b>	<b>\$ 1,430,417</b>	<b>\$ 1,112,707</b>

\* Implementation of GASB No. 87



**SENATE**  
OF THE COMMONWEALTH OF PUERTO RICO

**LONG-TERM LIABILITIES FOR THE LAST TEN FISCAL YEARS**  
**PRIMARY GOVERNMENT**

<b>Obligations:</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>Restated 2021**</b>	<b>Restated * 2020</b>	<b>2019*</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Accrued Compensated Absences	\$ 5,459,450	\$ 4,283,988	\$ 3,911,500	\$ 3,370,917	\$ 4,113,306	\$ 3,908,966	\$ 5,227,189	\$ 4,668,855	\$ 5,829,019	\$ 5,267,559
Leases Liability (Intangible Right-To-Use)	69,231	87,577	257,890	455,729	-	-	-	-	-	-
Subscription Liability (SBITAs)	94,500	-	-	-	-	-	-	-	-	-
Others	901,323	701,760	332,240	137,501	-	-	-	-	-	-
Total Pension Liability	33,986,668	37,930,771	80,866,391	87,377,694	75,052,980	75,052,980	-	-	-	-
Total OPEB Liability	1,075,594	1,208,972	1,941,667	2,155,134	2,066,612	2,156,218	-	-	-	-
<b>Total Obligations</b>	<b>\$ 41,586,766</b>	<b>\$ 44,213,068</b>	<b>\$ 87,309,688</b>	<b>\$ 93,496,975</b>	<b>\$ 81,232,898</b>	<b>\$ 81,118,164</b>	<b>\$ 5,227,189</b>	<b>\$ 4,668,855</b>	<b>\$ 5,829,019</b>	<b>\$ 5,267,559</b>

\* As Restated Implementation GASB No. 73

\* Implementation of GASB No. 75

\*\* Implementation of GASB No. 87



**SENATE**  
OF THE COMMONWEALTH OF PUERTO RICO

**REVENUE CAPACITY FOR THE LAST TEN FISCAL YEARS**  
**PRIMARY GOVERNMENT**

<b>Governmental Activities</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Revenues</b>										
Legislature Appropriations	\$ 28,248,796	\$ 29,396,415	\$ 26,917,205	\$ 27,539,267	\$ 26,001,000	\$ 30,614,000	\$ 39,355,000	\$ 40,704,000	\$ 40,204,000	\$ 40,492,880
Special Legislative Assignment	193,415	372,857	360,429	245,980	1,346,500	1,626,000	1,626,000	3,085,635	370,973	31,795
Other Revenues	3,802,494	6,815,609	936,000	-	-	-	-	-	-	-
Total Legislature Appropriations	<u>\$ 32,244,705</u>	<u>\$ 36,584,881</u>	<u>\$ 28,213,634</u>	<u>\$ 27,785,247</u>	<u>\$ 27,347,500</u>	<u>\$ 32,240,000</u>	<u>\$ 40,981,000</u>	<u>\$ 43,789,635</u>	<u>\$ 40,574,973</u>	<u>\$ 40,524,675</u>



**SENATE**  
OF THE COMMONWEALTH OF PUERTO RICO

**DEMOGRAPHIC AND ECONOMIC INDICATORS  
OF THE COMMONWEALTH OF PUERTO RICO  
FOR THE LAST TEN FISCAL YEARS  
PRIMARY GOVERNMENT**

<b>Fiscal Year</b>	<b>Population (In Thousands)</b>	<b>Personal Income (In Thousands)</b>	<b>Per Capita</b>	<b>Inflation Rate</b>	<b>Employment (In Thousands)</b>	<b>Unemployment Rate</b>
2024p	3,241	88,467	37,170	2.3%	1,132	5.8%
2023p	3,206	71,112	25,240	1.9%	1,107	6.2%
2022p	3,220	70,806	26,224	2.1%	1,114	6.7%
2021	3,263	66,382	24,682	3.3%	969	8.1%
2020	3,286	60,923	22,818	2.1%	966	7.3%
2019	3,194	57,256	21,206	0.5%	995	8.5%
2018	3,259	59,595	22,204	1.6%	968	10.3%
2017	3,366	53,956	19,270	0.6%	982	11.5%
2016	3,440	51,769	18,489	-0.2%	989	11.8%
2015	3,504	56,405	18,195	-0.3%	977	12.8%



**SENATE**  
OF THE COMMONWEALTH OF PUERTO RICO

**OPERATING INDICATORS FOR THE LAST TEN FISCAL YEARS**  
**PRIMARY GOVERNMENT**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Legislators	27	27	27	27	31	31	31	31	27	27
Number of Employees by Function:										
Legislative	159	165	187	269	274	208	324	324	272	301
Administrative	286	291	255	321	328	316	239	239	304	302
Total Employees	445	456	442	590	602	524	563	563	576	603
Legislative Sessions:										
Number of Days	43	61	67	57	67	75	75	53	67	73
Legislative Bills	237	334	448	522	956	891	926	583	274	693
Number of Commissions Hearings	56	430	430	252	658	886	759	668	659	713
Enacted Laws	82	75	73	72	38	38	89	38	110	154

**END OF SECTION**



# **Annual Comprehensive Financial Report**

## **For the Fiscal Year Ended June 30, 2024**



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# ANNUAL COMPREHENSIVE FINANCIAL REPORT

## GLOSSARY JUNE 30, 2024

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**Abuse** – Abuse is behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances, but excludes fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements. Abuse also includes misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate.

**Access Controls** – Access controls limit or detect inappropriate access to computer resources (data, equipment, and facilities), thereby protecting them from unauthorized modification, loss, and disclosure. Access can be restricted by requiring users to authenticate themselves through usernames, passwords, or biometric screening. When access controls are limited, the unit minimizes the negative impacts of unauthorized individuals using computer systems or programs; entering a facility; or making changes to files and records.

**Accountability** – Term used by the GASB to describe a government's duty to justify the raising and spending of public resources. The GASB has identified accountability as the "paramount objective" of financial reporting "from which all other objectives must flow".

**Accounts Payable** – A short-term liability account reflecting amounts owed to private persons or organizations for goods and services received by a government.

**Accounts Receivable** – An asset account reflecting amounts due from private persons or organizations for goods and services furnished by a government (but not including amounts due from other funds or other governments).

**Accrual Basis of Accounting** – The recording of the financial effects of a government of transactions and other events and circumstances that have cash consequences for the government in the periods in which those transactions, events, and circumstances occur, rather than only in the periods in which cash is received or paid by the government.

**Accumulated Amortization** – A contra-asset account used to report the accumulation of periodic credits to reflect the expiration of the estimated service life of intangible assets.

**Accumulated Depreciation** – A contra-asset account used to report the accumulation of periodic credits to reflect the expiration of the estimated service life of capital assets.

**Accrual Basis of Accounting** – The accrual basis of accounting records most transactions as they occur, regardless of when cash is received or disbursed. (NCGAS 1, paragraph 59) Revenues are recorded when the good has been sold or a service has been performed; expenditures or expenses are recorded when the amount has been incurred (GASB Cod. Sec. 1600.103). Government-wide financial statements, proprietary fund, and fiduciary fund statements are all presented on the accrual basis of accounting (GASB Cod. Sec. 1600.105).

**Accrued Benefit** – The amount of a pension plan participant's benefit (whether or not vested) as of a specified date, determined in accordance with the terms of the pension plan and based on compensation (if applicable) and service to that date.

**Acquisition Costs** – In the context of public-entity risk pools, costs vary with and are primarily related to the acquisition of new and renewal contracts.

**Active Employees** – Eligible individuals who have hours of service and make contributions to a retirement plan.

**Activities Allowed or Unallowed Requirements** – Activities allowed or unallowed requirements refers to uses of Federal funds which are either specifically allowed or prohibited by the laws, regulations, and the provisions of contracts or grant agreements pertaining to a Federal program. These are unique to each Federal program and outline the activities that can be conducted using the funding from the program.

**Actuarial Accrued Liability** – The difference between the actuarial present value of system benefits and the actuarial value of future normal costs. Sometimes referred to as "accrued liability".

continue

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

## GLOSSARY

JUNE 30, 2024

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**Actuarial Assumptions** – Estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

**Actuarial Present Value** – The discounted value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of actuarial assumptions.

**Actuarial Valuation** – The determination, as of a point in time (the actuarial valuation date), of the service cost, total pension liability, and related actuarial present value of projected benefit payments for pensions performed in conformity with Actuarial Standards of Practice unless otherwise specified by the GASB.

**Actuarial Valuation Date** – The date as of which an actuarial valuation is performed.

**Actuarially Determined Contribution** – A target or recommended contribution to a defined benefit pension plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.

**Advance From Other Funds** – A liability account used to record noncurrent portions of a long-term loan from one fund to another fund within the same reporting entity. See **Due To Other Funds** and **Interfund Receivable/Payable**.

**Advance to Other Funds** – An asset account used to record noncurrent portions of a long-term loan from one fund to another fund within the same reporting entity. See **Due From Other Funds** and **Interfund Receivable/Payable**.

**Adverse Opinion** – An adverse opinion is expressed after the auditor has collected sufficient, appropriate evidence, and determines that the misstatements in the financial statement are both material and pervasive.

**Agreed-Upon Procedures Engagement** – In this type of engagement, the practitioner performs specific procedures on subject matter or an assertion and reports the findings without providing an opinion or a conclusion on it. The practitioner reports on the agreed-upon procedures and any findings that are related to the procedures performed. (AT-C 105.12.d)

**Allowable Cost/Cost Principles Requirements** – Allowable Costs refers to a cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost: (1) Is incurred specifically for the Federal award; (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart (2 CFR 200.405(a)). Cost principles refer to cost accounting policies associated with the administration of Federal awards which outline allowable and unallowable costs and standard methodologies for calculating indirect cost rates. (OMB Compliance Supplement)

**Amortization** – The portion of the cost of a limited-life or intangible asset charged as an expense during a particular period. The reduction of debt by regular payments of principal and interest sufficient to retire the debt by maturity.

**Analytical Procedures** – Analytical procedures are a form of audit evidence. Procedures include analyzing plausible relationships among both financial and nonfinancial data. Additionally, these procedures help identify fluctuations or unusual transactions that are different from the auditor's expectation.

Analytical procedures are performed three times. First, analytical procedures are performed at the beginning of the audit as part of risk assessment procedures. This helps auditors plan the audit and the procedures they will perform. Analytical procedures are used during the audit to corroborate other audit evidence obtained. Final analytical procedures are used at the end of the audit to assist the auditor when forming an overall conclusion on the financial statements.

continue

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

## GLOSSARY

JUNE 30, 2024

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**Annual Comprehensive Financial Report (Annual Report)** – The Annual Comprehensive Financial Report (Annual Report) is the governmental entity's official annual report and contains introductory information, schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, and statistical data.

The purpose of the reporting entity's financial statements is to report the financial position and results of operations of the primary government, including its blended component units, and provide an overview of the discretely presented component units. Timely and properly presented financial reports are essential to managers, legislative officials, creditors, financial analysts, the general public, and others who have a need for governmental financial statements.

The statistical section presents financial trends, revenue capacity, debt capacity, operating information, and demographic and economic information.

**Annual Covered Payroll** – In the context of defined benefit pension and OPEB plans, all elements of annual compensation paid to active employees on which contributions to a plan are based.

**Annual Required Contributions (ARC)** – Term used in connection with other postemployment benefit plans to describe the amount an employer must contribute to a given year.

**Appropriated Budget** – Expenditure authority created by the appropriation bills or ordinances that are signed into law and related estimated revenues. The appropriate budget includes all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes.

**Appropriated Fund Balance** – A portion of existing fund balance that is incorporated into the subsequent year's budget to "balance" expected expenditures in excess of expected revenues.

**Appropriateness of Audit Evidence** – The appropriateness of audit evidence measures the quality of audit evidence. To be appropriate, evidence must be relevant to the circumstances, and reliable support on which the auditor may base an opinion.

**Appropriation** – A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation usually is limited in amount and time it may be expended.

**Assertion** – An assertion is management's implicit or explicit representation to the auditor relating to recognition, measurement, and presentation of the financial statement items and disclosures. The auditor uses these assertions to consider the different types of potential misstatements that could occur. Auditors also test the validity of management's assertions, one method of testing being analytical procedures.

**Assessed Valuation** – A valuation set upon real estate or other property by a government as a basis for levying taxes.

**Asset** – An asset is a resource with present service capacity that the government presently controls. The government is able to utilize the assets to provide goods and services. Assets can be either short or long-term assets. Short-term assets are those assets that are expected to be used within one year. Examples include cash and cash equivalents, receivables, and inventory. Long-term assets are expected to be held for a year or longer and include capital assets.

**Assigned Fund Balance** – Amounts that are constrained by the **Senate's** intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority, or by a body or an official designated for that purpose. This is also the classification for residual funds in the **Senate's** special revenue funds.

**Association of International Certified Professional Accountants (AICPA & CIMA)** – The American Institute of CPAs® (AICPA) and its predecessors have served the public interest for 137 years. The Chartered Institute of Management Accountants® (CIMA) was founded in 1919 and has helped shape the profession for over a century. In 2017, both came together as AICPA & CIMA to forge a powerful international alliance that promotes accounting and finance in every corner of the world. Today, serve 597,000 members, candidates and registrants in 188 countries and territories.

continue

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

## GLOSSARY

JUNE 30, 2024

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By providing exclusive guidance and specialized resources – including prestigious designations, certifications and credentials – empowered professionals to create an even brighter tomorrow, both for themselves and for the profession.

**Audit** – An examination by someone or some firm outside an organization of the accounting records developed by the staff of the organization. Recommendations and suggestions for better record keeping and management are often part of an audit.

**Audit Evidence** – Information used by the auditor in arriving at the conclusions on which the auditor's opinion is based. Audit evidence includes both information contained in the accounting records underlying the financial statements and other information.

**Auditing Standards Board** – The Auditing Standards Board (ASB) is the American Institute of Certified Public Accountants' (AICPA) senior committee for auditing, attestation, and quality control standards applicable to non-public company audits. It develops, updates and communicates standards to provide guidance to practitioners. ASB guidance allows practitioners to perform high-quality and objective engagements.

**Auditor** – A certified public accountant who examines an organization's accounting records according to a set of procedures and issues a report.

**Auditor's Report** – An independent auditor's primary responsibility is to report on whether the basic financial statements, including the notes thereto, are presented fairly in accordance with the governmental entity's applicable financial reporting framework. The type of report the independent auditor issues depends primarily on the contents of the basic financial statements and the scope and results of the audit.

**Availability Criterion** – Requirement under the modified accrual basis of accounting that revenues be recognized only if they are collected or collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

**Availability Period** – Designated period immediately following the close of the fiscal year by the end of which cash must be collected for related revenue to be recognized under the modified accrual basis of accounting.

**Balanced Budget** – A budget in which receipts are equal to or greater than outlays in a fiscal period.

**Balance Sheet** – The balance sheet reports information about the current financial resources of each major governmental fund and for nonmajor governmental fund in the aggregate (GASB 34, paragraph 83). The format of the balance sheet shows assets plus deferred outflows of resources equal liabilities plus deferred inflows of resources, and fund balances.

**Basic Financial Statements (BFS)** – The minimum combination of financial statements and note disclosures required for fair presentation in conformity with GAAP. Basic financial statements have three components: government-wide financial statements, fund financial statements, and notes to the basic financial statements.

**Basis of Accounting** – A term used to refer to *when* revenues, expenditures, expenses, and transfers, and the related assets and liabilities, are recognized in the accounts and reported in the financial statements. Specifically, it relates to the *timing* of the measurements made, regardless of the nature of the measurement, on either the cash basis, accrual basis, or modified accrual basis.

**Benefits** – Payments to which participants may be entitled under a pension plan, including pension benefits, death benefits and benefits due on termination of employment.

**Budget** – A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year. The term "budget" is used in two senses in practice. Sometimes it designates the financial plan presented to the appropriating governing body for adoption, and sometimes, the plan is finally approved by that body.

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**Budgetary Control** – The control or management of a government or enterprise in accordance with an approved budget to keep expenditures within the limitations of available appropriations and available revenues.

**Budgetary Reporting** – In the context of financial reporting, requirement to present budgetary comparisons in connection with general purpose external financial reporting. Budgetary reporting is required in connection with the basic financial statements for both the general fund and individual major special revenue funds with annual (or biennial) appropriated budgets. Budgetary reporting also is required within the Annual Report to demonstrate compliance at the legal level of control for all governmental funds with annual (or biennial) appropriated budgets.

**Capital and Related Financing Activities** – Term used in connection with cash flows reporting. Capital and related financing activities include 1) acquiring and disposing of capital assets used in providing services or producing goods, 2) borrowing money for acquiring, constructing, or improving capital assets and repaying the amounts borrowed, including interest, and 3) paying for capital assets obtained from vendors on credit.

**Capital Assets** – Long-lived assets obtained or controlled as a result of past transactions, events, or circumstances. Capital assets include land, improvements to land, easements, buildings, building improvements, equipment, works of art and historical treasures, or infrastructure. In the private sector, these assets are referred to most often as property, plant and equipment, and intangible assets.

**Capital Outlays** – Expenditures resulting in the acquisition of or addition to the government's general capital assets.

**Capital Projects Fund** – A fund created to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**Capitalization Policy** – Dollar value at which a government elects to capitalize tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Generally, capitalization threshold is applied to individual items rather than groups of items unless the result would be to exclude items that in the aggregate would clearly be material to the financial statements.

**Capitalization Threshold** – The criteria used by a government to determine which outlays should be reported as capital assets.

**Carry-Forward** – A portion or total of the unspent balance of an appropriation that is made available for expenditure in the succeeding fiscal year.

**Cash** – In the context of cash flows reporting, not only currency in hand, but also demand deposits with banks or other financial institutions. Cash also includes deposits in other kinds of accounts or cash management pools that have the general characteristics of demand deposit accounts.

**Cash Basis of Accounting** – The cash basis of accounting records revenues and transfers in when cash is received, and expenditures or expenses and transfers out when cash is disbursed.

**Cash Equivalent** – In the context of cash flows reporting, short-term, highly liquid investments that are both 1) readily convertible to known amounts of cash and 2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition. For this purpose, "original maturity" means maturity as of the date the investments are acquired.

**Cash With Fiscal Agent** – An asset account reflecting deposits with fiscal agents, such as commercial banks, for the payment of bond principal and interest.

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**Certified Public Accountant (CPA)** – A Certified Public Accountant (CPA) is an individual who has met high educational standards, passed the Uniform CPA Examination, and completed a specific amount of general accounting experience. A CPA license is a symbol to the public that an accountant has mastered the vital elements of the accounting profession. Licenses are renewed every three years and require a minimum of 120 total hours of continuing professional education, with a minimum of 20 hours per year. These hours should cover general material, accounting and auditing, and ethics.

**Certificate of Achievement for Excellence in Financial Reporting Program** – A voluntary program administered by the GFOA to encourage governments to publish efficiently organized and easily readable Annual Reports and to provide technical assistance and peer recognition to the finance officers preparing them.

**Change in the Fair Value of Investments** – The difference between the fair value of investments at the beginning of the year and at the end of the year, taking into consideration investment purchases, sales, and redemptions.

**Closed Amortization Period** – Term used in connection with the unfunded actuarial accrued liability associated with defined benefit pension and other postemployment benefit plans. A specific number of years that is counted from one date and, therefore, declines to zero with the passage of time. For example, if the amortization period is initially 30 years on a closed basis, 29 years remain after the first year, 28 years after the second year, and so forth.

**Committed Fund Balance** – Amounts that can only be used for specific purposes determined by formal action of the **Senate's** highest level of decision-making authority and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

**Compensated Absences** – Absences, such as vacation, illness, and holidays, for which it is expected employees will be paid. The term does not encompass severance or termination pay, postretirement benefits, deferred compensation, or other long-term fringe

benefits, such as group insurance and long-term disability pay.

**Condensed Financial Statements** – Abbreviated financial statements sometimes required by GAAP to be presented within the notes to the financial statements in connection with component units, external investment pools, and segments. In addition, GAAP prescribed the presentation of condensed financial information for the prior fiscal year as part of Management's Discussion and Analysis.

**Contingent Liability** – Items that may become liabilities as a result of conditions undetermined at a given date, such as guarantees, pending lawsuits, judgments under appeal, unsettled disputed claims, unfilled purchase orders, and uncompleted contracts. Contingent liabilities should be disclosed within the financial statements (including the notes) when there is a reasonable possibility a loss may have been incurred. Guarantees, however, should be disclosed even though the possibility of loss may be remote.

**Contract that do not Transfers Ownership** – Lessee will be required to concurrently recognize a right-of-use asset in accrual accounting (reported as an expenditure on modified accrual accounting, like a capital asset purchase) and the related lease liability in accrual accounting (other financing source on modified accrual accounting); (the lease liability will be measured at the PV of effectively fixed minimum lease payments), while the asset's initial balance will be equal to the liability plus additional payments for initial direct costs made to the Lessor on or before the start of the lease term.

**Contract that Transfers Ownership** – A contract that (a) transfer ownership of the underlying asset to the Lessee by the end of the contract and (b) does not contain termination options, but that may contain a fiscal funding or cancellation clause that is not reasonably certain of being exercised, should be reported as a financed purchase of the underlying asset by the Lessee and treated explicitly as sales of the asset by the Lessor..

**Contribution Deficiencies** – The difference between the annual required contributions (ARC) of the employer(s), and the employer's actual contributions in relation to the ARC.

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**Contributions** – Additions to a pension plan's fiduciary net position for amounts from employers, nonemployer contributing entities (for example, state government contributions to a local government pension plan), or employees. Contributions can result from cash receipts by the pension plan or from recognition by the pension plan of a receivable from one of these sources.

**COSO** – Organization that published *Internal Control: An Integrated Framework*, *Enterprise Risk Management—Integrated Framework*, and *Guidance on Monitoring Internal Control Systems* (the Committee of Sponsoring Organizations of the Treadway Commission on Fraudulent Financial Reporting).

**Cost-Sharing Multiple-Employer Defined Benefit Pension/OPEB Plan** – A single plan in which pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the employers.

A single actuarial valuation covers all plan members and the same contribution rate(s) applies for each employer.

**Covered Payroll** – Term used in connection with defined benefit pension and other postemployment benefit plans to describe all elements of annual compensation paid to active employees on which contributions to a plan are based.

**Current Financial Resources Measurement Focus** – Measurement focusses according to which the aim of a set of financial statements is to report the near-term (current) inflows, outflows, and balances of expendable (spendable) financial resources. The current financial resources measurement focus is unique to accounting and financial reporting for state and local governments and is used solely for reporting the financial position and results of operations of governmental funds.

**Current Liabilities** – Liabilities that will be due within a short time (usually one year or less) and that are to be paid out of current assets. Includes all amounts owed on the basis of invoices or other evidence of receipt of goods and services, other amounts owed for the purchase of goods and services even if not "due and payable", and deferred income (received but not earned).

**Debt** – An obligation resulting from the borrowing of money or from the purchase of goods and services. Debts of governments include bonds, time warrants, and notes.

**Debt Service Fund** – A fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**Deferred Inflows of Resources** – An acquisition of net position by the government that is applicable to a future reporting period.

**Deferred Outflows of Resources** – A consumption of net position by the government that is applicable to a future reporting period.

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – Deferred outflows of resources and deferred inflows of resources related to pensions arising from certain changes in the collective total pension liability.

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** – Portion of changes in total OPEB liability that is not immediately recognized in OPEB Expense. These changes include differences between expected and actual experience, changes in assumptions, and differences between expected and actual earnings on plan investments.

**Deficit** – (1) The excess of the liabilities of a fund over its assets. (2) The excess of expenditures over revenues during an accounting period or, in the case of proprietary funds, the excess of expenses over revenues during an accounting period.

**Defined Benefit OPEB** – OPEB for which the benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The OPEB may be stated as (a) a specified dollar amount; (b) an amount that is calculated based on one or more factors such as age, years of service, and compensation; or (c) a type or level of coverage such as prescription drug coverage or a percentage of health insurance premiums.

**Defined Benefit OPEB Plan** – OPEB plans that are used to provide defined benefit OPEB.

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**Defined Benefit Pensions** – Pensions for which the income or other benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The pensions may be stated as a specified dollar amount or as an amount that is calculated based on one or more factors such as age, years of service, and compensation.

**Defined Benefit Pension Plan** – A pension plan having terms that specify the amount of pension benefits to be provided at a future date or after a certain period of time; the amount specified usually is a function of one or more factors such as age, years of service, and compensation.

**Defined Contribution (Hybrid) Contribution Account** – Pension plan having terms that 1) provide an individual account for each plan member and 2) specify how contributions to an active plan member's account are to be determined, rather than the income or other benefits the member or his or her beneficiaries are to receive at or after separation from employment.

Those benefits will depend only on the amounts contributed to the member's account, earnings on investments of those contributions, and forfeitures of contributions made for other members that may be allocated to the member's account.

**Depreciation** – (1) Expiration in the service life of capital assets, other than wasting assets, attributable to wear and tear, deterioration, action of the physical elements, inadequacy, and obsolescence. (2) The portion of the cost of a capital asset, other than a wasted asset, charged as an expense during a particular period. In accounting for depreciation, the cost of a capital asset, less any salvage value, is prorated over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the entire cost of the asset is ultimately charged off as an expense.

**Direct Costing** – Use of actual source data (invoices) to establish the historical cost of a capital asset.

**Direct Expense** – Expense that is specifically associated with a service, program, or department and, thus, is clearly identifiable with a particular function.

**Disability** – Inability to pursue an occupation because of physical or mental impairment.

**Discount Rate** – The rate used to adjust a series of future payments to reflect the time value of money. For the purpose of calculating the pension benefit obligation defined by GASB., this rate is equal to the estimated long-term rate of return on current and future investments of the pension plan.

**Due From Other Funds** – An asset account reflecting amounts owed to a particular fund by another fund for goods sold or services rendered. This account includes only short-term obligations on open account, not interfund loans.

**Due To Other Funds** – A liability account reflecting amounts owed by a particular fund to another fund for goods sold or services rendered. This account includes only short-term obligations on open account, not interfund loans.

**Early Recognition Option** – Option to recognize an expenditure in the current period in a debt service fund for principal and interest payments due early in the subsequent period.

**Early Retirement** – Provision made in a retirement plan to allow employees who have met certain conditions, such as length of service and specified age, to retire prior to their regularly scheduled retirement age. In general, in case of such early retirement, the benefits which a participant can expect to receive from the plan will be less than those offered at full retirement age.

**Economic Resources Measurement Focus** – Measurement focusses on which the aim of a set of financial statements is to report all inflows, outflows, and balances affecting or reflecting an entity's net position. The economic resources measurement focus is used for proprietary and fiduciary funds, as well as for government-wide financial reporting. It is also used by business enterprises in the private sector.

**Emphasis-of-Matter Paragraph** – An emphasis-of-matter paragraph is included in the auditor's report that is required by generally accepted auditing standards (GAAS) or is included at the auditor's discretion, and that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor's professional judgment, is of such importance that it is fundamental to users' understanding of the financial statements.

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**Employer's Contributions** – Term used in the context of pension and other postemployment benefits to describe contributions actually made by the employer in relation to the annual required contribution (ARC) of the employer. (Only amounts paid to trustees and outside parties qualify.)

**Encumbrances** – Commitments related to unperformed (executory) contracts for goods or services. Used in budgeting, encumbrances are not GAAP expenditures or liabilities, but represent the estimated amount of expenditures ultimately to result if unperformed contracts in process are completed.

**Entry Age Actuarial Cost Method** – A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the *normal cost*. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the *actuarial accrued liability*.

**Equipment** – Durable goods such as computers, desks, or chairs.

**Exchange Transaction** – Transaction in which each party receives and surrenders essentially equal values.

**Exchange-Like Transaction** – Transaction in which there is an identifiable exchange between the reporting government and another party, but the values exchanged may not be quite equal or the direct benefits of the exchange may not be exclusively for the parties to the exchange.

**Expenditure** – Decreases in net financial resources. Expenditures include current operating expenses requiring the present or future use of net current assets, debt service, and capital outlays, and intergovernmental grants, entitlement, and shared revenues.

**Expenditure-Driven Grants** – Government-mandated or voluntary non-exchange transactions in which expenditure is the prime factor for determining eligibility. Also referred to as reimbursement grants.

**Expenses** – Outflows or other using up of assets or incurrence of liabilities (or a combination of both) from delivering or producing goods, rendering services, or carrying out other activities that constitute the entity's ongoing major or central operations.

**External Auditors** – Independent auditors are typically engaged to conduct an audit of a government's financial statements.

**External Investment Pool** – An arrangement that commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio; one or more of the participants is not part of the sponsors reporting entity. An external investment pool can be sponsored by an individual government, jointly by more than one government, or by a nongovernmental entity. An investment pool that is sponsored by an individual state or local government is an external investment pool if it includes participation by a legally separate entity that is not part of the same reporting entity as the sponsoring government. If a government sponsored pool includes only the primary government and its component units, it is an internal investment pool and not an external investment pool.

**Fair Value** – The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**Federal Program** – All federal awards which are assigned a single Assistance Listings Number. When no Assistance Listings Number is assigned, all Federal awards from the same agency made for the same purpose must be combined and considered one program.

**Fiduciary Fund Type** – The trust and agency funds used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other government units, and/or other funds.

**Final Amended Budget** – The original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year, whenever signed into law or otherwise legally authorized.

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**Financial Accountability** – Relationship warranting the inclusion of a legally separate organization in the reporting entity of another government.

**Financial Resources** – Resources that are or will become available for spending. Financial resources include cash and resources ordinarily expected to be converted to cash (e.g., receivables or investments). Financial resources may also include inventories and prepaid (because they obviate the need to expend current available resources).

**Financial Reporting Entity** – The financial reporting entity consists of the primary government and organizations for which the primary government is financially accountable. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading.

**Financial Section** – One of the three basic sections of the Annual Report. The financial section is used to present the independent auditor's report on the financial statements; management's discussion and analysis; the basic financial statements (including the notes to the financial statements); required supplementary information; combining statements, individual fund statements and schedules; and supplementary information, as needed.

**Financial Statements** – A structured representation of historical financial information, including related notes, intended to communicate an entity's economic resources and obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The term financial statements ordinarily refer to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework, but can also refer to a single financial statement.

**Fiscal Agent** – A fiduciary agent, usually a bank or county treasurer, who performs the function of paying debt principal and interest when due.

**Fiscal Year (FY)** – A 12-month accounting period that may not coincide with the calendar year. For the Senate of Puerto Rico, the fiscal year begins July 1 and ends June 30. The year's title comes from the date that it ends, thus the fiscal year begins June 1, 2023 and ending June 30, 2024 is fiscal year 2024.

**Fund/Fund Accounting** – A fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, all related liabilities and residual equities, or balances, and changes therein, are recorded and segregated to execute specific activities or attain certain objectives in accordance with special regulations, restrictions, or limitations.

**Fund Balance** – The difference between fund assets and fund liabilities of governmental and similar trust funds.

**Fund Financial Statements** – Basic financial statements presented on the basis of funds. Terms used in contrast with *government-wide financial statements*.

**Fund Types** – There are three overarching fund types in which all individual funds will be categorized. Governmental funds consist of the general fund, special revenue funds, capital project funds, debt service funds, and permanent funds. Proprietary funds consist of enterprise funds and internal service funds. Fiduciary funds consist of pension (and other employee benefits) trust funds, investment trust funds, private-purpose trust funds, and custodial funds.

**Funded Ratio** – The actuarial value of benefit obligations accrued to date, compared to the pension plan assets expressed as a percentage.

**Funding Policy** – The program for the amounts and timing of contributions to be made by plan members, employer(s), and other contributing entities (for example, state government contributions to a local government plan) to provide the benefits specified by an OPEB plan.

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**General Fund (GF)** – The general fund is one of five governmental fund types and typically serves as the chief operating fund of the government. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

**General Revenues** – All revenues that are not required to be reported as program revenues. All taxes, even those that are levied for a specific purpose, are general revenues and should be reported by type of tax (e.g., property tax, sales tax, and transient occupancy tax). All other nontax revenues (including interest, grants, and contributions) that do not meet the criteria to be reported as program revenues should also be reported as general revenues.

**Generally Accepted Accounting Principles (GAAP)** – Standards adopted by the Financial Accounting Standards Board (FASB) and by the Governmental Accounting Standards Board (GASB) for preparing financial statements of state and local governments in the United States. Generally accepted accounting principles (GAAP) are uniform minimum standards of and guidelines to financial accounting and reporting. Adherence to GAAP assures that financial reports of all state and local governments—regardless of jurisdictional legal provisions and customs—contain the same types of financial statements and disclosures.

**Generally Accepted Auditing Standards (GAAS)** – Independent auditors plan, conduct, and report the results of an audit in accordance with generally accepted auditing standards (GAAS) that are developed by the Auditing Standards Board, a committee for the AICPA. GAAS enables practitioners to provide high-quality, objective audit services in an effective and efficient manner. GAAS are standards against which the quality of audits may be judged.

**Generally Accepted Governmental Auditing Standards (GAGAS)** – Also known as the Yellow Book or Government Auditing Standards, provide a framework for conducting high-quality audits with competence, integrity, objectivity and independence. The U.S. Government Accountability Office issue GAGAS.

**Going-Concern** – Going-Concern refers to substantial doubt about an entity's ability to continue as a going concern exists when conditions and events indicate that it is likely that the entity will be unable to meet its obligations as they become due within one year after the financial statements are issued.

**Government Accountability Office (GAO)** – Investigative arm of the U.S. Congress charged with improving the performance and accountability of the Federal government. The GAO issues the publication *Government Auditing Standards (GAS)*, commonly known as the “Yellow Book”, which sets generally accepted government auditing standards (GAGAS).

**Government Finance Officers Association (GFOA)** – An association of public finance professionals founded in 1906 as the Municipal Finance Officers Association. The GFOA has played a major role in the development and promotion of GAAP for state and local governments since its inception and has sponsored the Certificate of Achievement for Excellence in Financial Reporting Program since 1946.

**Governmental Accounting** – The composite activity of analyzing, recording, summarizing, reporting, and interpreting the financial transactions of governments.

**Governmental Accounting Standards Advisory Council (GASAC)** – Advisory body established to assist the GASB. The membership of the GASAC represents all major groups with an interest in accounting and financial reporting for state and local governments.

**Governmental Accounting Standards Board (GASB)** – The ultimate authoritative accounting and financial reporting standard setting body for state and local governments. The GASB was established in June 1984 to replace the National Council on Governmental Accounting (NCGA).

**Governmental Accounting, Auditing, and Financial Reporting (GAAFR)** – Publication of the GFOA. Also known as the “Blue Book”, various editions have been published since the mid-1930s.

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**Governmental Activities** – Activities generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. These activities are usually reported in governmental funds and internal service funds.

**Governmental Entity** – Funds generally used to account for tax supported activities. The five different types of governmental funds are as follows: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

**Governmental Financial Reporting Model** – Minimum combination of financial statements, notes, and required supplementary information prescribed for state and local governments by the GASB.

**Governmental Funds** – Funds generally used to account for tax-supported activities. The five different types of governmental funds are as follows: the general fund, special revenues funds, debt service funds, capital projects funds, and permanent funds.

**Government-Mandated Nonexchange Transactions** – Situation where a higher-level government requires performance by a lower-level government, while providing full or partial funding for the cost of doing so (sometimes described as a *funded mandate*).

**Government-Wide Financial Statements** – Financial statements that incorporate all of a government's governmental and business-type activities, as well as its non-fiduciary component units. There are two basic government-wide financial statements: the Statement of Net Position and the Statement of Activities. Both basic governmental financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

**Grant** – A legally enforceable agreement between an agency/department of the U.S. Government (grantor) and another legal entity recipient (grantee) to carry out a purpose(s) as defined in a grant agreement and grant-like situations. Grants may be funded in whole or in part with state and/or Federal funds.

**Grant Expense (Expenditure)** – Refers to appropriations and expenditures made under grant agreements, or grant-like agreements and for the support of persons or providers, or community partners in the performance of public benefit activities.

**Impairment** – Significant, unexpected decline in the service utility of a capital asset that will remain in use.

**Implementation Guides** – Guidance on the proper implementation of authoritative accounting and financial reporting standards issued by the staff of the GASB. Implementation Guides use a question-and-answer format and enjoy “level 1” (after GASB Statement No. 76) status of the hierarchy of GAAP for state and local governments. The GASB annually issues a *Comprehensive Implementation Guide* that consolidates, updates, and expands upon the guidance offered in individual publications.

**Imposed Nonexchange Revenues** – Revenues that result from assessments imposed on nongovernmental entities, including individuals, other than assessments on exchange transactions (property taxes and fines).

**Improvement** – An addition made to, or change made in, a capital asset, other than maintenance, to prolong its life or to increase its efficiency or capacity. The cost of the addition or change is added to the book value of the asset.

**Inactive Employees** – Terminated individuals that have accumulated benefits but are not yet receiving them, and retirees or their beneficiaries currently receiving benefits.

**Independent Auditor** – Auditors who are independent, both in fact and appearance, of the entities they audit. Both GAAS and GAGAS set specific criteria that must be met for an auditor to be considered independent.

**Indirect Expenses** – Expenses that cannot be specifically associated with a given service, program, or department and thus, cannot be clearly associated with a particular functional category.

**Inflow of Resources** – An acquisition of net position by the government that is applicable to the reporting period.

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**Infrastructure** – Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems.

**In-relation-to Opinion** – Indication in the independent auditor's report that the auditor is *not* offering an opinion on the fair presentation *per se* of certain information contained in the financial report (combining and individual fund financial statements), but is asserting that the information in question is fairly presented *in-relation-to* the audited financial statements.

**Interest Rate Risk** – Risk that changes in interest rates will adversely affect the fair value of an investment.

**Interfund Activity** – Activity between funds of the primary government. Interfund activities are divided into two broad categories: *reciprocal* and *nonreciprocal*. Reciprocal interfund activity comprises *interfund loans* and *interfund services provided and used*. Nonreciprocal interfund activity comprises *interfund transfers* and *interfund reimbursements*.

**Interfund Receivable/Payable** – Short-term loans made by one fund to another, or the current portion of an advance to or from another fund.

**Interfund Transfers** – Flow of assets (such as cash or goods) between funds and blended component units of the primary government without equivalent flows of assets in return and without a requirement for payment.

**Introductory Section** – First of three essential components of any Annual Report. The introductory section typically provides general information on a government's structure and personnel, as well as information useful in assessing the government's economic condition. The key element of the introductory section is the letter of transmittal.

**Landfill Closure and Postclosure Care Costs** – Cost incurred to provide for the protection of the environment that occurs near or after the date that a municipal solid-waste landfill stops accepting solid waste and throughout the postclosure period. Closure and postclosure care costs include the cost of equipment and facilities (leachate collection systems and final cover) as well as the cost of services (postclosure maintenance and monitoring costs).

**Lapse** – As applied to appropriations, the automatic termination of an appropriation. Except for indeterminate appropriations and continuing appropriations, an appropriation is made for a certain period of time. At the end of this period, any unexpended or unencumbered balance thereof lapses, unless otherwise provided by law.

**Lease** – Contract that conveys control of the right-to-use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction..

**Legal Debt Margin** – The maximum principal amount of debt that an issuer of municipal securities is permitted to have outstanding at any time under constitutional, statutory or bond contract provisions. The debt limit can be expressed in various manners, including, for example, as a percentage of assessed valuation.

**Legal Level of Budgetary Control** – The level at which spending in excess of budgeted amounts would be a violation of law.

**Lessee** – The party who owns the asset and is leasing it to another party, a landlord.

**Lessor** – The party who is leasing (using) the asset of another party, a tenant.

**Level of Budgetary Control** – The level at which a government's management may not reallocate resources without special approval from the legislative body.

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**Level Percentage of Projected Payroll Amortization Method** – Amortization payments are calculated so that they are a constant percentage of the projected payroll of active plan members over a given number of years. The dollar amount of the payments generally will increase over time as payroll increases due to inflation; in dollars adjusted for inflation, the payments can be expected to remain level.

**Liabilities** – Probable future sacrifices of economic benefits, arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.

**Loans Receivable** – An asset account reflecting amounts loaned to individuals or organizations external to a government, including notes taken as security for such loans. Loans to other funds and governments should be recorded and reported separately.

**Long-Term Liabilities** – Liabilities that will not be due for a comparatively long time (usually more than one year). However, as they come within the one-year range, and are to be paid, such liabilities become current. Includes bonded debt, notes payable, and liabilities that will not become obligations until a later time (e.g., accrued annual leave in the case of appropriation accounts).

**Lump Sum Appropriation** – An appropriation made for a stated purpose, or for a named department or program without specifying further the amounts that may be spent for specific activities or for particular objects of expenditure.

**Major Fund** – A governmental fund or enterprise fund reported as a separate column in the basic fund financial statements. The general fund is always a major fund. Otherwise, major funds are funding whose revenues/expenditures, assets, or liabilities are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. Any other governmental or enterprise fund may be reported as a major fund if the government's officials believe that fund is particularly important to financial statement users.

**Management's Discussion and Analysis (MD&A)** – A component of required supplementary information used to introduce the basic financial statements and to provide an analytical overview of the government's financial activities.

**Measurement Focus** – A way of presenting an entity's financial performance and position by considering which *resources* are measured (financial or economic) and *when* the effects of transactions or events involving those resources are recognized (the basis of accounting). The measurement focusses of government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements is economic resources. The measurement focus of governmental fund financial statements is current financial resources.

**Measurement Period** – The period between the prior and the current measurement dates.

**Modified Accrual Basis of Accounting** – The accrual basis of accounting adapted to the governmental fund-type measurement focus. Under it, revenues and other financial resource increments (e.g., bond issue proceeds) are recognized when they become susceptible to accrual that is when they become both "measurable" and "available to finance expenditures of the current period". "Available" means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Generally, expenditures are recognized when the fund liability is incurred. All governmental funds, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting.

**Municipal Bond Rate** – Yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**National Council on Governmental Accounting (NCGA)** – Immediate predecessor of the GASB as the authoritative accounting and financial reporting standard-setting body for state and local governments.

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**Net Investment in Capital Assets** – One of three components of net position that must be reported in both government-wide and proprietary fund financial statements. Related debt, for this purpose, includes the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of capital assets of the government.

**Net Position** – The residual of all other financial statement elements presented in a Statement of Financial Position. Net position is an element of the statement of financial position and is measured by the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. The amount of net position maintains a specific relationship with the net activity in the resource flows statement. The increase or decrease in net position from one period to the next equals the net of all activity reported in the resource flows statement for that period. Also, the total balance of net position at any point in time theoretically equals the cumulative total of all resource flows statement activity from inception. Net position may have a positive or a negative balance.

**Nonexchange Transaction** – Transaction in which a government either 1) gives value (benefit) to another party without directly receiving equal value in exchange, or 2) receives value (benefit) from another party without directly giving equal value in exchange.

**Non-Major Fund** – Funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are not at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds..

**Nonspendable Fund Balance** – Amounts that cannot be spent because they are either (1) not spendable in form or (2) legally or contractually required to be maintained intact.

**Notes to the Financial Statements** – The notes to the financial statements should communicate information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements. As such, notes are an integral part of basic financial statements. For governmental units, the notes should focus on the primary government, specifically, its governmental activities, business-type activities, major funds, and the total nonmajor funds. Additional disclosures may be required to explain a particular financial position that the unit took when reporting. The notes can include both descriptive and quantitative information to assist readers in understanding the financial statements.

**Operating Expense (Expenditure)** – Refers to appropriations and expenditures for the support of State government, such as utilities, office supplies, materials, travel expenses, and others.

**Operating Transfers** – All interfund transfers other than residual equity transfers (e.g., legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended).

**Other Financing Sources** – An increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends. The use of the other financing sources category is limited to items so classified by GAAP.

**Other Financing Uses** – A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends. The use of other financing uses categories is limited to items classified by GAAP.

**Outflows of Resources** – A consumption of net position by the government that is applicable to the reporting period.

**Other Postemployment Benefits (OPEB)** – Benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as postemployment healthcare benefits paid in the period after employment (if any), regardless of the manner in which they are provided. Other postemployment benefits do not include termination benefits or termination payments for sick leave.

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**OPEB Plans** – Arrangements through which OPEB is determined, assets dedicated for OPEB (if any) are accumulated and managed, and benefits are paid as they come due.

**Opinion Unit** – An opinion unit is a reporting unit, or aggregation of reporting units, of a governmental entity. The auditor is responsible for forming an opinion on the financial statements for each opinion unit with a governmental entity.

**Other-Matter Paragraph** – An other-matter paragraph refers to matters other than those presented or disclosed in financial statements. The paragraph is included if it is required by generally accepted auditing standards (GAAS) or at the auditor's discretion if the auditor determines that the matter is relevant users' understanding of the auditor, auditor's responsibilities, or the auditor's report.

**Pay-As-You-Go** – A method of financing a pension plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

**Payroll Growth Rate** – An actuarial assumption with respect to future increases in total covered payroll attributable to inflation; used in applying the level percentage of projected payroll amortization method.

**Pension Benefits** – Retirement income and all other benefits, including disability benefits, death benefits, life insurance, and other ancillary benefits, except healthcare benefits, which are provided through a defined benefit pension plan to plan members and beneficiaries after termination of employment or after retirement.

Postemployment healthcare benefits are considered other postemployment benefits, whether they are provided through a defined benefit pension plan or another type of plan.

**Pension Contribution** – The amount paid into a pension plan by an employer (or employee), pursuant to the terms of the plan, state law, actuarial calculations or some other basis of determination.

**Pension Expenses** – Pension expenses arising from certain changes in the collective net pension liability.

**Pension Plan** – Arrangements through which pensions are determined, assets dedicated for pensions are accumulated and managed, and benefits are paid as they come due.

**Plan Members** – Individuals that are covered under the terms of a pension plan. Plan members generally include (1) employees in active service (active plan members) and (2) terminated employees who have accumulated benefits but are not yet receiving them and retirees or their beneficiaries currently receiving benefits (inactive plan members).

**Postemployment** – Period following termination of employment, including the time between termination and retirement postemployment healthcare benefits.

**Postemployment Benefit Changes** – Adjustments to the pension of an inactive employee.

**Postemployment Christmas Bonus** – Annual benefit payment to retirees at Christmas.

**Postemployment Healthcare Benefits** – Medical, dental, vision, and other health-related benefits paid subsequent to the termination of employment.

**Primary Government** – Term used in connection with defining the financial reporting entity. A state government or general purpose local government. Also, a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. The primary government is the focus of the financial reporting entity.

**Program Revenues** – Term used in connection with the government-wide statement of activities. Revenues that derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government's general revenues.

**Projected Benefit Payments** – All benefits estimated to be payable through the pension plan to current active and inactive employees as a result of their past service and their expected future service.

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**Proprietary Funds** – Funds that focus on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.

**Real Rate of Return** – The rate of return on an investment after adjustment to eliminate inflation.

**Reporting Entity** – The oversight unit and all of its component units, if any, that are combined in the Annual Report/BFS.

**Required Supplementary Information** – Consists of statements, schedules, statistical data, or other information that according to the GASB is necessary to supplement, although not required to be a part of, the basic financial statements.

**Restricted Assets** – Assets whose use is subject to constraints that are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

**Restricted Fund Balance** – Amounts with constraints placed on their use that are either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

**Restricted Net Position** – A component of net position calculated by reducing the carrying value of restricted assets by the amount of any related debt outstanding.

**Revenues** – (1) Increases in the net current assets of a governmental fund type from other than expenditure refunds and residual equity transfers. Also, general long-term debt proceeds and operating transfers are classified as “other financing sources”, rather than as revenues. (2) Increases in the net total assets of a proprietary fund type from other than expense refunds, capital contributions, and residual equity transfers. Also, operating transfers in are classified separately from revenues.

**Risk Management** – All the way and means used to avoid accidental loss or to reduce its consequences if it does occur.

**Self-Insurance** – A term often used to describe the retention by an entity of a risk of loss arising out of the ownership of property or from some other cause, instead of transferring that risk to an independent third party through the purchase of an insurance policy. It is sometimes accompanied by the setting aside of assets to fund any related losses. Because no insurance is involved, the term self-insurance is a misnomer.

**Service Costs** – The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.

**Service Life** – The average remaining years of service of all members of the plan (both current employees and retirees).

**Short-term Leases** – Lease agreement with a noncancelable term, after considering the effects of potential extensions (regardless of their likelihood of being exercised, for 12 months or less. Lessees and Lessors should recognize short-term lease payments as outflows of resources / inflows of resources, respectively, based on the payment provisions of the lease contract.

**Single Audit** – An audit performed in accordance with *Title 2 U.S. Code of Federal Regulations*. The Single Audit allows or requires governments (depending on the amount of federal assistance received) to have one audit performed to meet the needs of all federal agencies.

**Special Items** – Significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence.

**Special Revenue Fund** – A fund used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

**Statement of Revenues, Expenditures and Changes in Fund Balances** – Reports information about the inflows, outflows and balances of current financial resources of each major governmental fund for the fiscal year end.

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**Statistical Section** – One of the three basic components of an Annual Report, it provides 1) information on financial trends, 2) information on revenue capacity, 3) information on debt capacity, 4) demographic and economic information, and 5) operating information.

**Subsequent Event** – An event or transaction that occurs subsequent to the reporting date, but prior to the issuance of the financial statements, which requires either an adjustment to the financial statements or disclosure in the notes.

**Termination Benefits** – Inducements offered by employers to active employees to hasten the termination of services, or payments made in consequence of the early termination of services. Termination benefits include early-retirement incentives, severance benefits, and other termination-related benefits.

**Total OPEB Liability** – The portion of the actuarial present value of projected other postemployment benefit payments that is attributed to past periods of employee service.

**Total Pension Liability** – The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service.

**Total Rate of Return** – The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service.

**Trust Funds** – Funds used to account for assets held by a government in a trustee capacity for individuals, private organizations, other governments, and/or other funds.

**Unassigned Fund Balance** – The residual classification for the **Senate's** General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

**Unearned Revenues** – Resource inflows that do not yet meet the criteria for revenue recognition. In governmental funds, earned amounts also are reported as unearned revenue until they are available to liquidate liabilities of the current period.

**Unfunded Actuarial Accrued Liabilities** – The difference between actuarial accrued liabilities and valuation assets. Sometimes referred to as "unfunded actuarial liability" or "unfunded accrued liability".

**Unmodified Opinion** – An opinion rendered without reservation by the independent auditor that financial statements are fairly presented.

**Unrestricted Net Position** – That portion of net position that is neither restricted nor invested in capital assets (net of related debt).

**Vested Benefit** – A benefit for which the employer has an obligation to make payment even if an employee terminates; thus, the benefit is not contingent on an employee's future service.

**END OF SECTION**

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19TH LEGISLATIVE ASSEMBLY