Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2022

Prepared by
Office of Fiscal and Financial Affairs

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Senate

of the Commonwealth of Puerto Rico

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Annual Comprehensive Financial Report

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Introductory Section

- Letter of Transmittal
- List of Senators – By District
- List of Senators – At Large
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- Permanent, Special and Joint Committees
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(Unaudited)

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SENATE
COMMONWEALTH OF PUERTO RICO
José Luis Dalmau Santiago
President

June 13, 2023

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

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, 2022 is submitted herewith. The responsibility for both, the accuracy of the presented data and the completeness of fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the presented data is accurate in all material respects and is reported in a manner that fairly represents the financial position, and the results of operations of the Senate' financial activities. Puerto Rico acts requires financial statements be presented in conformance with accounting principles generally accepted in the United States of America (GAAP), as established by the Governmental Accounting Standards Board (GASB).

The Annual Report is presented in three sections. The Introductory Section includes this transmittal letter; general information about the Senate; organizational charts; a list of Senators and Permanent and Special Committees; and other information related to most important activities realized to promote the welfare of our people. The Financial Section includes the independent auditors' report, management's discussion and analysis (MD&A), audited government-wide and fund financial statements and related notes thereto, and required supplementary information. The Statistical Section contains selected unaudited financial, economic and demographic data on a multiyear basis.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of MD&A and should be read in conjunction with it. The Senate's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE SENATE

The 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.

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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, 1654, as amended, and Section 21.2 of the Resolution of the Senate No. 21 of January 15, 2013, the annual regular session of the Legislature is composed of two sessions, as follows:

A. The First Session that begins on the second Monday of January and ends on June 30 of the same year; and
B. The Second Session that begins on the third Monday of August and ends on Tuesday, preceding the third Tuesday of November. This Second Session shall not be held in years when general elections are to be held. 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. For example, bills submitted by the Senators and approved during the Fiscal Year 2021-2022 include the following:

1. Act No. 11 of July 29, 2021 (Senate Bill No. 0146)

To declare the month of May of each year as the "Skin Cancer Prevention and Alert Month", in order to raise awareness, educate and prevent our citizens about this disease.

2. Act No. 12 of July 29, 2021 (Senate Bill No. 0154)

To declare the month of November of each year as the "Month of Dyslexia in Puerto Rico" and designate November 8 as the "Dyslexia Awareness Day", as well as repeal Act No. 176-2015.

3. **Act No. 13 of July 29, 2021 (Senate Bill No. 0120)**

To declare the last day of the month of February of each year as the "Day of Rare Diseases and Conditions", with the purpose of raising awareness about these medical conditions and promoting awareness and education to the public about their existence, and the need to integration of the population that suffers from any of these conditions; and for other related purposes.

4. **Act No. 14 of July 19, 2021 (Senate Bill No. 0089)**

To establish the "Act to Implement the Puerto Rico Start with Me Program" for the purpose of authorizing the Secretary of the Department of Labor and Human Resources to transfer craft kiosks to municipalities and participants that meet the requirements established in this Act; establish your purpose; provide for the process to confiscate kiosks that are not claimed by municipalities; authorize the adoption of regulations; and for other related purposes.

5. **Act No. 22 of August 5, 2021 (Senate Bill No. 0152)**

To establish the "Deaf Community Liaison Office with the Government of Puerto Rico Act"; create the "Deaf Community Liaison Office with the Government of Puerto Rico" as an entity attached to the "Ombudsman for Persons with Disabilities of the Commonwealth of Puerto Rico" that will have fiscal, programmatic and administrative autonomy in the performance of the responsibilities and prerogatives defined in this Act; provide for its operation; determine its composition, duties, powers and responsibilities; repeal Act No. 136-1996; and for other related purposes.

6. **Act No. 23 of August 5, 2021 (Senate Bill No. 0190)**

To create the "Justice for Families and Individuals Relocated by the Special Communities Program" for the purpose of establishing an orderly process between the Department of Housing; the Office for Socioeconomic and Community Development of Puerto Rico ("ODSEC") and the Perpetual Trust for Special Communities ("Trust"), with the purpose of putting an end to the uncertainty and injustice faced by dozens of families and individuals relocated in temporary rentals by the Puerto Rico Special Communities Program; to operationalize the Special Communities Program; and for other related purposes.

7. **Act No. 24 of August 5, 2021 (Senate Bill No. 0403)**

To designate March 21 of each year as the "National Day for the Eradication of Racism and Affirmation of Afro-descendants", as part of the efforts to eliminate any manifestation of racial and/or ethnic discrimination in our society; to designate the week during the month of March in which the Day for the Abolition of Slavery is commemorated as the Week for the Eradication of Racism and Affirmation of Afro-descendants; repeal Act No. 138-1996; and for other related purposes.

8. **Act No. 25 of August 24, 2021 (Senate Bill No. 0021)**

To repeal Article 522 of Act No. 4 of June 23, 1971, as amended, known as the "Puerto Rico Controlled Substances Act", in order to clarify the status of law regarding the jurisdiction of the Parole Board.

9. Act No. 26 of August 24, 2021 (Senate Bill No. 0061)

To amend sub-item (20), subsection (b) of Article 2.04 of Act No. 85-2018, as amended, known as the "Puerto Rico Education Reform Act", and Chapter 15 of Act No. 220-2002, as amended, called the "Special Act for Youth Cooperatives", in order to guarantee the permanence and strengthening of the youth cooperative program in public schools.

10. Act No. 27 of August 24, 2021 (Senate Bill No. 0067)

To amend Article 171 of the Political Code of 1902, as amended, in order to provide a maximum term of fifteen (15) days for the issuance of credentials in the case of officials appointed by the Governor who require confirmation by the Senate of Puerto Rico or the Legislative Assembly.

11. Act No. 28 of August 24, 2021 (Senate Bill No. 0068)

To amend Article 23.02 of Act No. 22-2000, as amended, known as the "Puerto Rico Vehicle and Traffic Act", for the purpose of specifying the rights to be paid by citizens who request an appointment to renew through the online portal. the driver's license in person at a CESCO, within a term of thirty (30) days, counted from the expiration date of the validity of the license; to provide a refund to those citizens who have paid for the late renewal of their driver's license since July 1, 2020, when they have requested the appointment through the online portal within the appropriate term of thirty (30) days from the expiration of the validity of the license; and for other related purposes.

12. Act No. 29 of August 24, 2021 (Senate Bill No. 0148)

To amend subsection (z) of Article 3 of Act No. 246-2011, as amended, called the "Act for the Safety, Welfare and Protection of Minors", in order to establish that every person or student eligible for, and receiving services of the Special Education Program of the Department of Education is considered a "minor" for the purposes of the application of the Act up to the age of twenty-one (21) years, inclusive; and for other related purposes.

13. Act No. 30 of August 24, 2021 (Senate Bill No. 0243)

To add a new Article 1.51, renumber the current articles 1.51 to 1.126, amend Article 3.06 and amend Article 3.08 of Act No. 22-2000, as amended, known as the "Puerto Rico Vehicle and Traffic Act", for the purposes to define the term significant physical disability, extend to five (5) years the term of validity of the learning license for people with significant physical disability; and for other related purposes.

14. Act No. 31 of August 24, 2021 (Senate Bill No. 0306)

To amend subsection (e) of Article 22 of Act No. 73-2019, as amended, known as the "Puerto Rico Government Procurement Centralization of the General Services Administration Act of 2019", for the purposes of empowering to the municipalities of Puerto Rico to receive by transfer, sale at public auction, assignment, donation or transfer, equipment or public property declared surplus.

15. Act No. 32 of August 24, 2021 (Senate Bill No. 0358)

To amend Article 3.10 of Act No. 54 of August 15, 1989, as amended, known as the "Domestic Violence Prevention and Intervention Act", in order to establish that in any probable cause hearing for arrest for any of the crimes established in the law must be present, without any discretion, a representative of the Public Ministry, as well as an intercessor from the Office of the Women's Advocacy.

16. Act No. 33 of August 27, 2021 (Senate Bill No. 0011)

To amend Article 1 and add a subsection (t) to Article 2 of Act No. 22 of April 22, 1988, as amended, known as the "Act to establish the Bill of Rights of Crime Victims and Witnesses", to clarify the public policy of the Commonwealth of Puerto Rico to provide protection and assistance to all victims and witnesses of crime, regardless of their age, race, color, sex, physical or mental condition, political affiliation, or political ideas or religious, sexual orientation, gender identity, real or perceived, social status, social origin, national origin, citizenship or immigration status; and for the purposes of establishing that law enforcement officials may not inquire about the nationality or immigration status of the victims and witnesses of the crime.

17. Act No. 34 of August 27, 2021 (Senate Bill No. 0019)

To create the "Puerto Rico Penal Code Special Penalty Act", in order to establish a procedure to consider the indigence of the convicted person when determining the imposition of the special penalty established in the Puerto Rico Penal Code; amend Article 61 of Act No. 146-2012, as amended, known as the "Puerto Rico Penal Code", in order to adjust it to the procedure established in this Act; amend Article 16 of the Reorganization Plan of the Department of Corrections and Rehabilitation of 2011, as amended; amend Article 24 of Act No. 88 of July 9, 1986, as amended, known as the "Puerto Rico Minors Act"; and for other related purposes.

18. Act No. 35 of August 27, 2021 (Senate Bill No. 0071)

To create the "Puerto Rico Opioid Overdose Death Prevention Act" in order to establish certain protections for people suffering from an overdose who request emergency medical assistance; establish certain protections for people requesting emergency medical assistance for a person suffering from an overdose; establish certain protections for the use of naloxone by people who are not health professionals; make feasible and establish requirements to create an Opioid Overdose Prevention Program; establish certain protections for naloxone prescriptions and dispensaries; establish the authorization and dispensing of naloxone within the jurisdiction of Puerto Rico without the need for a prescription and establish penalties for noncompliance by a health insurance organization, or insurer or intermediary or third-party administrator or administrator of pharmacy benefits that does not comply with the reliable claims submitted by the pharmacy regarding the payment or reimbursement of the naloxone that has been dispensed or dispatched, in any of the modalities authorized under this Act, due to the fact of having dispensed naloxone without mediating a prescription or by means of a "Standing Order"; and for other purposes.

19. Act No. 36 of August 27, 2021 (Senate Bill No. 0074)

To create the Puerto Rico Drug Observatory, attached to the Mental Health and Anti-Addiction Services Administration (ASSMCA for Spanish acronym), for the purpose of compiling information generated by the government component regarding the situation of legal and illegal drugs in Puerto Rico, and to encourage informed decision-making, as well as the design of public policies based on evidence; establish its functions and powers; create the Scientific Advisory Committee; provide for the imposition of penalties and the creation of the Observatory's Special Fund; and for other purposes.

20. Act No. 37 of August 27, 2021 (Senate Bill No. 0135)

To amend Article 11 of Act No. 17 of April 22, 1988, as amended, known as the "Law to Prohibit Sexual Harassment at Work", in order to establish that in cases where joint and several liability is adjudicated and vicarious to the Government of the Commonwealth of Puerto Rico, including each of its three (3) Branches -Executive, Legislative and Judicial-, its instrumentalities and public corporations, as well as the municipal governments, for acts of sexual harassment in employment, they may demand the restitution, equalization or reimbursement of all public funds paid to the victims; and for other related purposes.

21. Act No. 38 of August 27, 2021 (Senate Bill No. 0301)

To amend Article 5.1 (n) of Act No. 66 of August 17, 1989, as amended, known as the "Organic Act of the Public Housing Administration of Puerto Rico" in order to establish that the municipalities will have priority, over any person, natural or legal, at the time the Public Housing Administration considers hiring an administrative agent in any public housing project; and for other related purposes.

22. Act No. 39 of August 27, 2021 (Senate Bill No. 0475)

To amend Article 8-A of Act No. 103-2001, as amended, known as the "Puerto Rico Housing Financing Authority Act", in order to extend the term provided until June 30, 2022 so that the affected municipalities, as defined in said Act, donate, assign in usufruct, or ownership among their constituents the real estate properties previously donated by said Authority; and for other related purposes.

23. Act No. 40 of August 27, 2021 (Senate Bill No. 0130)

To amend Article 93(e) and add a new subsection (f) to Act No. 146-2012, as amended, known as the "Puerto Rico Penal Code", for the purpose of recognizing and establishing femicide and trans feminicide as conduct that constitute the crime of murder in the first degree; add new constitutive circumstances of crimes; amend Section 2 and Section 3 of Act No. 157-2020 to recognize the crime of feminicide and trans feminicide in the collection of statistics; and for other related matters.

24. Act No. 41 of August 29, 2021 (Senate Bill No. 0280)

To amend subsections (a), (b), (c), (d), (e) and (h) and add subsections (i), (j), (k), (l), (m) and (n) to Section 1052.01 of Act No. 1-2011, as amended, known as the "Puerto Rico Internal Revenue Code of 2011", for the purpose of incorporating the provisions of the credit for work available to American citizens through of the Federal Internal Revenue Code of 1986, as amended, and extend them to US citizens residing in Puerto Rico; and for other related purposes.

25. Act No. 43 of September 21, 2021 (Senate Bill No. 0026)

To amend Article 4, subsection (G) of Act No. 203-2007, known as the "Puerto Rican Veteran's Bill of Rights of the 21st Century", as amended, adding a subsection (f) for the purposes of imposing the obligation public corporations, government agencies and instrumentalities, as well as municipalities, to have available parking spaces for the exclusive use of veterans.

26. Act No. 44 of September 21, 2021 (Senate Bill No. 0145)

To amend subsection (e) of Article 2.035 of Act No. 107-2020, as amended, known as the "Municipal Code of Puerto Rico"; for the purposes of allowing the publication of a public auction announcement, request for proposals and request for qualifications at least one (1) time on a digital platform or social network with a high public reach; also, amend Article 8.001, in order to include the definition of the concept "digital platform or social network with a high public reach" and renumber the definitions subsequent to the inclusion of this definition; and for other related purposes.

27. Act No. 45 of September 21, 2021 (Senate Bill No. 0246)

To amend subsection (b) (1) of Section 6042.08 of Act No. 1-2011, as amended, known as the "Puerto Rico Internal Revenue Code of 2011"; amend Section 4 of the "Act to Correct the Exploitation of Minor Children", of February 25, 1902, as amended; amend Section 1 of Act No. 21 of April 13, 1916, as amended; amend Articles 1, 2 and 4 of Act No. 41-2015, known as the "Law to prohibit the sale of electronic cigarettes or "e-cigarettes" to minors under eighteen (18) years of age"; amend Section 8(p) of Act No. 67-1993, known as the "Mental Health and Anti-Addiction Services Administration Act"; and amend Article 3 of Act No. 62-1993, as amended, known as the "Act to Regulate the Advertising and Promotion of all Products Made with Tobacco", in order to prohibit the sale of tobacco products to persons under 21 years of age; and for other related purposes.

28. Act No. 46 of September 21, 2021 (Senate Bill No. 0181)

To add a new paragraph to Article 2 of Act No. 2 - 2017, as amended, better known as the "Puerto Rico Fiscal Agency and Financial Advisory Authority Act," in order to clarify that all the powers that said law grants to FAFAA must be used for the benefit of the people of Puerto Rico and be used in accordance with the following Public Policy determinations: zero cuts to pensions, defense of the University of Puerto Rico, analysis of debt sustainability, and not issuing illegal debt payment; and for other related purposes.

29. Act No. 48 of September 21, 2021 (Senate Bill No. 0202)

To amend Article 1.18 of Act No. 20-2017, as amended, known as the "Puerto Rico Department of Public Safety Act", in order to increase the benefits of those who are creditors, the surviving spouse or the employee's dependents who dies in the line of duty, increasing said benefit to twenty-four (24) monthly installments of the gross salary earned and to increase the item for funeral expenses up to a maximum of five thousand dollars ($5,000); and for other related purposes. The amendments to this Act will apply retroactively to January 1, 2021.

30. Act No. 49 of September 28, 2021 (Senate Bill No. 0288)

To amend Article 23.05, add a new Chapter XXV and renumber the current Chapter XXV as Chapter XXVI and the current Chapter XXVI as Chapter XXVII of Act No. 22-2000, as amended, known as the "Puerto Rico Vehicle and Traffic Act", in order to establish a statute of limitations for the collection of fines for violations of the aforementioned Act; and for other related purposes.

31. Act No. 50 of October 7, 2021 (Senate Bill No. 0151)

To amend Articles 1 and 3 of Act No. 228-2006, as amended, whereby the month of October is designated as the "Breast Cancer Prevention Month in Puerto Rico" and the "Breast Cancer Awareness Day of Breast", in order to declare the second Friday of the month of October of each year as the "Male Breast Cancer Awareness Day"; promote the use of the awareness ribbon in pink in ninety-nine percent (99%) and in one percent (1%) blue; and for other related purposes.

32. Act No. 51 of October 7, 2021 (Senate Bill No. 0354)

To amend Section 1020.08 of Act No. 60-2019, as amended, known as the "Puerto Rico Incentives Code", in order to establish the validity of the bona fide farmer certification for a term of four (4) years; and for other related purposes.

33. Act No. 52 of October 22, 2021 (Senate Bill No. 0059)

To declare the month of September of each year as "Alzheimer's Disease Awareness Month" and September 21 of each year as "Alzheimer's Disease Awareness Day", for the purpose of educating and raise public awareness about this disease; and for other related purposes.

34. Act No. 58 of November 2, 2021 (Senate Bill No. 0174)

To amend Article 7.1 and subsection b of Article 34.1 of Act No. 239-2004, as amended, known as the "Puerto Rico Cooperative Societies General Act of 2004", for the purpose of allowing youth over the age of eighteen (18) years of age may be admitted as partners in cooperatives of various types; amend the definition of "Working Partners" in order to create the special legal exception for the participation of young men and women without any limitations; and for other related purposes.

35. Act No. 59 of November 2, 2021 (Senate Bill No. 0175)

To amend Articles 4.01 and 5.03 of Act No. 255-2002, as amended, known as the "Cooperative Savings and Credit Societies Law of 2002", in order to create a special legal emancipation in favor of 18-year-olds age so that they can request and use the financial services in the savings and credit cooperatives of Puerto Rico and so that they can participate with voice and vote in the assemblies, including being elected or appointed to the governing bodies; and for other related purposes.

36. Act No. 63 of December 14, 2021 (Senate Bill No. 0170)

To amend Article 2, add a new subsection 10 and renumber the following from Article 3, as well as amend articles 4 and 6 of Act No. 63-2015, as amended, known as the "Act for the Organization and Development of Family Agricultural Markets in Puerto Rico" for the purpose of expressly including the respective municipalities where the family agricultural markets are held as part of the legal structures and instruments to strengthen and expand the system; and for other related purposes.

37. Act No. 64 of December 23, 2021 (Senate Bill No. 0048)

To create and designate the Puerto Rico Office for the Protection and Defense of Persons with Disabilities, establish its functions, duties, and responsibilities; determine your organization; define the faculties, functions, and powers of the Director for those purposes; empower it to implement the applicable provisions of Federal laws, as established by the "Developmental Disabilities Assistance and Bill of Rights of 2000"; amend Article 2.01; eliminate subsection J of Article 2.05 and renumber the current subsections K and L as subsections J and K, respectively; amend subsection I of Article 2.08; and eliminate Article 2.17 of Act No. 158-2015, as amended, known as the "Commonwealth of Puerto Rico Act for the Ombudsman for Persons with Disabilities"; and for other related purposes.

38. Act No. 66 of December 23, 2021 (Senate Bill No. 0504)

To declare the second Monday of the month of May of each year "Municipal Employees Day" and start of the commemoration of the "Municipal Employees Week".

39. Act No. 72 of December 27, 2021 (Senate Bill No. 0087)

To repeal Act No. 57 of April 24, 2002, known as the "Hurricane Season Orientation and Preparation Month"; designate the period from May 1 to July 30 of each year as the "Educational Season before the Passage of a Natural Event"; amend subsection (k) of Article 5.04 and Article 5.08 of Act No. 20-2017, as amended, known as the "Puerto Rico Department of Public Safety Act", in order to grant the Bureau the responsibility of ensuring that the Interagency Committee for the Mitigation of Natural and Technological Risks, created by virtue of this Act, promote the prevention, awareness, strengthening and empowerment of the citizens of Puerto Rico in relation to this topic and to establish the composition of said Committee; and for other related purposes.

40. Act No. 73 of December 27, 2021 (Senate Bill No. 0491)

To amend Section 1031.01 (b)(10)(A) of Subchapter A of Chapter 3 of Act No. 1-2011, as amended, known as the "Puerto Rico Internal Revenue Code of 2011", for the purpose of excluding from gross income the total amount of any debt forgiven by the United States Federal Government that was incurred for the purpose of covering medical expenses.

41. Act No. 74 of December 27, 2021 (Senate Bill No. 0511)

To declare May 30 of each year as "Multiple Sclerosis Awareness Day"; order the Department of Health and the Department of Education to develop activities in order to raise collective awareness and educate about this disease; and for other related purposes.

42. Act No. 76 of December 30, 2021 (Senate Bill No. 0292)

To amend subsections (f), (i) and (l) of Article 7.09 and subsection (a) of Article 14.12 of Act No. 22-2000, as amended, known as the "Puerto Rico Vehicle and Traffic Act", for the purpose of authorizing the Puerto Rico Police Bureau to regulate standardized field sobriety tests and the Department of Health, in conjunction with the Institute of Forensic Sciences, to regulate matters related to obtaining required blood samples; and temper the name of the Institute of Forensic Sciences with the current law.

43. Act No. 77 of December 30, 2021 (Senate Bill No. 0445)

To amend subsection (v) of Article 41.050 of Act No. 77 of June 19, 1957, as amended, known as the "Puerto Rico Insurance Code", in order to include health professionals who provide services in the Corporation of the Cardiovascular Center of Puerto Rico and the Caribbean within the limits of legal responsibility to which the Commonwealth of Puerto Rico is subject in accordance with Act No. 104 of June 29, 1955, as amended, known as "Act of Claims and Lawsuits against the State"; including within said limits of responsibility its employees, its resident doctors and its medical faculty with privileges in the Cardiovascular, who have teaching or non-teaching functions in said Center; and for other related purposes.

44. Act No. 79 of December 30, 2021 (Senate Bill No. 0157)

To amend subsections (n) and (q) of Article 2 and subsection (d) of Article 6 of Act No. 194-2000, as amended, known as the "Patient's Bill of Rights and Responsibilities"; and subsection (c) of Article 2 of Act No. 296-2000, as amended, known as the "Children and Adolescents Health Conservation Act of Puerto Rico", in order that the definition of the term "Psychologist" or "Sychologist" established by Act No. 194, supra, and Act No. 296, supra, are consistent with the definition of said term established by Act No. 408-2000, as amended, known as the "Puerto Rico Mental Health Act"; and amend subsection (m) of Article 3, subsection (a) of Article 4, and subsection (d) of Article 6 of Act No. 220-2012, known as the "Act for the Welfare, Integration, and Development of Persons with Autism"; Article 2 of Act No. 239-2012, known as the "Act to require all insurance companies to include, as part of their coverage, services provided by psychology professionals trained by education at the master's or doctoral level"; and subsection (d) of Article 1.12 of Act No. 20-2017, as amended, known as the "Puerto Rico Department of Public Safety Act", to conform them to the rule of law established by the law that regulates the profession of Psychology in Puerto Rico.

45. Act No. 80 of December 30, 2021 (Senate Bill No. 0314)

To amend Article 9 of Act No. 141-2019, known as the "Act of Transparency and Expedited Procedure for Access to Public Information", so that the Special Appeal for Access to Public Information is presented in the Court of First Instance of the Judicial Region where the plaintiff's residence is located.

46. Act No. 84 of December 31, 2021 (Senate Bill No. 0293)

To create the "Puerto Rico Public Policy Act to Combat Child Poverty and Social Inequality", in order to establish the public policy of the Government of the Commonwealth of Puerto Rico regarding the development of programs and measures to combat child poverty; child poverty and social inequality; establish the ten-year goal to combat child poverty and social inequality in Puerto Rico; create the Commission to Combat Child Poverty and Social Inequality in Puerto Rico, as a multisector entity attached to the Department of the Family; provide for the internal organization of the Commission, have the budget to create the pilot program against child poverty, to develop the information and policy infrastructure of the Commission and establish its functions, duties and responsibilities; and for other related purposes.

47. Act No. 1 of January 18, 2022 (Senate Bill No. 0077)

To create the "Police Bill of Rights", in order to establish rights and benefits for police officers and their families and compile the legislation approved for the benefit of police officers; and for other related purposes.

48. Act No. 2 of January 18, 2022 (Senate Bill No. 0477)

To amend Act No. 56-2019, known as the "Appointment Extension Act for Teachers with Provisional Temporary Status in Categories of Difficult Recruitment under the Auxiliary Secretary of Occupational and Technical Education of the Department of Education", in order to provide that these teachers who are included in Article 4, have their appointment extended for a period of three (3) years; to make other technical amendments; and for other related purposes.

49. Act No. 3 of January 18, 2022 (Senate Bill No. 0203)

To adopt and create the "Prevention and Security Program for Victims of Gender Violence Act" to protect victims of gender violence who have been issued a protection order, through the integration of services and alliances between the Puerto Rico Police, the Municipal Police and the Judiciary; and for other purposes.

50. Act No. 4 of January 18, 2022 (Senate Bill No. 0499)

To establish the "Scholarship Fund Act to Mitigate the Increase in Enrollment of the Fiscal Plan"; provide for the creation of the Scholarship Program to Mitigate the Increase in Enrollment of the Fiscal Plan, attached to the Trust for the Endowment Fund of the University of Puerto Rico; for the creation of an Endowment Equalization Account, for the creation of the Endowment Account for the First Year of the Scholarship Program to Mitigate the Increase in Enrollment of the Fiscal Plan; to repeal Act No. 148-2020, known as the "University of Puerto Rico Independent Scholarship Trust Act"; and for other related purposes.

51. Act No. 5 of January 21, 2022 (Senate Bill No. 0426)

To establish the "Strengthening and Development of Puerto Rican Sports Act", in order to grant fiscal stability to the different sports organizations that are in charge of promoting, developing, preparing and recognizing the contributions of Puerto Rican athletes at the national and international level; and for other related purposes.

52. Act No. 6 of March 7, 2022 (Senate Bill No. 0231)

To decree the first Wednesday of May of each year as the "Perinatal Mental Health Awareness Day", with the aim of raising awareness among the population about this matter of the highest public interest; and to enact other complementary provisions.

53. Act No. 7 of March 7, 2022 (Senate Bill No. 0260)

To amend Article 7.022 of Act No. 77 of June 19, 1957, as amended, better known as the "Puerto Rico Insurance Code", for the purpose of making a technical amendment to clarify that the special tax on premiums contained in the aforementioned Article is not applicable to cooperative insurers.

54. Act No. 8 of March 7, 2022 (Senate Bill No. 0367)

To add Articles 1.35-B, 1.51-A, 1.51-B and 1.51-C; amend subsections (a), (b), and (c) and add a subsection (f) to Article 12.05; amend subsection (e) of Article 12.06; add subsections (l), (m) and (n) to Article 12.07; amend Article 14.14; and amend subsection (i) of Article 22.05 of Act No. 22-2000, as amended, known as the "Vehicle and Traffic Act", in order to clarify certain provisions regarding inspection stations; and for other related purposes.

55. Act No. 9 of March 7, 2022 (Senate Bill No. 0573)

To add sub-item (vi) to subsection (d) of Article 11, and amend Article 31 of Act No. 66 of June 17, 2014, as amended, known as the "Special Act for Fiscal and Operational Sustainability of the Government of the Commonwealth of Puerto Rico"; amend Article 2.08 of Act No. 26 of April 29, 2017, as amended, known as the "Fiscal Plan Compliance Act"; order the Department of Education and the Office of Management and Budget to identify the amount of four million three hundred and sixty-seven thousand seven hundred and thirty-six dollars ($4,367,736), in the budget of the agency, to cover on or before the end of the Year Fiscal 2022-2023 the payments owed corresponding to the period preceding Fiscal Year 2014-2015 in accordance with Act No. 158 of July 18, 1999, as amended, known as the "Teaching Career Act"; order the Department of Education and the Office of Management and Budget to make salary adjustments and to identify the amount of money owed corresponding to said adjustments from Fiscal Year 2014-2015 onward in accordance with the application of Act No. 158-1999, supra, in order to include the item in the budget of the Department of Education on or before the end of Fiscal Year 2023-2024; order the Department of Education, the Office of Management and Budget, and the Puerto Rico Fiscal Agency and Financial Advisory Authority to identify the recurrent funds necessary to reactivate compliance with Act No. 158-1999, supra; in order to achieve reactivation and compliance with Act No. 158-1999, supra, after the stoppages caused by Act No. 66-2014, supra, and by Act No. 26-2017, supra, in the process of complying with the Professional Improvement Plans, Classifications and Teaching Levels of teachers who availed themselves of the Teaching Career Act; and for other related purposes.

56. Act No. 13 of March 25, 2022 (Senate Bill No. 0142)

To amend Articles 4, 11 and 13 of Act No. 97-2018, as amended, known as the "Bill of Rights of Persons with Down Syndrome", in order to clarify its scope; establish an applicable penalty, at the discretion of the court, to any health insurance organization or insurer, contracted or in agreement to provide medical services in Puerto Rico, that violates the provisions of Article 11 of said Act; and for other related purposes.

57. Act No. 14 of March 30, 2022 (Senate Bill No. 0189)

To amend subsection (b) of Article 9 of Act No. 194-2000, as amended, known as the "Patient's Bill of Rights and Responsibilities", in order to require physicians to discuss with their patients the risks associated with the use of opioid-based drugs before prescribing the recommended medication and available treatment options for managing your pain condition; and for other related purposes.

58. Act No. 21 of May 24, 2022 (Senate Bill No. 0249)

To amend Article 10 of Act No. 85 of 2017, as amended, known as the "Puerto Rico Government Act Against Harassment or Bullying", for the purpose of officially establishing the day of awareness and prevention of bullying in Puerto Rico, under the slogan "United Against Bullying"; provide that on that day every educational institution, public and private, must carry out orientation efforts, activities or campaigns within their institution, aimed at the prevention and awareness of students about bullying or "bullying", including "cyberbullying", its effects, consequences, and the importance of respect and empathy towards other colleagues, as well as the responsibility of all in the prevention, identification and notification of this conduct.

59. Act No. 22 of May 27, 2022 (Senate Bill No. 0192)

To amend Rule 10 of the Criminal Procedure Rules of 1963, as amended, in order to temper its content with Act No. 146-2012, as amended, known as the "Puerto Rico Penal Code".

60. Act No. 23 of May 27, 2022 (Senate Bill No. 0263)

To add a subsection (d) to Rule 22 of the Rules of Criminal Procedure of 1963, as amended, for the purpose of authorizing and regulating the simultaneous representation of persons accused of a crime in the event of an apparent conflict of interest.

61. Act No. 24 of May 27, 2022 (Senate Bill No. 0303)

To amend subsection (d) of Article 2.058 of Act No. 107-2020, as amended, known as the "Municipal Code of Puerto Rico", in order to include the newborn care period as part of the maternity leave and increase the number of weeks of that leave; and for other purposes.

62. Act No. 25 of May 27, 2022 (Senate Bill No. 0339)

To amend Articles 2, 3, 4, 5 and 6 of Act No. 224-2018, in order to incorporate the fire stations of the Puerto Rico Fire Department Bureau in the provisions outlined in the aforementioned Act; and for other related purposes.

63. Act No. 26 of May 27, 2022 (Senate Bill No. 0343)

To amend Section 10 of Act No. 15 of April 14, 1931, as amended, known as the "Organic Act of the Department of Labor and Human Resources", in order to include, once (1) every two (2) years, the measurement of food security in the surveys carried out by the Bureau of Statistics; and for other related purposes.

64. Act No. 27 of May 27, 2022 (Senate Bill No. 0517)

To amend Articles 4.010 and 4.012 of Act No. 107-2020, as amended, better known as the "Municipal Code of Puerto Rico", in order to reduce to five (5) years the term to award a property declared a nuisance to a municipality public when there is one or more heirs and the property is not claimed in that term; and for other purposes.

65. Act No. 28 of May 27, 2022 (Senate Bill No. 0518)

To amend subsection (j) of Article 2.25 of Act No. 22-2000, as amended, known as the "Puerto Rico Vehicle and Traffic Act," in order to change the term of validity and renewal from six (6) to ten (10) years of the removable sign that authorizes people to park in areas designated for people with disabilities, people with permanently disabling health conditions or those of indefinite duration; and for other related purposes.

66. Act No. 35 of June 7, 2022 (Senate Bill No. 0500)

To amend Article 14 (Voluntary State Adoption Registry), of Act No. 61-2018, as amended, known as the "Puerto Rico Adoption Act", in order to establish that American citizens may enter the Voluntary Adoption Registry and legal permanent residents.

67. Act No. 37 of June 17, 2022 (Senate Bill No. 0722)

To amend Article 46.030, 46.080, 46.090, 46.100, 46.120 and 46.121, add a new Section 46.110, amend and renumber the current Article 46.110 as 46.130, and renumber the current Article 46.130 as a new Article 46.140 of Act No. 77 June 19, 1957, as amended, known as the "Puerto Rico Insurance Code"; for the purposes of adopting the standards applicable to reinsurance operations in Reciprocal Jurisdictions in accordance with the new criteria established in the Model Act on Credit for Reinsurance of the National Association of Insurance Commissioners (NAIC, for its acronym in English).

68. Act No. 38 of June 17, 2022 (Senate Bill No. 0289)

To amend Article 18 of Act No. 123-2014, as amended, known as the "Puerto Rico Integrated Transportation Authority Act", in order to extend the transition period, so that the Authority does not depend on allocations from the General Fund.

69. Act No. 43 of June 24, 2022 (Senate Bill No. 0177)

To amend Article 1.2 of Act No. 239-2004, as amended, known as the "Puerto Rico Cooperative Societies General Act of 2004", in order to incorporate the definition of "Tangible Assets" in the Definitions of this Act; amend Article 19.8 of the aforementioned Act in order to clarify the procedure when, for any reason, a member terminates his relationship with the cooperative; and for other related purposes.

70. Act No. 44 of June 24, 2022 (Senate Bill No. 0178)

To amend Article 22 of Act No. 114-2001, as amended, known as the "Puerto Rico Cooperative Supervision and Insurance Public Corporation Act", and Article 7.02 of Act No. 255-2002, as amended, known as the "General Law of Savings and Credit Cooperatives of 2002", to provide that when one or more cooperatives insured by COSSEC voluntarily agree to the merger or consolidation of their structures, the Corporation, after certifying as received and completed all the documentation and information and procedures related to the request, will verify the viability and reasonableness of the transaction, and within a non-extendable term of sixty (60) days, will authorize or deny the disbursement of any amount from the Shares and Deposits Insurance Fund to subsidize the process, voluntary merger or consolidation; and for other related purposes.

71. Act No. 45 of June 24, 2022 (Senate Bill No. 0294)

To declare the first Monday of February of each year as the "Special Olympics Puerto Rican Athletes Recognition Day" in Puerto Rico; exhort the people of Puerto Rico to celebrate this day and pay tribute to our athletes; and order the Puerto Rico Olympic Committee and the Recreation and Sports Department to disseminate information about the importance of this event.

72. Act No. 46 of June 24, 2022 (Senate Bill No. 0630)

To establish the "Act of the Historic Zone of Yauco", name and designate the Traditional Urban Center of the Municipality of Yauco as a Historic Zone of Puerto Rico, determine the consequences of such designation, establish the applicable legal and regulatory provisions, regarding to the special regulations and zoning maps, on amendments to the designated zone and inclusion of properties and structures; establish additional public policy objectives; and for other purposes.

73. Act No. 47 of June 24, 2022 (Senate Bill No. 0344)

To add a new subsection (n) to Article 3 and reassign the current subsections (n) through (v) as the new subsections (o) through (w) of said article; amend subsection (1) of Article 4; add a new Article 4-A; amend subsection (a) of Article 15; amend Article 16; add a new Article 20-A; amend Article 21; amend Article 23; amend subsection (c) (1) of Article 24; amend subsection (a) of Article 27; and add a new subsection (h) to Article 37 of Act No. 88 of July 9, 1986, as amended, known as the "Puerto Rico Minors Act"; amend subsection (d) of Rule 2.9; amend Rule 2.12, amend Rule 2.14, add a new Rule 2.20, amend Rule 4.1; amend Rule 5.1; amend Rule 8.1 and amend Rule 8.5 of the Rules of Procedure for Juvenile Matters, as amended, in order to establish that the jurisdiction of the Juvenile Court shall be exercised over minors between the ages of 13 and 18; establish alternative procedures for minors who have not reached thirteen (13) years of age; require the exhaustion of administrative remedies established in the public or private education system when the situation submitted to the consideration of the judicial forum, the Juvenile Affairs Chamber, originates in an educational institution; prohibit the use of mechanical restraints in juvenile procedures and regulate the process to determine in which exceptional cases they may be used; establish Mediation as an Alternative Method for the Resolution of Conflicts in the Processes of Minors; prohibit the use of the social report prior to or during the adjudicative hearing and prohibit solitary confinement and the use of pepper spray against minors during prison time; provide that the use of interpreters will be mandatory from the investigative stage; temper the terms for holding the hearing to determine probable cause for the filing of the complaint in accordance with the provisions of the "Minors' Act"; reduce the terms for holding appeal hearings both in cases of minors in the custody of the Bureau of Juvenile Institutions, and for minors in the custody of fathers, mothers and/or guardians, and provide requirements minimum to the Government at the time of holding hearings in the absence of the minor; eliminate automatic jurisdictional waivers and limit jurisdictional waivers to murder and sexual assault cases; 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.

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

From fiscal year 2008 to fiscal year 2021, the manufacturing and service sectors generated the largest portion of gross domestic product. Manufacturing is the largest sector in Puerto Rico's economy in terms of gross domestic product. In the last three decades, Puerto Rico's industrial development has been virtually capital intensive and dependent on skilled labor.

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

Puerto Rico continues to suffer the effects of a recession that started on fiscal year 2006. Since then, Puerto Rico's Gross National Product ("GNP") has decreased every fiscal year, except for fiscal years 2012 and 2019, when it grew by 0.5% and 1.08%, respectively. The GPN for fiscal years 2014, 2015, 2016, 2017, 2018 and 2020 decreased by -1.8%, -0.8%, -1.6%, -3.2%, -4.4% and -3.2%, respectively.

The Commonwealth's economic development team has embarked on a comprehensive outreach strategy to diversify Puerto Rico's economic base, pursue niche strategies such as aerospace/aeronautics, and leverage its human capital and fiscal autonomy to attract new investment opportunities. The Commonwealth's goal is to protect its manufacturing core while it transitions its economic ecosystem into a regional service and high-tech industrial activity hub.

Economic Development Bank's Economic Activity Index (the "EDB-EAI") for June 2018 reflected a -4.9% reduction compared to June 2017, with an increase of 5.3% as June 2019, principally for the injection of billions of dollars from the Federal Government related to reconstruction for the disasters of Hurricanes Irma and María. As June 2020 a new reduction of -3.2% surge by the effect of the Earthquakes in the Southwest of the Island, and the effect of the Pandemic COVID-19. During fiscal year 2021, the EDB-EAI, decreased by -1.7% when compared to fiscal year 2020, while for the period July – November of fiscal year 2022 it grew by 3.6%. The EAI is a coincident index of ongoing economic activity, but it does not measure the actual GNP annual growth rates. Because the EAI is generated with only four variables (total payroll employment, cement sales, gasoline consumption, and electric power generation), it is more volatile than the actual GNP numbers. This means that both increments and declines reflected in the EAI amplify the corresponding movements of the actual GNP.

The most recent development with regards to Puerto Rico's fiscal situation is the certification of Fiscal Plan by the Financial Oversight Board, following the enactment of PROMESA (Puerto Rico Oversight, Management and Economic Stability Act of 2016), dated January 27, 2022. Recently also, the Judge Laura Tailor Swain of the U.S. District Court for the District of Puerto Rico, confirmed the Plan of Adjustment of the Commonwealth of Puerto Rico on January 18, 2022, that reduces the debt by 80% and saves Puerto Rico more than $50 billion in debt services payments.

BUDGET AND FISCAL POLICY

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 AUDITORS

Commonwealth statutes require an annual audit of the Senate's financial reports by an independent certified public accountant firm. The firm Román Toro & Co., CPA, CSP was selected by the Senate to perform the audit of the basic financial statements, for the fiscal year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America. The Goal of an independent audit is to provide reasonable assurance that the financial statements of the Senate are fairly stated in all material respects in accordance with U.S. generally accepted accounting principles. The independent auditors' report on the basic financial 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 Senate, as well as other officers of the Senate. Their dedicated efforts are sincerely appreciated. This report reflects their collective efforts and is issued in compliance with the highest standards of financial accountability.

Respectfully submitted,

José Luis Dalmau Santiago
President

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SENATORS – BY DISTRICT

Name		District
	Hon. Henry Neumann Zayas	SJ-I
	Hon. Nitza Morán Trinidad	SJ-I
	Hon. Carmelo J. Ríos Santiago	BY-II
	Hon. Migdalia Padilla Arvelo	BY-II

SENATORS – BY DISTRICT – continuation

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

SENATORS – BY DISTRICT – continuation

	Name	District
	Hon. Marially González Huertas	PO-V
	Hon. Ramón Ruiz Nieves	PO-V
	Hon. Gretchen M. Hau	GY-VI
	Hon. Albert Torres Barrios	GY-VI

SENATORS – BY DISTRICT – continuation

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

SENATORS – AT LARGE

Hon. José Luis Dalmau Santiago

Hon. Juan Zaragoza Gómez

Hon. William E. Villafañe Ramos

Hon. Thomas Rivera Schatz

SENATORS – AT LARGE – continuation

Hon. Gregorio Matías Rosario

Hon. Keren L. Riquelme Cabrera

Hon. María De Lourdes Santiago Negrón

Hon. Joanne M. Rodríguez Veve

SENATORS – AT LARGE – continuation

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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PERMANENT COMMITTEES

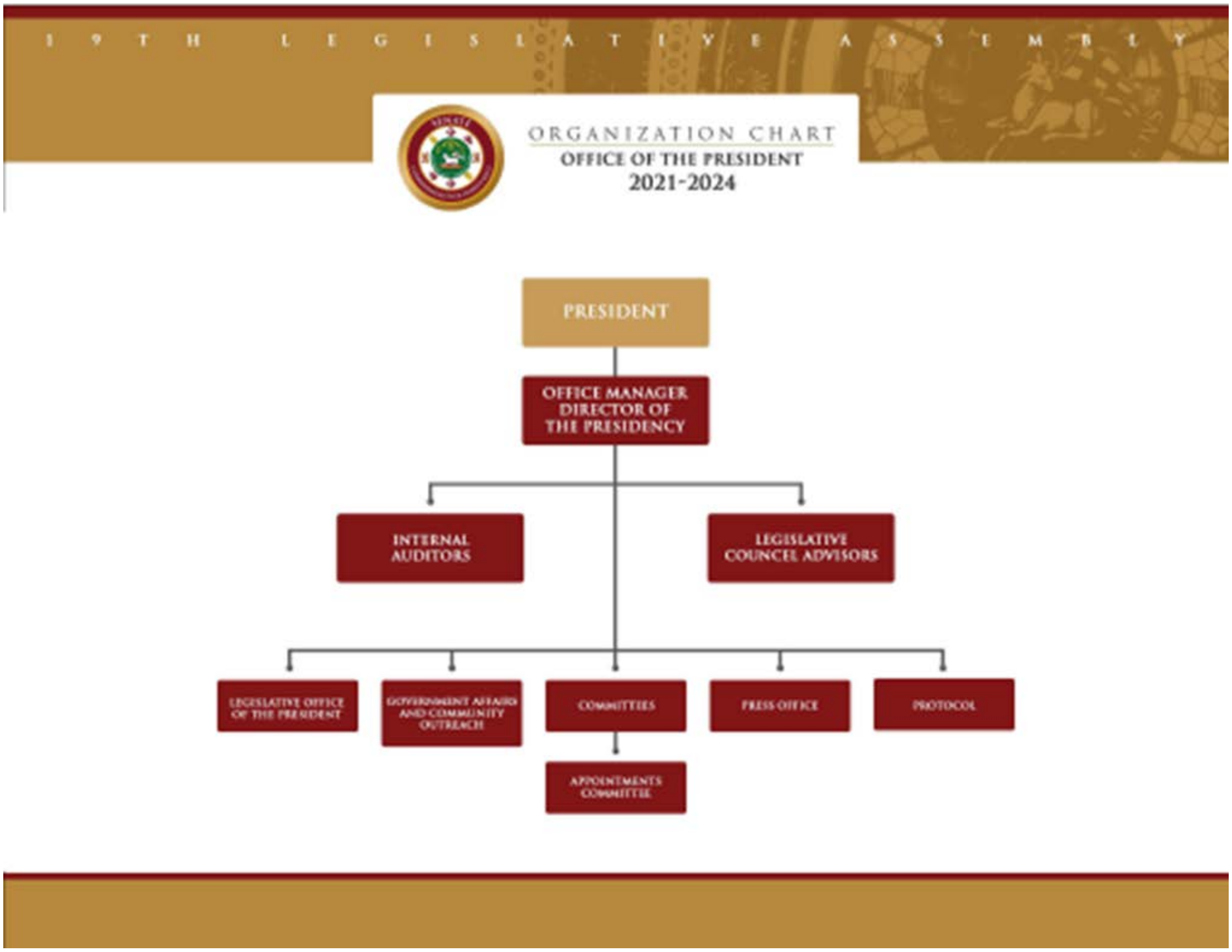
Agriculture and Natural Resources
Appointments
Community Initiatives, Mental Health and Addiction
Compliance and Restructuring
Cooperativism
Development of the Central South Region
Development of the Eastern Region
Development of the North Region
Development of the Western Region
Economic Development, 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
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

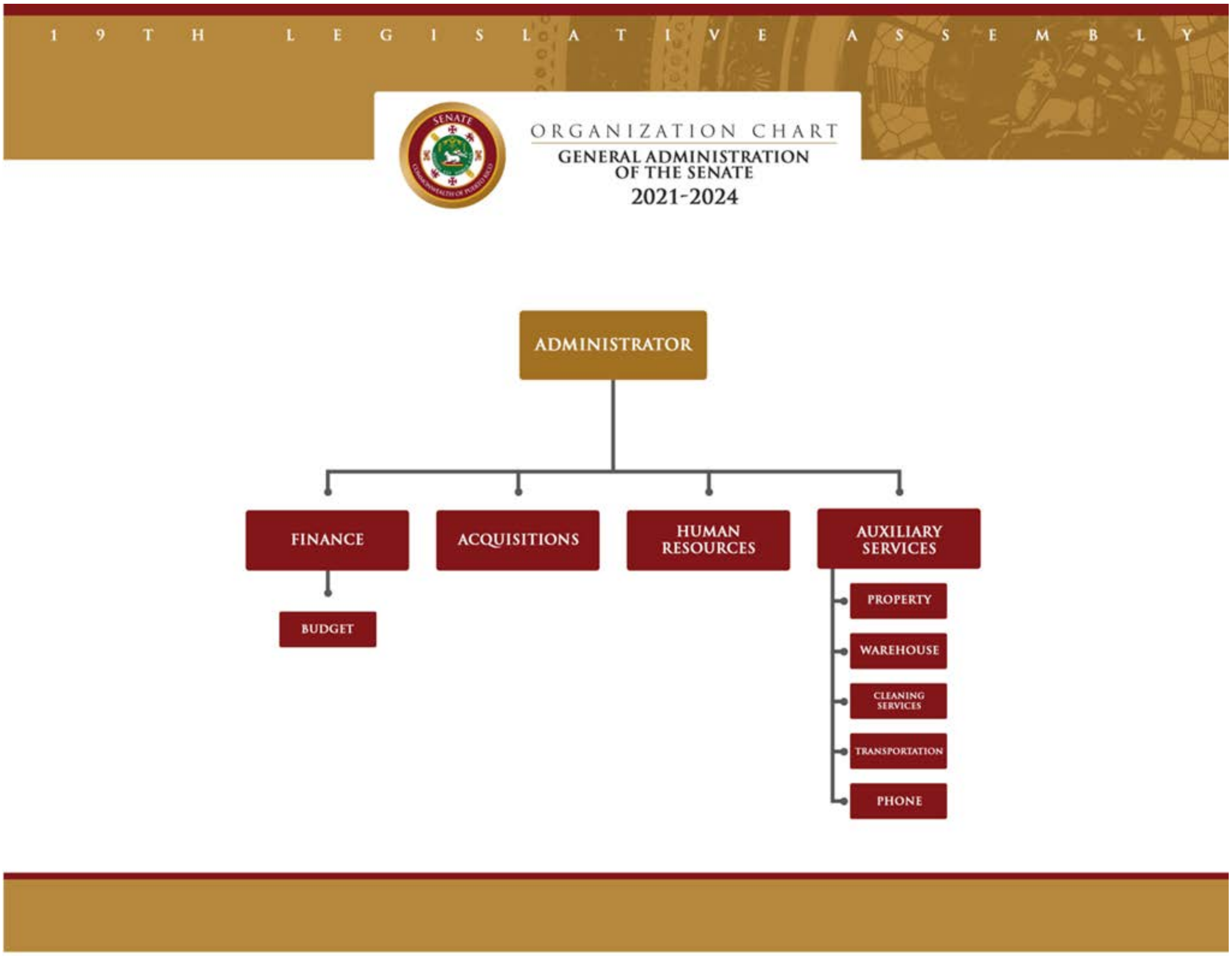
SPECIAL COMMITTEES

Special Commission for Legislative Monitoring of the Special Education Program of the Department of Education
Special Commission for the Eradication of Poverty

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


19TH LEGISLATIVE ASSEMBLY
ORGANIZATION CHART
OFFICE OF THE PRESIDENT
2021-2024
PRESIDENT
OFFICE MANAGER DIRECTOR OF THE PRESIDENCY
INTERNAL AUDITORS
LEGISLATIVE COUNCEL ADVISORS
LEGISLATIVE OFFICE OF THE PRESIDENT
GOVERNMENT AFFAIRS AND COMMUNITY OUTREACH
COMMITTEES
PRESS OFFICE
PROTOCOL
APPOINTMENTS COMMITTEE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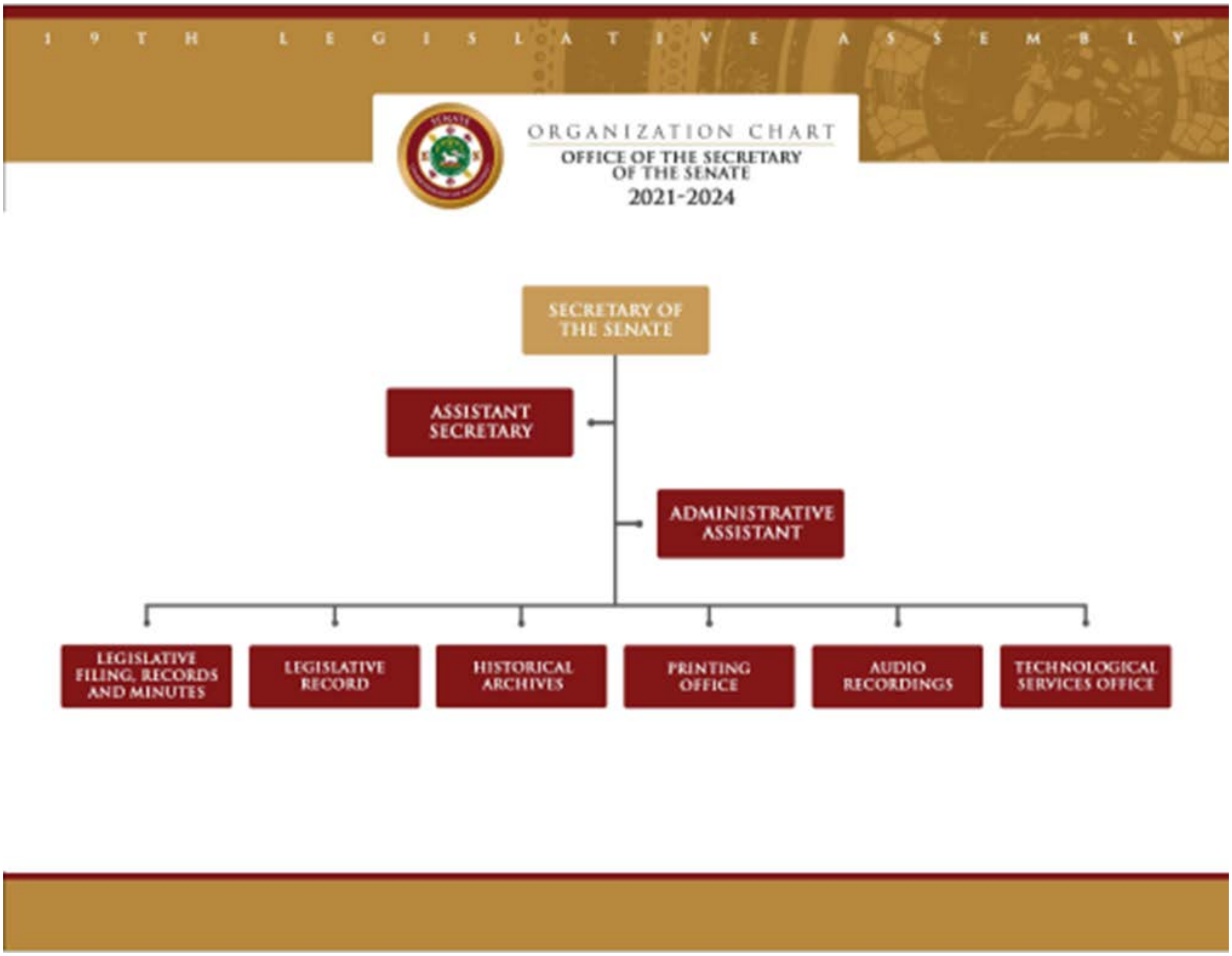
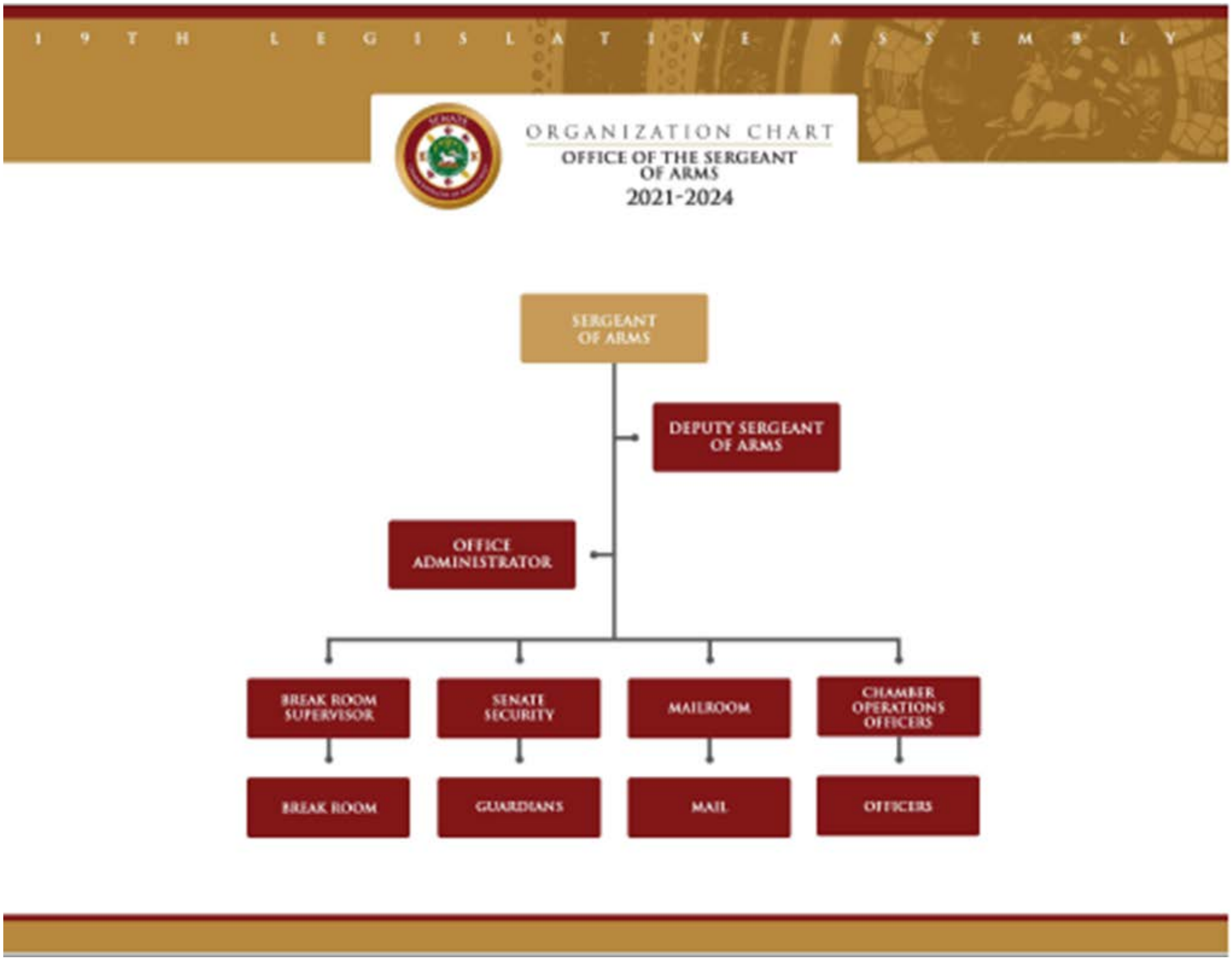
GENERAL ADMINISTRATION
OF THE SENATE
2021-2024
ADMINISTRATOR
FINANCE
ACQUISITIONS
HUMAN RESOURCES
AUXILIARY SERVICES
BUDGET
PROPERTY
WAREHOUSE
CLEANING SERVICES
TRANSPORTATION
PHONE


19TH LEGISLATIVE ASSEMBLY
ORGANIZATION CHART
OFFICE OF THE SECRETARY OF THE SENATE
2021-2024
SECRETARY OF THE SENATE
ASSISTANT SECRETARY
ADMINISTRATIVE ASSISTANT
LEGISLATIVE FILING, RECORDS AND MINUTES
LEGISLATIVE RECORD
HISTORICAL ARCHIVES
PRINTING OFFICE
AUDIO RECORDINGS
TECHNOLOGICAL SERVICES OFFICE


19TH LEGISLATIVE ASSEMBLY
ORGANIZATION CHART
OFFICE OF THE SERGEANT OF ARMS
2021-2024
SERGEANT OF ARMS
DEPUTY SERGEANT OF ARMS
OFFICE ADMINISTRATOR
BREAK ROOM SUPERVISOR
SENATE SECURITY
MAILROOM
CHAMBER OPERATIONS OFFICERS
BREAK ROOM
GUARDIANS
MAIL
OFFICERS

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2022

Financial Section

- Independent Auditor's Report
- Management Discussion and Analysis (Unaudited)
- Basic Financial Statements
- Notes to the Financial Statements
- Required Supplementary Information (Unaudited)
- Independent Auditor's Report on Internal Control over Financial Reporting on Compliance and Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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INDEPENDENT AUDITOR'S REPORT

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

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, 2022, 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, 2022, 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 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 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, 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 – Budget and Actual – General Fund, and employees retained system information 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 June 13, 2023, 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.

Román Toro & Co.

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

Yauco, Puerto Rico
June 13, 2023
Stamp #E508250 was affixed to
the original report

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2022

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.

The following discussion and analysis of the Senate of the Commonwealth of Puerto Rico (the "Senate") provides an overview of the Senate's financial performance, including an overview and analysis of the financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the financial statements, including the notes to the financial statements, which are located after this analysis.

FINANCIAL HIGHLIGHTS

Government-wide Financial Highlights

- The Senate net position (deficit) amounted to ($69,930,745) on June 30, 2022. Such net position (deficit) decreased by $4,265,467 during the fiscal year ended June 30, 2022 when compared to the June 30, 2021 net position (deficit), amounting to ($74,196,212), as restated. This decrease is mostly attributable to the decrease of ($6.5) million in the reduction of pension related accounts.

- The total assets of the Senate amounted to $18.9 million on June 30, 2022. This represented an increase of $8.7 million during the fiscal year ended June 30, 2022 when compared to the June 30, 2021 total assets. It is mainly attributable to a increase in cash received for the ARPA program at the end of the fiscal year.

- The total liabilities of the Senate amounted to $93.5 million include the accrual for vacations and sick leave in the amount of $3.9 million, $1.1 million due to contractors and suppliers, payroll and other accruals, $258 thousand lease liability, total pension liability $80.9 million, and total OPEB liability of $1.9 million at the close of the fiscal year ended June 30, 2022. The Senate has the resources to meet its ongoing obligations, including the liabilities for accrued vacations and sick leave.

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 $11.6 million, an increase of $3.4 million in comparison with the prior year, due principally to the reduction of the annual expenditures, primarily of payroll and related expenditures during the current fiscal year.

- The General Fund reported an excess of revenues over expenditures of $3,381,893 and unassigned fund balance of $11.4 million.

General Financial Highlights

- The Net Investment in Capital Assets from Governmental Activities as of June 30, 2022, was $836,955 ($6,495,191 of capital assets, net of accumulated depreciation, related debt of $5,658,236).

- Other noncurrent liabilities decrease by $6,121,506. Such decrease is principally for changes in the total pension liability for the amount of $6,511,303 during the fiscal year.

continue

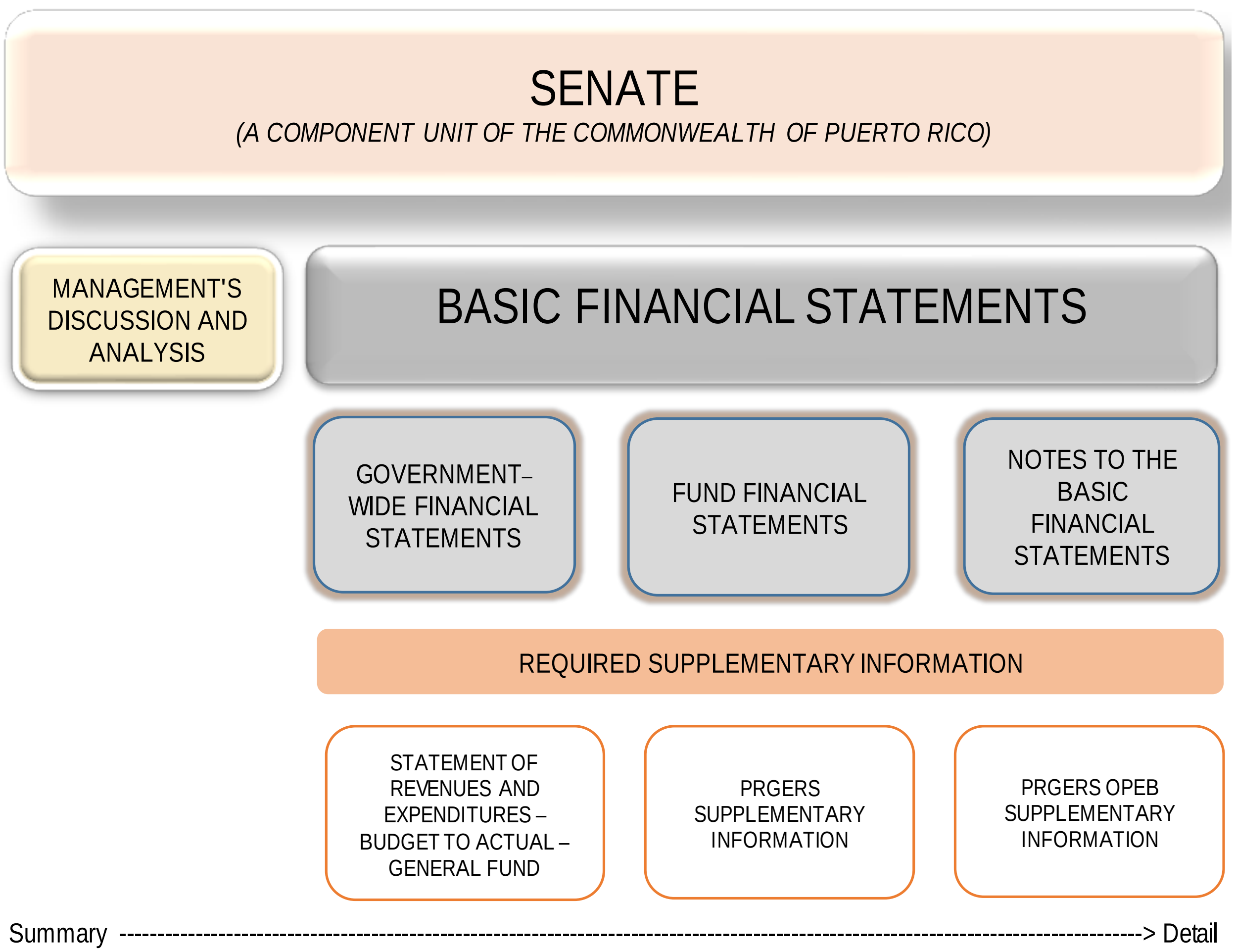
- Prior period adjustment of $4,138,332 is the result of the Senate's pension related adjustments for the adjustment of GASB No. 73 ($4,226,854) and GASB No. 75 ($88,522) debt amounts update on July 1, 2021.

- On a budgetary basis, actual revenues exceeded actual expenditures by $6,211,374.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This Management's Discussion and Analysis is required supplementary information to the basic financial statements and is intended to serve as introduction to the basic financial statements of the Senate. The basic financial statements are comprised of three components: (1) Government-Wide Financial Statements (GWFS); (2) Governmental Fund 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. These components are described below in Figure 1.

Required Components of Annual Financial Reports
Figure 1



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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 Statements of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Senate maintains two governmental fund.

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.

	GOVERNMENT-WIDE STATEMENTS	FUND FINANCIAL STATEMENTS
		GOVERNMENTAL
SCOPE	Entire Senate	The day-to-day operating activities of the Senate for basic governmental services
ACCOUNTING BASIS AND MEASUREMENT FOCUS	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
TYPE OF ASSET, LIABILITY, AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES INFORMATION	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
TYPE OF INFLOW AND OUTFLOW INFORMATION	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*

  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.

continue

Net Position = (Assets + Deferred Outflows of Resources) –
(Liabilities + 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.

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.

The government-wide financial statements can be found on pages 49-50 of this report.

- *Governmental Fund Financial Statements*

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

Governmental funds are used to account for essentially the same functions reported as Governmental Activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of expendable resources, as well as on balances of expendable 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 $11.6 million. Approximately 98% 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*.

continue

The Senate maintains two 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.

The net increase to fund balance for the General Fund for 2022 was $3,419,675. 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 51-54 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 55-110 of this report.

- Required Supplementary Information

  The basic financial statements are followed by a section of required supplementary information. This Section includes a budgetary comparison schedule, which includes reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund as presented in the governmental fund financial statements and can be found on pages 112 through 115 of this report.

  Also, 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 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 2021-2022.

  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 2021-2022.

  These information for Pension Plan and OPEB Plan can be found on pages 116 through 118 of this report.

continue

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, 2022 and 2021:

Senate of Puerto Rico
(A Component Unit of the Commonwealth of Puerto Rico)
Condensed Statements of Net Position

	2022	2021*	Change	%
Current Assets	$ 17,881,791	$ 9,304,700	$ 8,577,091	92.18%
Non Current Assets (Including Capital Ass	1,094,845	985,121	109,724	11.14%
Total Assets	18,976,636	10,289,821	8,686,815	84.42%
Deferred Outflows of Resources	12,013,047	15,031,522	(3,018,475)	-20.08%
Current Liabilities	6,840,810	1,293,447	5,547,363	428.88%
Noncurrent Liabilities	86,703,716	92,825,222	(6,121,506)	-6.59%
Total Liabilities	93,544,526	94,118,669	(574,143)	-0.61%
Deferred Inflows of Resources	7,375,902	5,398,886	1,977,016	36.62%
Net Position (Deficit)				
Net Invested in Capital Assets	836,955	985,121	(148,166)	-15.04%
Restricted	196,349	158,567	37,782	23.83%
Unrestricted (Deficit)	(70,964,049)	(75,339,900)	4,375,851	-5.81%
Total Net Position (Deficit)	$ (69,930,745)	$ (74,196,212)	$ 4,265,467	-5.75%

* Restated

Analysis of Net Position

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 ($69,930,745) at the close of the most recent fiscal year.

<u>Net Investment in Capital Assets</u>

The Senate net investment in capital assets for its governmental activities amounted to $6,495,191, net of accumulated depreciation of $5,400,346, for a net book balance of $1,094,845, on June 30, 2022. These investments in capital assets include equipment, computer equipment, furniture, and vehicles. Depreciation and amortization charges totaled $475,432 for the year ended June 30, 2022.

continue

Restricted Net Position

An additional portion of the Senate's net position ($196,349) 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 Nos. 73 and 75 adjustments and changes during the fiscal year ended June 30, 2022, and the economies generated by the Senate result in unrestricted net position (deficit) changed favorably by $4,265,467, or a deficit decrease of 5.75%, from ($74,196,212) to ($69,930,745).

Capital Assets and Debt Administration

Capital Assets

The Senate's investment in capital assets for its governmental activities carrying amount was $6,495,191 on June 30, 2022, as compared to $6,417,341 on June 30, 2021, as restated. Capital assets include equipment, computer equipment and software, furniture, and vehicles. Depreciation and amortization for the year ended June 30, 2022 and 2021 amounted to $344,439 and $374,965, respectively.

Noncurrent Liabilities

Total liabilities of the Senate as of June 30, 2022, were $93,544,526, of which $6,840,810 are due within one year. Long term obligations decreased by $6,121,506, or approximately 6.6% when compared with the prior fiscal year after a restatement of $4,138,332 for the adjustments related to GASB Nos. 73 and 75. The decrease is mainly related to the decrease in the amount of pension related liability. The total pension liability amounted to $80,866,391 or 86.4% of the total liabilities of the Senate. The total pension liability changed in 2022, the ERS issue a report on January 27, 2023 providing information regarding pensions.

Additional information on the Senate's capital assets and noncurrent liabilities can be found in Notes 6 and 8 to the basic financial statements on pages 74 and 75 of this report.

Changes in Net Position

The following condensed statements of activities reflects how the Senate net position (deficit) changed during the fiscal years ended June 30, 2022 and 2021:

continue

Senate of Puerto Rico
(A Component Unit of the Commonwealth of Puerto Rico)
Condensed Statements of Activities

	2022	2021	Change	%
Expenses				
Governmental Activities	$ 23,948,167	$ 26,511,362	$ (2,563,195)	-9.67%
Revenues				
Legislative Appropriations	27,277,634	27,785,247	(507,613)	-1.83%
Other	936,000	-	936,000	100.00%
Total Revenues	28,213,634	27,785,247	428,387	1.54%
Change in Net Position	4,265,467	1,273,885	2,991,582	234.84%
Net Position (Deficit), As Restated, Beginning of Year	(74,196,212)	(75,470,097)	1,273,885	-1.69%
Net Position (Deficit), End of Year	$ (69,930,745)	$ (74,196,212)	$ 4,265,467	-5.75%

The Senate has a cut in legislative appropriations of $507,613 or -1.83% when comparing with 2021. The Senate mayor's expenses are related to salaries, benefits that include accrued vacations and sick leave and payroll taxes, which represent approximately 81.3% 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 fund as of June 30, 2022 and 2021, respectively:

Senate of Puerto Rico
(A Component Unit of the Commonwealth of Puerto Rico)
Condensed Balance Sheets - Governmental Funds

	2022	2021	Change	%
Total Asssets	$ 18,147,136	$ 9,570,045	$ 8,577,091	89.62%
Total Liabilities & Deferred Revenues	$ 6,500,183	$ 1,342,767	$ 5,157,416	384.09%
Fund Balances				
Restricted	196,349	158,567	37,782	23.83%
Unassigned	11,450,604	8,068,711	3,381,893	41.91%
Total Fund Balances	11,646,953	8,227,278	3,419,675	41.57%
Total Liabilities and Fund Balances	$ 18,147,136	$ 9,570,045	$ 8,577,091	89.62%

continue

As of the end of the fiscal year 2022, the Senate governmental funds reported a combined ending balance of $11,646,963. The general fund is the chief operating fund of the Senate. There are restricted fund balances amounting to $196,349. Restricted fund balance reflects resources that are subject to externally enforceable legal restrictions to pay for specific program purposes. An unassigned fund balance of $11,450,604 was reported in the governmental funds on June 30, 2022. The Senate fund balance increased by $3,419,675 or approximately 29.4% as a result of the current fiscal year's net changes.

The general fund budget for the fiscal year ended June 30, 2022 was $26,917,205, a decrease of $622,062,248 when compared with 2021, and the actual expenditures for the year were $20,705,831. The total expenditures represented approximately 76.9% of the total budget availability for the fiscal year 2022 and decreased by ($1,753,457) when compared with fiscal year 2021.

The following table summarizes the budget, revenues, expenditures and unexpended balance for fiscal years ended June 30, 2022 and 2021:

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

	2022 Budget	2021 Budget	Change
Revenues			
Intergovernmental	$ 26,917,205	$ 27,785,247	$ (868,042)
	26,917,205	27,785,247	(868,042)
Expenditures	20,705,831	27,790,018	(7,084,187)
Unexpended Balance	$ 6,211,374	$ (4,771)	$ 6,216,145
Expenditure Rate	76.92%	100.02%	816.11%

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

Also, attention was directed to Note 18 to the basic financial statements on pages 92-100 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 continues to suffer the effects of a recession that started in the fiscal year 2006. Since then, Puerto Rico's Gross National Product ("GNP") has decreased every fiscal year, except for fiscal years 2012 and 2019, when it grew by 0.5% and 1.08%, respectively. The GPN for fiscal years 2014, 2015, 2016, 2017, 2018 and 2020 decreased by -1.8%, -0.8%, -1.6%, -3.2%, -4.4% and -3.2%, respectively.

continue

Economic Development Bank's Economic Activity Index (the "EDB-EAI") for June 2018 reflected a -4.9% reduction compared to June 2017, with an increase of 5.3% as June 2019, principally for the injection of billions of dollars from the Federal Government related to reconstruction for the disasters of Hurricanes Irma and María. As June 2020 a new reduction of -3.2% surge by the effect of the Earthquakes in the Southwest of the Island, and the effect of the Pandemic COVID-19. During fiscal year 2021, the EDB-EAI, decreased by -1.7% when compared to fiscal year 2020, while for the period July – November of fiscal year 2022 it grew by 3.6%. The EAI is a coincident index of ongoing economic activity, but it does not measure the actual GNP annual growth rates.

Going forward from this baseline, with the New Fiscal Plan approved by the Oversight Board on January 27, 2022 (2022-2023 Fiscal Plan), confirmed the Plan of Adjustment that ensures Puerto Rico to has an affordable and predictable level of debt services and other matters.

Economic Factors and Next Year Budget

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

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

The most recent development with regards to Puerto Rico's fiscal situation is the certification of Fiscal Plan by the Financial Oversight Board, following the enactment of PROMESA (Puerto Rico Oversight, Management and Economic Stability Act of 2016), dated January 27, 2022. Recently also, the Judge Laura Tailor Swain of the U.S. District Court for the District of Puerto Rico, confirmed the Plan of Adjustment of the Commonwealth of Puerto Rico on January 18, 2022, that reduces the debt by 80% and saves Puerto Rico more than $50 billion in debt services payments.

Employment

According to the Economic Report to the Governor issued by the Puerto Rico Planning Board (PRPB) in April 2020, the total of people employed during the fiscal year 2023 amounted to approximately 1,147,000 a similar amount when compared to fiscal year 2022. During the first semester of the fiscal year 2022, the total number of people employed amounted to 1,149,000 or a decrease of approximately 0.3%, when compared to the previous year. The reduction in total employment began in the fiscal year 2007. When employments total was 1,263,000 and has continued consistently through fiscal year 2019.

The preliminary average unemployment rate for the fiscal year 2022 and determined by the Department of Labor and Human Resources was 5.7% in March 2023. This represented a decrease of 0.3% when compared to fiscal year 2022 (6.0%).

The Senate adopted the 2022-2023 fiscal year budgets on July 1, 2022. The legislative appropriations for the fiscal year ending June 30, 2023 amount to $26,998,000, an increase of $98,795, when compared with 2021-2022 budget.

continue

REQUEST OF INFORMATION

This financial report is designed to provide a general overview of the Senate's finances for all the citizens, taxpayers, costumer 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 Financial and Fiscal Affairs, PO Box 9022228, San Juan, PR 00902-2228.

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Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2022

Basic Financial Statements

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	GOVERNMENTAL ACTIVITIES
ASSETS:	
Current Assets:	
Cash	$ 17,818,931
Account Receivables (Net)	62,860
Total Current Assets	17,881,791
Non-Current Assets:	
Capital Assets, Net	1,094,845
Total Non-Current Assets	1,094,845
TOTAL ASSETS	18,976,636
DEFERRED OUTFLOWS OF RESOURCES:	
Contributions to Employees Retirement System	12,013,047
TOTAL DEFERRED OUTFLOWS OF RESOURCES	12,013,047
LIABILITIES:	
Current Liabilities:	
Accounts Payable	598,067
Accrued Liabilities	132,116
Christmas Bonus	332,240
Unearned Revenues	5,504,655
Short-Term Obligations:	
Leases Liability (Intangible Right-To-Use)	205,147
Compensated Absences	68,585
Total Current Liabilities	6,840,810
Non-Current Liabilities:	
Leases Liability (Intangible Right-To-Use)	52,743
Compensated Absences	3,842,915
Total OPEB Liabilities	1,941,667
Total Pension Liabilities	80,866,391
Total Non-Current Liabilities	86,703,716
TOTAL LIABILITIES	93,544,526
DEFERRED INFLOWS OF RESOURCES:	
Employees Retirement System Related	7,375,902
TOTAL DEFERRED INFLOWS OF RESOURCES	7,375,902
NET POSITION (DEFICIT):	
Net Investment in Capital Assets	836,955
Restricted for:	
Subsidies and Incentives	196,349
Unrestricted (Deficit)	(70,964,049)
TOTAL NET POSITION (DEFICIT)	$ (69,930,745)

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

Functions/Programs	Expenses	Program Revenues: Charges For Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
PRIMARY GOVERNMENT:					
Governmental Activities:					
General Government - Administrative and Operating	$ 23,948,167	$ -	$ 936,000	$ -	$ (23,012,167)
Total Primary Government	$ 23,948,167	$ -	$ 936,000	$ -	(23,012,167)
	General Revenues:				
	Intergovermental				27,277,634
	Total General Revenues				27,277,634
	CHANGES IN NET POSITION				4,265,467
	Net Position, As Restated – Beginning of Year				(74,196,212)
	NET POSITION – ENDING OF YEAR				$ (69,930,745)

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

	GENERAL FUND	SPECIAL FUND	ARPA FUND	TOTAL FUNDS
ASSETS:				
Cash	$ 11,804,633	$ 466,927	$ 5,547,371	$ 17,818,931
Account Receivables, Net	31,021	31,839	-	62,860
Due from Other Funds	265,345	-	-	265,345
Total Assets	$ 12,100,999	$ 498,766	$ 5,547,371	$ 18,147,136
LIABILITIES:				
Accounts Payable	$ 598,067	$ -	$ -	$ 598,067
Accrued Liabilities	52,328	37,072	42,716	132,116
Due to Other Funds	-	265,345	-	265,345
Unearned Revenues	-	-	5,504,655	5,504,655
Total Liabilities	650,395	302,417	5,547,371	6,500,183
FUND BALANCES:				
Restricted	-	196,349	-	196,349
Unassigned	11,450,604	-	-	11,450,604
Total Fund Balances	11,450,604	196,349	-	11,646,953
Total Liabilities and Fund Balances	$ 12,100,999	$ 498,766	$ 5,547,371	$ 18,147,136

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

Total Fund Balances – Government Funds (Page 51)		$ 11,646,953
Amount reported for Governmental Activities in the Statement of Net Position (Page 49) 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	$ 6,495,191	
Accumulated Depreciation and Amortization	(5,400,346)	
Total Capital Assets		1,094,845
Deferred Outflows of Resources in Governmental Activities are paid in the current available soon period and therefore are reported in the funds.		12,013,047
Deferred Inflows of Resources in Governmental Activities corresponded to future period and therefore are not reported in the funds.		(7,375,902)
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	(332,240)	
Leases Liability (Intangible Right-To-Use)	(257,890)	
Accrued Compensated Absences	(3,911,500)	
Total Pension Liability	(80,866,391)	
Total OPEB Liability	(1,941,667)	
Total Long-Term Liabilities		(87,309,688)
Total Net Position (Deficit) of Governmental Activities (Page 49)		$ (69,930,745)

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

	GENERAL FUND	SPECIAL FUND	ARPA FUND	TOTAL FUNDS
REVENUES:				
Intergovernmental	$ 26,917,205	$ 360,429	$ 936,000	$ 28,213,634
Total Revenues	26,917,205	360,429	936,000	28,213,634
EXPENDITURES:				
Current:				
General Government - Administrative and Operating Activities	23,191,764	322,647	936,000	24,450,411
Capital Outlays	130,993	-	-	130,993
Debt Service:				
Principal	197,839	-	-	197,839
Interest	14,716	-	-	14,716
Total Expenditures	23,535,312	322,647	936,000	24,793,959
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,381,893	37,782	-	3,419,675
OTHER FINANCING SOURCES (USES):				
Transfer-In / (Out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	3,381,893	37,782	-	3,419,675
Fund Balances, As Restated – Beginning	8,068,711	158,567	-	8,227,278
FUND BALANCES – ENDING	$ 11,450,604	$ 196,349	$ -	$ 11,646,953

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

Net Change in Fund Balances – Government Funds (Page 53)		$ 3,419,675
Amount reported for Governmental Activities in the Statement of Activities (Page 50) 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	$ (475,432)	
Capital Outlays	130,994	
Excess of Depreciation Expense over Capital Outlays		(344,438)
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		(1,566)
Some expenses reported in the Statement of Activities do not require the use of current financial resouces and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Change in Compensated Absences	(540,583)	
Principal Payments on Leases Liability (Intangible Right-To-Use)	197,839	
Change in Total OPEB Liability	213,467	
Change in Christmas Bonus	(194,739)	
Change in Total Pension Liability	1,515,812	
Total Additional Expenses		1,191,796
Change in Net Position of Governmental Activities (Page 50)		$ 4,265,467

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

1. FINANCIAL REPORTING ENTITY

The accompanying financial statements present information on the financial activities of the 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 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.

continue

1. FINANCIAL REPORTING ENTITY – continuation

A. Going Concern Evaluation

On an annual basis, as required by Governmental Accounting Standards Board ("GASB") 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 Municipality'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, 2022, and the respective changes in financial position, and the cash flows, where applicable, thereof for the fiscal year then ended. The Governmental Accounting Standards Boards (GASB) 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.

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, 2022, 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, 2022, in conformity with accounting principles generally accepted in the United Stated of America (GAAP) as applicable to local governmental units, as prescribed by the Governmental Accounting Standards Board (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.

continue

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 fund financial statements are presented, they are interrelated. The GWFS (the *Statement of Net Position* and the *Statement of Activities*) report information on all the activities of the Senate.

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.

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.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

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, 2022 about the current financial resources (assets, liabilities, deferred inflows of resources and fund balances) of each major governmental fund.

Statement of Revenues, Expenditures and Changes in Fund Balance – 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, 2022.

Since the GFFS are presented in 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 are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the GWFS. Balances between the funds included in Governmental Activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the Governmental Activities column.

Further, certain activity occurs during the fiscal year involving transfers of resources between funds. In GFFS these amounts are reported 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.

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

Notes to the Basic Financial Statements

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

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

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*, that 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, 2022, 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.

B. Measurement Focus and Basis of Accounting

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

Government-wide Financial Statements

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

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

Net Invested 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. All other revenue items are considered to be measurable and available only when collected by the Senate. On June 30, 2022, 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.

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.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

2) Receivables and Payables

Receivables consist of all revenues earned but not collected on June 30, 2022. These account receivables are shown net of estimated allowances for uncollectible accounts, which are determined upon past collection experience, historical trends, and current economic conditions. Intergovernmental receivables represent amounts owed to the 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. 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, 2022, all Work of Art are considered inexhaustible.

The Senate annually performs an impairment analysis of its capital assets in accordance with GASB 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.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

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.

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 No. 73. Notes 7 and 9 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, 2022 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).

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

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*.

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, 2022. 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.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

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.

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, 2022.

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.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

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, 2022, 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, 2022. There have been no changes in valuation methods.

- 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, 2022 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, 2022.

10) Accounting for Pension Costs

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

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

In addition, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, effective for the Senate's fiscal year beginning July 1, 2014. This Statement revises existing standards for measuring and reporting pension liabilities for pension plans provided by the Senate to its employees. This Statement requires recognition of a liability equal to the Net Pension Liability, which is measured as the Total Pension Liability, less the amount of the pension plan's Fiduciary Net Position. The Total Pension Liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year-end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available.

This Statement requires that most changes in the Net Pension Liability be included in pension expenses in the period of the change. To the extent practical, the financial statements presented for the periods affected should be restated. Also, GASB Statement No. 71 is required to be implemented simultaneously with the provisions of GASB No. 68.

The Senate implemented both GASB Statements No. 68 and No. 71 for the fiscal year ending June 30, 2015 and the financial statements of the Senate for the year ended June 30, 2014 were restated. At the date of issuance of the basic financial statements of the Senate, the ERS has not issued the corresponding audited financial statements as of June 30, 2020, nor the attachments required by GASB No. 68.

After that, and based in the fiscal crisis of the Commonwealth, was enacted the Act No. 106 of 2017 to establish a New Define Contribution Plan and create the "Pay-As-You-Go" scheme for payment of pensioners of the ERS and other two retirement systems and liquidating all assets of the Fiduciary Fund of the ERS. Accordingly, after that, 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* enter in substitution of GASB No. 68.

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.

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.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

For purposes of measuring the Total Pension Liability and Deferred Inflows of Resources related to pensions, pension expense have been determined on the same basis as they are reported by Commonwealth of Puerto Rico. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 11, 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:

- *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	$6,495,991
Less Lease Debt	(257,890)
Accumulated Depreciation	(5,400,346)
Total Net Investment in Capital Assets	$ 836,955

- *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.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

- *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 and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the 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.

- *Committed* – amounts that can only be used for specific purposes determined by formal action of the Senate's highest level of decision-making authority (Municipal Legislature) 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.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

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.

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.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

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, 2022 amounted to $18,894, 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.

The Senate obtains workers compensation insurance though 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, 2022 amounted to $319,312.

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 $535,640.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

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 to budget control.

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.

continue

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – continuation

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:

- Along with the submission of the Fiscal Plan, the Government provides complete inventory listing of all agencies that will be allocated budgets included in the Fiscal Plan, and will detail any consolidation of agencies or new agencies.
- 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 agency budget targets along with detailed support documentation for any variances.
- 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 sends the Governor a notice of violation, as needed.
- Pursuant to PROMESA 202(c)(2), the Oversight Board submits a revised compliant Fiscal Year Budget to the Governor and Legislature.
- Pursuant to PROMESA 202(d)(1), the Legislature submits a proposed Fiscal Year Budget to the Oversight Board.
- Pursuant to PROMESA 202(d)(1)(B), the Oversight Board sends the Legislature a notice of violation, as needed.
- Pursuant to PROMESA 202(d)(2), the Legislature submits a revised proposed Fiscal Year Budget.
- Pursuant to PROMESA 202(e), the Oversight Board expects to certify the Fiscal Year Budget.

4. 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 $17.5 million as of June 30, 2022.

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, 2022, the Senate invested only in cash equivalents of $17.5 million consisting of interest-bearing account 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 ended June 30, 2022.

continue

4. 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, 2022.

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, 2022, the Senate has balances deposited in commercial banks amounting to $17.5 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, 2022, (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, 2022, 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, 2022.

5. RECEIVABLES

GASB Statement No. 38, *Certain Financial Statement Note Disclosures,* requires disclosure of significant receivable balances not expected to be collected within one year of the date of the financial statements. As of June 30, 2022, amounts are aggregated into account receivables line for certain funds and aggregated columns. Accounts receivable, net on June 30, 2022 amounted to $62,860.

continue

6. CAPITAL ASSETS

Capital Assets activities for the fiscal year ended June 30, 2022 was as follows:

Description	Balance at June 30, 2021	Change in Accounting Principle	Additions	Retirements	Balance at June 30, 2022
Governmental Activities:					
Capital Assets:					
Non-Depreciable Capital Assets:					
Works of Arts and Historic Treasures	$ 61,750	$ -	$ -	$ -	$ 61,750
Depreciable Capital Assets:					
Equipment	1,308,483	-	15,497	-	1,323,980
Computer equipment and sofware	1,586,327	-	115,496	-	1,701,823
Furniture	2,108,863	-	-	(53,143)	2,055,720
Vehicles	896,189	-	-	-	896,189
Right To Use Equipment	-	455,729	-	-	455,729
Total Depreciable Capital Assets	5,899,862	455,729	130,993	(53,143)	6,433,441
Less: Accumulated Depreciation					
Equipment	(1,169,585)	-	(64,472)	-	(1,234,057)
Computer equipment and sofware	(1,523,008)	-	(52,495)	-	(1,575,503)
Furniture	(1,536,085)	-	(128,875)	51,577	(1,613,383)
Vehicles	(747,813)	-	(27,044)	-	(774,857)
Less: Accumulated Amortization for Leased Asset					
Right To Use Equipment	-	-	(202,546)	-	(202,546)
Total Accumulated Depreciation and Amortization	(4,976,491)	-	(475,432)	51,577	(5,400,346)
Total Depreciable Capital Assets (Net)	923,371	455,729	(344,439)	(1,566)	1,033,095
CAPITAL ASSETS, NET	$ 985,121	$ 455,729	$ (344,439)	$ (1,566)	$ 1,094,845

Depreciation and amortization expenses were charged to governmental functions/programs for the fiscal year ended June 30, 2022 as Administrative and Operating.

7. 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.

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 11), as follows:

Governmental Activities	
Deferred Outflows of Resources	
Pension related	$ 12,013,047

continue

8. LONG-TERM LIABILITIES

Long term obligations on June 30, 2022 and changes for the year then ended was as follows:

	Balance at June 30, 2021	Increase	Decrease	Balance at June 30, 2022	Due within One (1) Year	Due after One (1) Year
Compensated Absences	$ 3,370,917	$ 1,527,891	$ (987,308)	$ 3,911,500	$ 68,585	$ 3,842,915
Christmas Bonus	137,501	332,240	(137,501)	332,240	332,240	-
Leases Liability (Intangible Right-To-Use)	455,729	-	(197,839)	257,890	205,147	52,743
Total Pension Liability	87,377,694	-	(6,511,303)	80,866,391	-	80,866,391
Total OPEB Liability	2,155,134	-	(213,467)	1,941,667	-	1,941,667
TOTAL	$ 93,496,975	$ 1,860,131	$ (8,047,418)	$ 87,309,688	$ 605,972	$ 86,703,716

Compensated Absences

The GWFS, *Statement of Net Position*, includes approximately $3.9 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, 2022 and payroll related benefits, representing the benefit to employees to be paid during the first week of December 2022.

Total Pension Liability

During 2022, a prior period adjustment of ($8,986,341) is recognized, as per audited reports of the ERS issued on July 14, 2022. As of June 30, 2021, the amount of Total Pension Liability amounted to $87,377,694 for the proportional share in the cost-sharing multi-employers pension plan. On June 30, 2022, the Total Pension Liability amounted to $80,866,391 (see Note 11).

Total OPEB Liability

The Senate implemented the GASB 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, 2022, the amount of Total OPEB Liability amounted to $2,151,134. On June 30, 2022, the Total OPEB Liability amounted to $1,941,667 (see Note 12).

9. 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.

continue

9. DEFERRED INFLOWS OF RESOURCES – continuation

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	$ 7,375,902

10. 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.

11. 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 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 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, 2022.

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

(1) Description of the Plan and Basis of Presentation

The Defined Benefit Pension Plan for Participants of the Employee's Retirement System of the Government of the Commonwealth of Puerto Rico (ERS) was created by Act No. 447, approved on May 15, 1951, as amended (Act No. 447-1951) and began operation on January 1, 1952, at which date, contributions by employers and participating employees commenced, to provide pension and other benefits to retired employees of the Commonwealth, its public corporations and municipalities. Prior to the effect of Act No. 106 of August 23, 2017 (Act No. 106-2017) the ERS was administered by the Board of Trustees of the ERS. Effective July 1, 2017, all employer contributions were eliminated pursuant to Act No. 106-2017 and the Commonwealth implemented a "Pay-As-You-Go" ("PayGo") system for the payment of pensions. Also, pursuant to Act No. 106-2017, the ERS was required to liquidate its assets and transfer the net proceeds to the Department of Treasury of the Commonwealth to pay pension benefits.

After that, new employees hired July 1, 2017 and later will not become ERS members, current ERS members will no longer make any contributions to ERS, and ERS will be funded on a "Pay-As-You-Go" basis.

As a result of the implementation of the PayGo system, the Plan does not meet the criteria in paragraph 4 of GASB No. 68, *Accounting and Financial Reporting for Pension*, to be considered a plan that is administered through a trust or equivalent arrangement and, therefore, is required to apply the guidance in GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Under the guidance of GASB No. 73, 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 pension plan.

continue

11. PENSION PLAN – continuation

(2) Pension Benefits

The benefits provided to the ERS participants are established by Commonwealth law and may be amended only by the Legislature with the Governor's approval, or by court decision. Certain provisions are different for the three groups of members who entered the ERS prior to July 1, 2013 as described below:

- Members of Act No. 447-1951 are generally those members hired before April 1, 1990 (Contributory, Defined Benefit Program)

- Members of Act No. 1 are generally those members hired on or after April 1, 1990 (Act No. 1-1990) and on or before December 31, 1999 (Contributory, Defined Benefit Program)

- Members of Act No. 305 are generally those members hired on or after January 1, 2000 and on or before June 30, 2013 (Define Contributory Hybrid Program). Each member has a no forfeitable right to the value of his/her account. Members have three options to invest their contributions. Investment income is credited to the member's account semiannually. The Commonwealth does not guarantee benefits at retirement age.

Al regular employees hired for the first time on or after July 1, 2013, and former employees who participated in the defined benefit program and the System 2000 program, and were rehired on or after July 1, 2013, become members of the Contributory Hybrid Program as a condition to their employment.

In addition, employees who on June 30, 2013, were participants of previous programs became part of the Contributory Hybrid Program on July 1, 2013. Also, Act No. 3-2013 froze all retirement benefits accrued through June 30, 2013 under the defined benefit program and, thereafter, all future benefits accrued under the defined contribution formula used for the System 2000 program participants.

(a) Service Retirement Eligibility Requirements

1) *Eligibility for Act No. 447-1951 Members*: Act No. 447-1951 members who were eligible to retire as of June 30, 2013 continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 447-1951 members could retire upon (1) attainment of age 55 with 25 years of Credited Service, (2) attainment of age 58 with 10 years of Credited Service, (3) any age with 30 years of Credited Service, (4) for Public Officers in High Risk Positions (the Commonwealth Police and Firefighter Corps, the Municipal Police and Firefighter Corps and the Custody Office Corps), attainment of age 50 with 25 years of Credited Service, and (5), for Mayors of municipalities, attainment of age 50 with 8 years of Credited Service as a Mayor. In addition, Act No. 447-1951 members who attained 30 years of Credited Service by December 31, 2013 are eligible to retire at any time.

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

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

continue

11. PENSION PLAN – continuation

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

2) *Eligibility for Act No. 1-1990 Members:* Act No. 1-1990 members who were eligible to retire as of June 30, 2013, continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 1-1990 members could retire upon (1) attainment of age 55 with 25 years of Credited Service, (2) attainment of age 65 with 10 years of Credited Service, (3) for Public Officers in High Risk Positions, any age with 30 years of Credited Service, and (4) for Mayors, attainment of age 50 with 8 years of Credited Service as a Mayor.

   Act No. 1-1990 members who were not eligible to retire as of June 30, 2013 are eligible to retire upon attainment of age 65 with 10 years of Credited Service. In addition, Act No. 1-1990 Public Officers in High Risk Positions who were not eligible to retire as of June 30, 2013 are eligible to retire directly from active service upon the attainment of age 55 with 30 years of Credited Service.

3) *Eligibility for System 2000 Members:* System 2000 members who were eligible to retire as of June 30, 2013 continue to be eligible to retire at any time. Prior to July 1, 2013, System 2000 members could retire upon attainment of age 55 for Public Officers in High Risk Positions and attainment of age 60 otherwise.

   System 2000 members who were not eligible to retire as of June 30, 2013 are eligible to retire upon attainment of age 55 for Public Officers in High Risk Positions and upon attainment of the retirement eligibility age shown in the table below otherwise.

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

4) *Eligibility for Members Hired after June 30, 2013:* Attainment of age 58 if a Public Officer in a High-Risk Position and attainment of age 67 otherwise.

(b) *Compulsory Retirement*

All Act No. 447-1951 and Act No. 1-1990 Public Officers in High Risk Positions must retire upon attainment of age 58 and 30 years of Credited Service. A two-year extension may be requested by the member from the Superintendent of the Puerto Rico Police, the Chief of the Firefighter Corps, or supervising authority as applicable.

(c) *Service Retirement Annuity Benefits*

An annuity payable for the lifetime of the member equal to the annuitized value of the balance in the hybrid contribution account at the time of retirement, plus, for Act No. 447-1951 and Act No. 1-1990 members, the accrued benefit determined as of June 30, 2013. If the balance in the hybrid contribution account is $10,000 or less, it shall be paid as a lump sum instead of as an annuity. For System 2000 participants this service retirement annuity benefit is not available.

continue

11. PENSION PLAN – continuation

1) *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, as defined, for Act No. 447-1951 members, the years of Credited Service, and the attained age of the member all as of June 30, 2013. For Act No. 447-1951 Mayors, the highest compensation, as defined, 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 with social security (the Coordination Plan), the benefit is re-calculated at the Social Security Retirement Age (SSRA), as defined, as 1.5% of average compensation up to $6,600 multiplied by years of Credited Service, up to 30 years, plus 65% (75% if member was at least age 55 as of June 30, 2013) of average compensation in excess of $6,600.

   If the Act No. 447-1951 member had less than 30 years of Credited Service as of June 30, 2013, and 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 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 average compensation. Except for Commonwealth Police and Commonwealth 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 up to 20 years, plus 2.0% of average compensation in excess of $6,600 multiplied by years of Credited Service in excess of 20 years. Except for Police and Firefighters, the benefit 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 defined, as a Mayor for each year of Credited Service as a Mayor up to 10 years, plus 1.5% of highest compensation as Mayor for each year of non-Mayor Credited Service up to 20 years, plus 2.0% of highest compensation as Mayor for each year of non-Mayor Credited Service in excess of 20 years. Non-Mayor Credited Service includes service earned as a Mayor in excess of 10 years. Maximum benefit is 90% of highest compensation as a Mayor.

2) *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 member, 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.

continue

11. PENSION PLAN – continuation

If the Act No. 1-1990 member is a police officer or firefighter with 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.

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, pus 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. Maximum benefit is 90% of highest compensation as a Mayor.

(d) Special Benefits

1) Minimum Benefits

- *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.

- *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)

- *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.

2) 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).

3) Special "Bonus" Benefits

- *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)*

continue

11. PENSION PLAN – continuation

- *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)*

(3) 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 ration 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.

(4) Total Pension Liabilities and Actuarial Information

The Total Pension Liability of the System was approximately $27.2 billion as of June 30, 2022 and was determined by an actuarial valuation as of July 1, 2020 which was rolled forward to June 30, 2021 (measurement date as of June 30, 2021).

(a) 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, 2022, was 2.16%. this represents the municipal bond return rate as chosen by the Commonwealth. The source is the bond Buyer general Obligation (GO) 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality

The mortality tables used in the June 30, 2021; 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.

continue

11. PENSION PLAN – continuation

– *Post-retirement Retiree 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. This assumption is also used for beneficiaries prior to the member's death.

– *Post-retirement Disabled Mortality*

Rates which vary by gender are assumed for disabled retirees based on a study of the Plan' 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.

Other Assumptions as of June 30, 2021

Actuarial Cost Method	Entry age normal
Inflation Rate	Not Applicable
Salaries Increases	3.00% per year. No compensation increases are assumed until July 1, 2021 as result of Act No. 3-2017, four-year extension of Act No. 66-2014, and the current general economy.

(a) Total Pension Liability

Effective July 1, 2014, the Senate implemented the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68, which significantly changed the Senate's accounting for pension amounts. 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, 2021. The measurement Date is June 30, 2021, date as of which the Total Pension Liability is determined. The Reporting Date is for periods ending July 1, 2021 through June 30, 2022.

As June 30, 2022, the Senate's proportional share of the Total Pension Liability used was as follows:

Proportion - June 30, 2021	0.31129%
Proportion - June 30, 2022	0.29747%
Change - Increase (Decrease)	0.01382%

continue

11. PENSION PLAN – continuation

As June 30, 2022, the Senate reported $80,866,391 as Total Pension Liability for its proportionate shares of the Total Pension Liability of ERS.

Total Pension Liability	June 30, 2022	
	TOTAL	Proportional Share (0.29747%)
Commonwealth Total Pension Liability	$ 27,184,320,381	$ 80,866,391
Covered Payroll	$ 2,174,449,584	6,468,431
Commonwealth Total Pension Liability as % of Covered Payroll	1250.17%	1250.17%

(b) Pension Expense

For the fiscal year ended June 30, 2022, the Senate recognized pension expense of $4,001,916 of total pension payments of the "Pay-As-You-Go" system.

(c) Deferred Outflows/Inflow of Resources

As of June 30, 2022, 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	$ 3,605,758	$ -
Difference between expected and actual experience in measuring the total pension liability	129,174	2,409,182
Changes in assumptions	8,278,115	955,563
Change in employer's proportionate share	-	4,011,157
Total	$ 12,013,047	$ 7,375,902

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:

continue

11. PENSION PLAN – continuation

Year Ended June. 30,	Amount
2023	$ 927,429
2024	927,429
2025	927,429
2026	927,429
2027	927,427
Thereafter	-
Total	$ 4,637,145

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, 2021 and 2022, was as follow:

	June 30, 2021	June 30, 2022
Discount Rate	2.21%	2.16%
20 Year Tax-Exempt Municipal Bond Yield	2.21%	2.16%

Changes in Total Pension Liability

Changes in Total Pension Liability	Increase (Decrease)	
	Total Pension Liability	Proportional Share
Balance as of June 30, 2021 for Central Government	$ 28,069,797,731	83,500,459
Changes for the year:		
Service Cost	81,348,242	241,990
Interest on Total Pension Liability	607,742,211	1,807,877
Effect of Plan Changes	-	-
Effect of Economic/Demographic (Gains) or Losses	(518,170,012)	(1,541,423)
Effect of Assumptions Changes or Inputs	253,758,692	754,867
Benefits Payments	(1,310,156,483)	(3,897,380)
Balance as of June 30, 2022 for Central Government	$ 27,184,320,381	$ 80,866,391

(d) *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:

continue

11. PENSION PLAN – continuation

	1% Decrease 1.16%	Current Discount Rate 2.16%	1% Increase 3.16%
Total Pension Liability	$ 92,393,102	$ 80,866,391	$ 71,525,913

"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.

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.

continue

11. PENSION PLAN – continuation

- If the ERS be permitted to develop a budget request of a "Pay-Go" amount for the fiscal year that includes a margin to provide a buffer against adverse outcomes.

- And how would the impacts of specific management decisions be handled.

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

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.

12. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to the pension benefits described in Note 11 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).

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).

continue

12. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – continuation

(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 ration 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 $798.1 million as of June 30, 2022 and was determined by an actuarial valuation as of July 1, 2020 which was rolled forward to June 30, 2021 (measurement date as of June 30, 2021).

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, 2022, was 2.16%. this represents the municipal bond return rate as chosen by the Commonwealth. The source is the bond Buyer general Obligation (GO) 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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.

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.

continue

12. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – continuation

– *Post-retirement Disabled Mortality*

Rates which vary by gender are assumed for disabled retirees based on a study of the Plan' 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, 2020. This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2021. 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, 2020 to June 30, 2021 for reporting period ending June 30, 2022.

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, 2022	
	Total	Proportional Share (0.024328%)
Commonwealth Total OPEB Liability	$ 798,117,828	$ 1,941,667
Covered Payroll	N/A	N/A
Total OPEB Liability as a % of Covered Payroll	N/A	N/A

The Senate's proportionate share of the Net Pension Liability used was as follows:

Proportion - June 30, 2021	0.246410%
Proportion - June 30, 2022	0.243280%
Change - Increase (Decrease)	0.003130%

continue

12. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – continuation

Discount Rate

The discount rate on June 30, 2021 and 2022, was as follow:

	June 30, 2021	June 30, 2022
Discount Rate	2.21%	2.16%
20-Year Tax-Exempt Municipal Bond Yield	2.21%	2.16%

As of June 30, 2022, the ERS have issued its audited financial statements as of and for the fiscal year ended June 30, 2022 and has it provided the Senate with the audited schedules of employment allocations and OPEB amounts by employer as of June 30, 2021 (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, 2022. 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, 2021 for Central Government	$ 874,627,778	$ 2,127,801
Changes for the year:		
Service Cost	-	-
Interest on Total OPEB Liability	18,606,437	45,266
Effect of Plan Changes	-	-
Effect of Economic/Demographic (Gains) or Losses	(35,842,498)	(87,198)
Effect of Assumptions Changes or Inputs	6,500,327	15,814
Benefits Payments	(65,774,216)	(160,016)
Balance as of June 30, 2022 for Central Government	$ 798,117,828	$ 1,941,667

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 1.16%	Current Discount Rate 2.16%	1% Increase 3.16%
Total OPEB Liability	$ 2,131,320	$ 1,941,667	$ 1,780,170

continue

13. LEASES

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 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 Municipality 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.

Lease Assets – Lessee

The Senate has recorded intangible right-to-use lease assets as a result of implementing GASB 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 asset activity for the Senate for the year ended June 30, 2022, was as follows:

Right-To-Use Equipment	$ 455,729
Amortization - Right-To-Use Equipment	(202,546)
Total Right-To-Use Equipment Less Accumulated Amortization	$ 253,183

Lease Liability – Lessee

The Senate has entered into agreements to lease facilities. The lease agreements haves 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%. The IBR is the contract borrowing rates. As a result of the lease, the Senate has a lease asset with a net book value of $253,183, and a lease liability of $257,890 on June 30, 2022.

continue

13. LEASES – continuation

Long-Term Liability Roll-Forward Schedule:

	Balance at June 30, 2021	Increase	Decrease	Balance at June 30, 2022	Due within One (1) Year	Due after One (1) Year
Leases Liability (Intangible Right-To-Use)	$ 455,729	$ -	$ (197,839)	$ 257,890	$ 205,147	$ 52,743

The future minimum payments on this lease as of June 30, 2022, were as follows:

Year Ending June 30,	Principal	Interest
2023	$ 205,147	$ 7,408
2024	52,743	396
2025	-	-
Total	$ 257,890	$ 7,804

Disclosures – Lessee

The implementation of GASB Statement No. 87 require restatements to the basic financial statements, as applicable. There is no impact on the basic financial statements. (See Notes 2. 3),6, 8, and 17)

14. 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 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.

15. 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, 2022 is as follows:

	GENERAL FUND	SPECIAL REVENUE FUND	TOTAL FUNDS
Nonspendable:	$ -	$ -	$ -
Restricted For:			
General Goverment and Interships	-	196,349	196,349
Total Restricted	-	196,349	196,349
Committed To:			
Total Committed	-	-	-
Assigned To:			
Total Assigned	-	-	-
Unassigned	11,450,604	-	11,450,604
Total Fund Balances	$ 11,450,604	$ 196,349	$ 11,646,953

continue

16. RELATED-PARTY TRANSACTIONS AND OTHER INTERGOVERNMENTAL TRANSACTIONS

During the year ended June 30, 2022, the Senate entered into the following related party or intergovernmental transactions:

1. The LUMA Energy – electric power company and government-owned corporation of Puerto Rico responsible for electricity generation, power transmission, and power distribution in Puerto Rico. The Senate incurred expenditures regarding the services provided by the PREPA amounting to $52,883.

2. The Superintendent of the Capitol – The Superintendent of the Capitol is charged for buildings maintenance expenditures amounting to $262,207.

3. The Office of Legislative Services – The Office of Legislative Services is charged for maintenance expenditures amounting to $119,940.

17. NET POSITION RESTATEMENTS

The following schedule reconciles the June 30, 2021 Net Position (Deficit), as previously reported, to Beginning Net Position (Deficit), as Restated, July 1, 2021, for Governmental Activities.

	Governmental Activities
Beginning Net Position (Deficit), As Previously Reported, June 30, 2021	$ (78,334,544)
Pension related adjustsments (GASB 73)	4,226,854
Postempoyment Benefits Related Adjustments (GASB 75)	(88,522)
Increase in Capital Assets (Intangible Right-To-Use)	455,729
Increase in Leases Liability (Intangible Right-To-Use)	(455,729)
Beginning Net Position (Deficit), As Restated July 1, 2021	$ (74,196,212)

18. 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.

PROMESA Overview

Background

Prior to the enactment of PROMESA, Puerto Rico had been mired in an economic and demographic downward spiral for a decade. As of 2018, the economy was $18 billion smaller in real terms and the population was more than half a million smaller (largely due to outmigration) than it was in 2005 – trends that, even before recent natural disasters, were projected to continue. Over 40% of the population (including ~58% of Puerto Rican children) lives below the poverty line, and ~47% are dependent on Medicaid for healthcare.

continue

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

Meanwhile, before PROMESA, 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.

Also, before PROMESA was enacted, Puerto Rico passed the Puerto Rico Corporation Debt Enforcement and Recovery Act (the "PR Recovery Act") in 2014. The PR Recovery Act would have enabled certain of Puerto Rico's instrumentalities to adopt a recovery or restructuring plan for their debt. However, in *Puerto Rico v. Franklin Cal. Tax-Free Trust, et al.*, 136 S. Ct. 1938 (2016), the United States Supreme Court held that the PR Recovery Act was invalid because it was preempted by the United States Bankruptcy Code, 11 U.S.C. §§ 101 et seq., as amended (the "Bankruptcy Code"). In sum, the Supreme Court found that the Bankruptcy Code applies to Puerto Rico by including the territory within the definition of a "State" (except in the case of Puerto Rico for purposes of determining whether a State's municipalities may be debtors thereunder). The Court then concluded that the PR Recovery Act was preempted by a provision of the Bankruptcy Code prohibiting States from enacting their own bankruptcy legislation.

PROMESA

Unlike the PR Recovery Act, PROMESA is a federal legislative enactment. The Act is very extensive and the first of its kind in many respects. PROMESA includes a variety of provisions applicable to Puerto Rico, its instrumentalities and their liabilities and operations. The following is a summary of PROMESA, which is intended as a broad overview of primary provisions of PROMESA.

Oversight Board: The Act establishes a seven-member Oversight Board, the members of which will be designated by Congress and the President. The Oversight Board is provided with broad authority over Puerto Rico and instrumentalities of Puerto Rico which the Oversight Board designates as "covered" instrumentalities.

The Oversight Board is generally an autonomous body that has broad authority and discretion over Puerto Rico, including the ability to place Puerto Rico itself and a "covered" instrumentality into a debt restructuring proceeding established under the Act, require and approve a fiscal plan, require and approve a budget, oversee operations and implement changes that are necessary to comply with an approved fiscal plan or budget, approve the issuance of debt, hold hearings and issue subpoenas in furtherance of its functions, enter into its own contracts, analyze a territory's pensions and pension liability, approve voluntary settlements with creditors, and become a direct party in litigation against Puerto Rico or an instrumentality. The Oversight Board is, in effect, considered a division of the territory and can hire officers, professionals and legal counsel.

The definition of "territorial instrumentality" in PROMESA provides that such definition includes an "instrumentality of a territory". In addition, by analogy, the definition of "municipality" in the Bankruptcy Code is similarly defined as an instrumentality "of a State". However, courts have held, and commentators have noted, that a municipality under the Bankruptcy Code includes not only an instrumentality of a State, but also an instrumentality of an instrumentality of a State.

Conditions for Termination of the Oversight Board

The Oversight Board was designed to have a finite life, defined objectives, and defined tools and authorities to achieve those objectives. Every action taken by the Oversight Board over the past five years has been dedicated specifically and exclusively to completing its mission as stated in the law as soon as possible. The Oversight Board seeks to complete its work under PROMESA promptly, so that fiscal controls, fiscal sustainability, and economic prosperity and growth can return to Puerto Rico.

continue

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

PROMESA is specific in terms of how and when the Oversight Board can be terminated. The two provisions, found in Section 209 of PROMESA, that define when the Oversight Board can be dissolved, were incorporated into the federal law to ensure the board disappeared, for good, once Puerto Rico's financial outlook stabilized and better financial management processes have been put in place.

An Oversight Board shall terminate upon certification by the Oversight Board that:

1) the applicable territorial government has adequate access to short-term and long-term credit markets at reasonable interest rates to meet the borrowing needs of the territorial government; and

2) for at least 4 consecutive fiscal years—

   A. the territorial government has developed its Budgets in accordance with modified accrual accounting standards; and

   B. the expenditures made by the territorial government during each fiscal year did not exceed the revenues of the territorial government during that year, as determined in accordance with modified accrual accounting

Progress on Requirement Number 1: Adequate Access to Credit Markets at Reasonable Interest Rates

Sustainable Debt Restructuring

The Oversight Board has and is following a "once and done" approach to the restructurings, to ensure Puerto Rico will not be insolvent again. Together with the Government of Puerto Rico, the Oversight Board has made substantial progress in adjusting Puerto Rico's debt, the largest debt restructuring in the history of the municipal bond market. The confirmed PoA reduces the outstanding Commonwealth's debt and other claims by almost 80%, from $33 billion of existing claims to $7.4 billion in new debt. In addition, the Commonwealth's total debt service payments (including COFINA senior bonds) have been reduced by more than 60% to date, from $90 billion to $34 billion, saving Puerto Rico almost $60 billion in debt service payments.

In May 2017, the Puerto Rico Government and the Government Development Bank (GDB) signed a Restructuring Support Agreement (RSA) with a significant portion of GDB creditors to restructure GDB's debt under PROMESA's Title IV. The RSA, as amended in April 2018, reduced about $5 billion of debt to about $3 billion, reducing the face value of claims by 45%. The debt payments are secured by GDB cash flow from certain legacy assets without recourse to the Puerto Rico Government. This restructuring cushioned municipalities by offsetting the loans they owed to the GDB by the full amount of their deposits at GDB.

In February 2019, the U.S. District Court approved the Plan of Adjustment for the Puerto Rico Sales Tax Financing Corporation (COFINA), the first debt restructuring completed under PROMESA's Title III. It reduced COFINA debt by $6 billion, from $18 billion to $12 billion. Furthermore, it reduced debt service payments by 32%, saving the people of Puerto Rico approximately $17.5 billion that will now be available to support the financial needs of the Commonwealth.

continue

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

In August 2019, the Puerto Rico Aqueduct and Sewer Authority (PRASA) and the Government of Puerto Rico reached an agreement with the U.S. Environmental Protection Agency (EPA) and U.S. Department of Agriculture (USDA) to a consensual modification of about $1 billion of outstanding loans under PROMESA's Section 207. This agreement lowers PRASA's debt service payments on the U.S. Government program loans by about $380 million over the next 10 years and eliminates approximately $1 billion in guaranty claims against the Puerto Rico Government. Additionally, it provides PRASA with access to $400 million in new federal funding through various clean water programs over the next five years to support PRASA's ongoing effort to improve water quality and safety for the people of Puerto Rico.

On January 18, 2022, the U.S. District Court for the District of Puerto Rico issued an order to confirm the Plan of Adjustment to restructure approximately $35 billion of debt and other claims against the Commonwealth of Puerto Rico, the Public Buildings Authority (PBA), and the Employee Retirement System (ERS); and more than $50 billion of pension liabilities. The Plan of Adjustment creates a foundation for Puerto Rico's recovery and economic growth. It represents several years of engagement by the Oversight Board, creditor groups, and the Government of Puerto Rico. It provides one-time cash payments, the issuance of new debt and contingent value instruments (CVIs), among other things. In addition, the PoA provides certain Commonwealth employees with various benefits. For instance, AFSCME, who voted to support the PoA, will receive a new 5-year Collective Bargaining Agreement (CBA), which provides a number of contractual protections including healthcare, vacation and sick accruals, and specific actions that must be taken prior to any implementation of layoffs. AFSCME represented employees will also be eligible to participate in Fiscal Plan outperformance, with a guaranteed minimum bonus of $2,000 annually for the term of the 5-year CBA. The PoA also includes provisions to protect current and future retirees by creating a fiscally sustainable retirement system that freezes TRS and JRS pensions and establishing a pension reserve trust to provide increased confidence that future funding will be available to meet the promises made to retirees.

The PoA provides for a more diverse retirement income by ensuring all Government employees are participating in the Act No. 106-2017 Defined Contribution Program, enrolling teachers and judges in United States Social Security, restoring the System 2000 contributions made by employees to the individually owned Act No. 106-2017 accounts outside of Government control, and providing $2,600 to the Act No. 106-2017 accounts of active Act No. 1-1990 / Act No. 447-1952 employees. For additional details on specific provisions included in the confirmed PoA, refer to the sixth modified eighth amended PoA for the Commonwealth of Puerto Rico.

Key to the sustainability of any debt restructuring is the growth of the Puerto Rico economy. The Oversight Board has stressed for the past five years that returning to economic growth requires structural reforms to enhance the reliability of power; improve educational outcomes, labor market participation and labor productivity; enhance the ease of doing business on the Island; and generate more effective returns on capital investments and infrastructure. All of these aim to strengthen Puerto Rico's competitiveness in the global marketplace, attract new private capital, the creation of jobs, and ultimately a better life for the residents of the Island.

Timely Financial Reporting

The requirement related to timely financial reporting includes expectations that the Government publish past due audited financials begin issuing audited financial statements on a best practice basis (e.g., issue audited financial statements within six months after the fiscal year ends).

continue

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

The Government of Puerto Rico has yet to produce the long past due Annual Comprehensive Financial Report (ACFRs) for FY2019-FY2020. The Oversight Board has continuously encouraged the Government to finalize and publish its past due audited financial statements, including spending time at two recent public board meetings on the topic and providing increased funding for required personnel at Hacienda. The Commonwealth published fiscal year 2017 audited financial statements on August 31, 2020, taking more than 1,158 days (~38 months) to issuance. According to a study by the Governmental Accounting Standards Board (GASB), state governments issued their annual audited financial reports (ACFRs) on average 189 days after fiscal year-end during 2012-2014 and 199 days during 2015-2017. Best practice calls for annual comprehensive financial reports (ACFRs) to be made public approximately 180 days or 6 months after the close of the fiscal year. Some states, like Michigan, have taken less than 100 days to release their ACFRs.

To achieve timely financial reporting the Government must, among other things, provide a detailed timeline and implementation plan, positioning Hacienda to successfully oversee the publication of the ACFRs, and signing a multi-year master audit contract. Perhaps most importantly, the Government must transition to implementing monthly closing procedures over its books and records and implement strict monitoring of the process with consequences for agencies that fall behind. Without implementing these changes, ACFR issuance will continue to be delayed and unpredictable.

As seen in *Exhibit 8*, the Government is behind on meeting many of these requirements, but with steadfast political will and leadership, the Oversight Board is convinced that these objectives can be reached, past due ACFRs can be issued within the next two years, and a system can be put in place that assures continued timely issuance as expected by the credit markets.

Progress on Requirement Number 2: Four Years of Budgets Developed with Modified Accrual Accounting Principles and Expenditures which have not Exceeded Revenues

Four Years of Developing Budgets in Line with Modified Accrual Accounting Standards

The Government is expected to develop and implement a budget in accordance with modified accrual accounting standards for four consecutive years, according to accounting practices recommended by the GASB for municipal financial statements, including by publishing ACFRs. There are numerous benefits of transitioning from cash accounting to modified accrual accounting. A modified accrual accounting method is more conservative since it requires recognition of revenues when measurable and promised payments when liabilities are incurred. Consequently, the books and records will present a more realistic picture of spending and help Puerto Rico avoid overspending and present an accurate financial picture to Government managers, taxpayers and other stakeholders. Furthermore, it would eliminate many one-time maneuvers and lead to genuinely balanced budgets once all the debt restructurings are consummated. The transition to modified accrual budgeting was one element that led to New York City's financial recovery in the 1970's, helping to establish stricter budgetary discipline in the City.

Four Years of Balanced Budgets According to Accrual Based Accounting Method

Before PROMESA, Puerto Rico had a history of overstating revenues and understating, misstating, or not stating all of its expenditures in a given year. This lack of budgetary control enabled budgets, which appeared to be balanced consistent with the Puerto Rico Constitution's requirements, to cause deficits and force borrowing, and resulted in the situation the Government faces today.

The key principles that will need to be met for the Government to achieve this requirement are the formulation of an accrual based budget, better monitoring of revenue and expenses, integration of the payroll systems, maintenance of an accounts payable ledger, and registration of purchase orders and budgeting for all other funds, not just the General Fund. In accordance with the definition of territorial government in law, these principles will need to be met for all covered instrumentalities, unless the Oversight Board exempts a covered instrumentality from coverage under the requirement.

continue

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

To fully implement accrual budgeting, the Government would need to adopt policies and train employees to record expenses, make sure adjusting entries are communicated and coordinated across agencies, and shift to having accruals and interagency reconciliations automated. Furthermore, revenues and expenditures must be periodically reviewed against the forecast to respond to changes and there must be detailed resolution certifications and expense system registration. Additionally, payroll must be adequately tracked, controlled, and integrated. Accounts payable must be automated and follow clear procedures. Purchase orders and other encumbrances must be booked for the entire year, at the beginning of the year, and as many special revenue funds as possible must be eliminated.

The Government and other covered instrumentalities have unfortunately not yet demonstrated meaningful progress in many of the key requirements for the termination of the Oversight Board. As shown in *Exhibit 8*, rapid progress will be needed across a number of dimensions to meet the key requirements under PROMESA.

EXHIBIT 8: PROGRESS TOWARDS ACHIEVING KEY REQUIREMENTS FOR THE TERMINATION OF THE OVERSIGHT BOARD

Not started · Some Progress · Completed

Category	Details		Current Progress
Complete Sustainable Debt Restructuring	Exchanged / New Debt	• Exchanged / new bonds trading well in the public markets	Some Progress
	Muni bond market / buyers	• Interest from traditional, institutional municipal bond buyers	Not started
	Investors	• Evidence investors ready to invest in Puerto Rico again	Not started
	Debt Management Policy	• Prepare a written debt management policy as required by the CW PoA • Present the debt management policy to the Oversight Board for approval	Some Progress
Timely Financial Reporting	Timeline and Action Plan	• Provide detailed timeline and implementation plan for issuance financial statements	Some Progress
	Financial reporting division	• Adequately position Hacienda's financial reporting division to oversee completion of all financial reporting, including component units	Some Progress
	Multiyear master audit contract	• Secure multi-year contracts with auditors and other essential contractors in conformance with best practices	Not started
	Implement monthly closing procedures	• Short-term: Implement / monitor a rigorous process for circular letters, administrative determinations, procedures, and regulations (manual closings) • Medium-term: Implement ERP system (quarterly closing procedure) • Longer-term: ERP system fully implemented (monthly closing procedures)	Some Progress
	Strict monitoring and publish delays	• Set up strict monitoring and escalation procedures with consequences and published schedules noting agency and component unit delays	Not started
Budgets in accordance with modified accrual accounting standards	Modified Accrual Budgeting	• Adopt policies and train employees to book budget and book expenses • Adjusting entries are communicated and coordinated across agencies • Accruals and interagency reconciliations automated	Not started
	Revenue / Expenses	• Incorporate a periodic review of revenues and expenditures against the forecast to respond to changes • Detailed resolution certifications and expense system registration	Some Progress
	Payroll Systems	• Appropriations for termination of payroll accruals • Integrate systemwide payroll system into a financial reporting system	Some Progress
	Accounts Payable	• Maintain government wide monthly accounts payable procedures • Automate process and journal entries	Some Progress
	Purchase Orders	• Book encumbrances for entire year when contract is approved • Multi-year contract encumbered at the beginning of subsequent years	Not started
	Other Funds	• Consolidate as many special revenue funds into the General fund as possible; better maintained through annual General Fund appropriation procedures • Track and record all expenses and standardize chart of accounts	Not started
Implementing a balanced budget	Payroll spending	• Connect time and expense to payroll systems	Some Progress
	Closing of books	• Reconcile bank balances and monies held outside of the TSA • Issue consistent systemwide guidance	Not started
	Real time spending reports	• Perform quarterly budget to actual review and forecast adjustment by senior leadership • Issue public reporting and strategic guidance to stay within means	Some Progress
	Visibility into all funds	• Gain visibility into special revenue funds and federal funds • Require reporting and sweep back unused general fund appropriations	Not started
	Financial accounting systems	• Integrate financial systems • Ensure reporting is consistent across all agencies	Not started

continue

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

Fiscal Plans, Budgets, and Other Oversight Board Tools:

Under PROMESA, covered territorial instrumentalities/entities can be required by the Oversight Board to prepare and submit annual fiscal plans, who then reviews and either rejects or certifies them. The Oversight Board certifies fiscal plans and budgets to achieve PROMESA's goals to provide a method to achieve fiscal responsibility and access to the capital markets. The Oversight Board then tracks Government implementation of the fiscal plans to ensure compliance.

The certification and timely implementation of fiscal plans and balanced budgets are invaluable tools to achieve fiscal responsibility and restore Puerto Rico's access to the capital markets. Among other things, the certified fiscal plans and budget provide for estimates of revenues and expenditures in conformance with agreed accounting standards; funds essential public services; provides adequate funding for public pension systems; provides for the elimination of structural deficits; improves fiscal governance, accountability, and internal controls; and provides for capital expenditures and investments necessary to promote economic growth. Fiscal plans provide a route to direct the economy and finances of the Government of Puerto Rico towards economic growth and fiscal accountability. This is crucial for Puerto Rico to avoid repeating the mistakes of the past.

To ensure that covered entities deliver against fiscal plan measures, the Oversight Board has a variety of potential tools available, including: Setting Budgets; Budget and Fiscal Plan Compliance; Approval and Review of Contracts, Legislation, Executive Orders, Administrative Orders, Rules, and Regulations; Recommendations; Public Hearings; Implementation Tracking with Monthly and Quarterly Reporting; Working Group Meetings; Stakeholder Engagement; Policy Research and Data Analysis; and Publication of Documents.

Fiscal Plan – 2022

On January 27, 2022, the Oversight Board certified the New Fiscal Plan of the Commonwealth. The 2022 Fiscal Plan are limited in scope and do not revisit the broad range of forecasts and assumptions included in the 2021 Fiscal Plan. Specific updates include incorporating new information about the macroeconomic environment, increased federal funding for NAP, incorporating the impact of legislation passed by the Government of Puerto Rico expanding the EITC program, incremental Federal funding under the Infrastructure Investment and Jobs Act, and an increased Medicaid FMAP through early December 2021. The 2022 Fiscal Plan also incorporates terms of the confirmed PoA, detail on the use of funds from the Municipal Revenue Collection Center (CRIM, by its Spanish acronym), and on the status of PayGo payments. Finally, the Plan includes details on the LUMA transaction and costs related to the mobilization of certain previous PREPA employees to Commonwealth agencies as well as certain budgetary decisions and adjustments that were part of the FY2022 Budget.

The 2022 Fiscal Plan projects that ~$84 billion of disaster relief funding in total, from federal and private sources, will be disbursed in the reconstruction effort over a period of 18 years (FY2018 to FY2035). It will be used for a mix of funding for individuals (e.g., reconstruction of houses, personal expenditures related to the hurricane such as clothing and supplies), funding for the public (e.g., reconstruction of major infrastructure, roads, and schools), and to cover part of the Commonwealth's share of the cost of disaster relief funding (recipients often must match some portion of federal public assistance spend).

Of the total, ~$47 billion is estimated to come from the Federal Emergency Management Agency (FEMA) Disaster Relief Fund (DRF) for Public Assistance, Hazard Mitigation, Mission Assignments, and Individual Assistance. An estimated $7 billion will come from private and business insurance payouts, and $8 billion is related to other sources of federal funding.

continue

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

The 2022 Fiscal Plan includes ~$20 billion from the federal Housing and Urban Development (HUD) Community Development Block Grant - Disaster Recovery (CDBG-DR) program, of which ~$2.7 billion is estimated to be allocated to offset the Commonwealth and its associated entities' expected FEMA-related cost-share requirements. This portion of CDBG-DR funding will go towards covering part of the ~10% cost-share burden on expenditures attributable to the Commonwealth, PREPA, PRASA, and HTA from FY2019 to FY2032. The 2022 Fiscal Plan allocates $4.2 billion for Puerto Rico's cost-match responsibility. After the CDBG-DR funds, out-of-pocket cost-share is reduced to $1.5 billion for Puerto Rico, of which $1 billion is attributable to the Commonwealth.

On November 15, 2021, President Biden signed the Infrastructure Investment and Jobs Act (IIJA) into law. The IIJA bill allocates around $2.3 billion federal funds to Puerto Rico with the purpose of improving the Island's infrastructure stock over FY2022-2026. These funds will support repairing and rebuilding roads and bridges; improving public transportation options; building a network of electric vehicle chargers; increasing broadband coverage; preparing infrastructure for climate change, cyber-attacks, and extreme weather events; improving water infrastructure; developing airport infrastructure; among other purposes. Incremental funding from the IIJA (accounting for prior Federal infrastructure support) is estimated to be around $1.6 billion. The 2022 Fiscal Plan accounts for the impact of these incremental funds, which have a positive temporary impact on economy and growth due to the temporary nature of the funds.

Although Puerto Rico has a 55% statutory federal medical assistance percentage (FMAP) for most populations, the amount of annual federal funding for non-CHIP Medicaid expenditures received under Section 1108 is capped each year – meaning the Commonwealth is fully responsible for covering costs above this cap. Prior to recent CMS guidance, this cap was set at around $400 million annually. While the cap grows each year according to the Medical Consumer Price Index for All Urban Consumers (CPI-U), this growth rate does not keep pace with the Island's projected healthcare expenditure growth.

Historically, the actual cap applied to Puerto Rico's Medicaid program varied based on a series of one-time legislative actions to increase funding to the Island's Medicaid program. Under a September 2021 CMS interpretation of Section 1108 of the Social Security Act, Puerto Rico is now permanently expected to receive a higher federal funding allotment cap (starting at $2.943 billion in FFY2022). The growth rate remains pegged to the medical component of CPI-U. Each year, ~$100 million of federal Section 1108 funds are allocated to the Department of Health to cover the eligible federal match on expenditures related to Federally Qualified Health Centers ("Centros 330" or "FQHC") and Medicaid Program operations. That portion of federal funding is, therefore, considered unavailable for use on other Medicaid expenditures.

The 2022 Fiscal Plan ensures that the Commonwealth is appropriately funded to meet its matching obligations under current law. To provide healthcare for a substantial part of the population, the Commonwealth must be able to pay and manage these critical costs, which grow faster than inflation, regardless of the future federal legislative environment. In the event that the amount of federal funds expected to become available during any future fiscal year changes, and, depending on the conditions imposed on the federal funds granted, the Oversight Board reserves the right to revise the projected General Fund appropriation for ASES appropriately.

In addition to Medicaid funding, Puerto Rico receives other federal funds on a regular basis. These are not to be confused with disaster relief funds, which are directly tied to Hurricane Maria and earthquake reconstruction activity, or with COVID-19 response and relief funds, which are meant to cover incremental government spending to respond to the global pandemic. These funds cover both social benefits and operational expenditures. In the 2022 Fiscal Plan, these funds have been modeled based on what types of costs they cover (e.g., benefits or operations) as well as statutory formulas that define the size of Puerto Rico's allotment. For example, while Temporary Assistance for Needy Families (TANF) funds are typically pass-through (e.g., none of these funds go to operational costs), some Title I education funds are projected to be used for operational purposes (e.g., teachers' salaries, school supplies for programs for students with special needs, etc.). For the former, federal fund inflows and outflows mirror each other (as benefit needs decline, so do funds).

continue

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

For the latter, though inflows may decline, it does not necessarily mean expenditures decline as well – as expenditures are based on operations, not on benefits formulas, and the Commonwealth may have to cover operational expenditures via the General Fund should they outpace reduced federal funding. Meanwhile, while Head Start funds are allocated from the Federal Government based on the number of children living in poverty, NAP funds are provided through a block grant that is capped. The former, therefore, should change by population, while the latter should only grow with inflation, regardless of population changes.

Long-Term Macroeconomic, Revenue, and Expenditure Projections including PoA

On January 18, 2022, the U.S. District Court for the District of Puerto Rico confirmed an amended PoA to restructure approximately $35 billion of debt and other claims against the Commonwealth of Puerto Rico, the Public Buildings Authority (PBA), and the Employee Retirement System (ERS); and more than $50 billion of pension liabilities. The PoA creates a foundation for Puerto Rico's recovery and economic growth. It represents several years of engagement by the Oversight Board, creditor groups, and the Government of Puerto Rico. It provides one-time cash payments, the issuance of new debt and contingent value instruments (CVIs), among other things. In addition, the PoA provides certain Commonwealth employees with various benefits. For instance, AFSCME, who voted to support the PoA, will receive a new 5-year CBA which provides a number of contractual protections including healthcare, vacation and sick accruals, and specific actions that must be taken prior to any implementation of layoffs. AFSCME represented employees will also be eligible to participate in Fiscal Plan outperformance, with a guaranteed minimum bonus of $2,000 annually for the term of the 5-year CBA. The PoA also includes provisions to protect current and future retirees by creating a fiscally sustainable retirement system that freezes TRS and JRS pensions and establishing a pension reserve trust to provide increased confidence that future funding will be available to meet the promises made to retirees. The PoA provides for a more diverse retirement income by ensuring all Government employees are participating in the Act No. 106-2017 Defined Contribution program, enrolling teachers and judges in United States Social Security, restoring the System 2000 contributions made by employees to the individually owned Act No. 106-2017 accounts outside of Government control, and providing $2,600 to the Act No. 106-2017 accounts of active Act No. 1 / Act No. 447-1952 employees. For additional details on specific provisions included in the confirmed PoA, refer to the sixth modified eighth amended PoA for the Commonwealth of Puerto Rico.

Risks to the long-term projections in the 2022 Fiscal Plan. While the 2022 Fiscal Plan projects that ~$14.4 billion in surplus will be generated from FY2022-FY2048, there are several variables that have a material impact on the long-term financial projections. The extent to which the economic activity will recover from the COVID-19 pandemic impact and the time it will take to return to pre-pandemic levels remain highly uncertain and could prove to be narrower and longer-lasting than anticipated. Moreover, revenues could be compromised through lower growth generated by delays or failures to implement structural reforms, lower than expected federal funding, and/or less efficient spending on capital than projected. Both revenues and expenditures could be impacted by demographic shifts not yet seen on the Island or other external shocks or natural disasters. Finally, expenditures could be impacted if, once the Oversight Board is terminated, the Government reverses its focus on fiscal discipline and allows Government expenditures to increase.

19. 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, 2022:

- Statement No. 87, *Leases*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

continue

19. NEW ACCOUNTING STANDARDS – continuation

- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*
- Statement No. 99, *Omnibus 2022*

GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right-to-use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The Senate implemented GASB No. 87 with material impact on the basic financial statements (see Notes 2. 3), 6, 8, 13 and 17 for more information).

Statement No. 92, Omnibus 2020, addresses practice issues that were identified during implementation and application of certain GASB Statements. The Statement addresses a variety of topics including Leases, Intra-Entity Transfers of Assets, Assets Accumulated for Defined Benefit Postemployment Benefits, Fiduciary Activities, Asset Retirement Obligations, Reinsurance Recoveries, Nonrecurring Fair Value Measurements, and Derivative Instruments.

The adoption of Statement No. 92 had no significant impact on the Senate's current accounting practices nor its financial reporting.

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates (IBOR) such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for certain hedging derivative instruments. However, Statement No. 99, *Omnibus 2022*, discussed further below, offers an extension of the use of LIBOR which is effective immediately. Therefore, in accordance with both Statements 93 and 99, since LIBOR continues to be determined by the ICE Benchmark Administration using the methodology in place as of December 31, 2021, the use of LIBOR as the benchmark interest rate for a derivative instrument that hedges the interest rate risk of taxable debt is in force.

The adoption of Statement No. 93 had no impact on the Senate's current accounting practices nor its financial reporting.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, clarifies component unit criteria for a potential component unit in the absence of a governing board in determining financial accountability; limits the applicability of financial burden criteria in paragraph 7 of GASB Statement No. 84; and classifies Section 457 Deferred Compensation plans as either a pension plan or other employee benefit plan.

In Puerto Rico, with the issuance of 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. Accordingly, this Statement had no impact on the Senate's current accounting practices nor its financial reporting.

continue

19. NEW ACCOUNTING STANDARDS – continuation

Statement No. 99, Omnibus 2022, addresses practice issues that were identified during implementation and application of certain GASB Statements. The Statement addresses a variety of topics including the extension of the use of LIBOR, accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments as well as clarification of provisions in Statement No. 34 and terminology updates related to Statements No. 53 and 63. These requirements are effective upon issuance and had no material impact on the Senate's financial statements. The Senate has not completed the process of evaluating the remaining requirements of this Statement that is effective for subsequent fiscal years, but does not expect it to have an impact on its financials.

GASB No. 99 does not have any impact on the Senate's financial statements.

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

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

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer. (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntarily commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangement, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

continue

19. NEW ACCOUNTING STANDARDS – continuation

Issuers should not report those arrangements as leases, not should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflows of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

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

As per GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2021 (FY 2022-2023). Early application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

PPPS

This Statement requires that PPPs that meet the definition of a lease apply the guidance in Statement No. 87, Leases, as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of an SCA. This Statement provides accounting and financial reporting requirements for all other PPPs: those that either (1) meet the definition of an SCA or (2) are not within the scope of Statement 87, as amended (as clarified by this Statement).

continue

19. NEW ACCOUNTING STANDARDS – continuation

The PPP term is defined as the period during which an operator has a noncancelable right to use an underlying PPP asset, plus, if applicable, certain periods if it is reasonably certain, based on all relevant factors, that the transferor or the operator either will exercise an option to extend the PPP or will not exercise an option to terminate the PPP.

A transferor generally should recognize an underlying PPP asset as an asset in financial statements prepared using the economic resources measurement focus. However, in the case of an underlying PPP asset that is not owned by the transferor or is not the underlying asset of an SCA, a transferor should recognize a receivable measured based on the operator's estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership. In addition, a transferor should recognize a receivable for installment payments, if any, to be received from the operator in relation to the PPP. Measurement of a receivable for installment payments should be at the present value of the payments expected to be received during the PPP term. A transferor also should recognize a deferred inflow of resources for the consideration received or to be received by the transferor as part of the PPP. Revenue should be recognized by a transferor in a systematic and rational manner over the PPP term.

This Statement requires a transferor to recognize a receivable for installment payments and a deferred inflow of resources to account for a PPP in financial statements prepared using the current financial resources measurement focus. Governmental fund revenue would be recognized in a systematic and rational manner over the PPP term.

This Statement also provides specific guidance in financial statements prepared using the economic resources measurement focus for a government that is an operator in a PPP that either (1) meets the definition of an SCA or (2) is not within the scope of Statement No. 87, as amended (as clarified in this Statement). An operator should report an intangible right-to-use asset related to an underlying PPP asset that either is owned by the transferor or is the underlying asset of an SCA. Measurement of the right-to-use asset should be the amount of consideration to be provided to the transferor, plus any payments made to the transferor at or before the commencement of the PPP term, and certain direct costs. For an underlying PPP asset that is not owned by the transferor and is not the underlying asset of an SCA, an operator should recognize a liability measured based on the estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership. In addition, an operator should recognize a liability for installment payments, if any, to be made to the transferor in relation to the PPP. Measurement of a liability for installment payments should be at the present value of the payments expected to be made during the PPP term. An operator should also recognize a deferred outflow of resources for the consideration provided or to be provided to the transferor as part of the PPP. Expense should be recognized by an operator in a systematic and rational manner over the PPP term.

This Statement also requires a government to account for PPP and non-PPP components of a PPP as separate contracts. If a PPP involves multiple underlying assets, a transferor and an operator in certain cases should account for each underlying PPP asset as a separate PPP. To allocate the contract price to different components, a transferor and an operator should use contract prices for individual components as long as they do not appear to be unreasonable based on professional judgment or use professional judgment to determine their best estimate if there are no stated prices or if stated prices appear to be unreasonable. If determining the best estimate is not practicable, multiple components in a PPP should be accounted for as a single PPP.

This Statement also requires an amendment to a PPP to be considered a PPP modification, unless the operator's right to use the underlying PPP asset decreases, in which case it should be considered a partial or full PPP termination. A PPP termination should be accounted for by a transferor by reducing, as applicable, any receivable for installment payments or any receivable related to the transfer of ownership of the underlying PPP asset and by reducing the related deferred inflow of resources. An operator should account for a termination by reducing the carrying value of the right-to-use asset and, as applicable, any liability for installment payments or liability to transfer ownership of the underlying PPP asset. A PPP modification that does not qualify as a separate PPP should be accounted for by remeasuring PPP assets and liabilities.

continue

19. NEW ACCOUNTING STANDARDS – continuation

APAS

An APA that is related to designing, constructing, and financing a nonfinancial asset in which ownership of the asset transfers by the end of the contract should be accounted for by a government as a financed purchase of the underlying nonfinancial asset. This Statement requires a government that engaged in an APA that contains multiple components to recognize each component as a separate arrangement. An APA that is related to operating or maintaining a nonfinancial asset should be reported by a government as an outflow of resources in the period to which payments relate.

As per GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after June 15, 2022 (FY 2022-2023). Early application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which a government has a noncancelable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government of SBITA vendor will *not* exercise that option).

Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, --which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in a subsequent financial reporting periods.

The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before commencement of the subscription term. A government should recognize amortization of the subscription asset as an outflow of resources over the subscription term.

Activities associated with a SBITA, other than making subscription payments, should be grouped into the following three stages, and their costs should be accounted for accordingly:

- Preliminary Project Stage, including activities such as evaluating alternatives, determining needed technology, and selecting a SBITA vendor. Outlays in this stage should be expensed as incurred.

continue

19. NEW ACCOUNTING STANDARDS – continuation

- Initial Implementation Stage, including all ancillary charges necessary to place the subscription asset into service. Outlays in this stage generally should be capitalized as an addition to the subscription asset.
- Operation and Additional Implementation Stage, including activities such as subsequent implementation activities, maintenance, and other activities for a government's ongoing operations related to SBITA. Outlays in this stage should be expensed as incurred unless they meet specific capitalization criteria.

  In classifying certain outlays into the appropriate stage, the nature of the activity should be the determining factor. Training costs should be expensed as incurred, regardless of the state in which they are incurred.

  If a SBITA contract contains multiple components, a government should account for each component as a separate SBITA or no subscription component and allocate the contract price to the different components. If it is not practicable to determine the best estimate for price allocation for some or all components in the contract, a government should account for those components as a single SBITA.

This Statement provides an exception for short-term SBITAs. Short-term SBITAs have a maximum possible term under the SBITA contract if 12 months (or less), including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs should be recognized as outflows of resources.

This Statement requires a government to disclose descriptive information abouts its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022 (FY 2022-2023), and all reporting periods thereafter. Earlier application is encouraged. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

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

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability

continue

19. NEW ACCOUNTING STANDARDS – continuation

- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government
- Clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements
- Terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position
- Terminology used in Statement 53 to refer to resource flows statements.

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 leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

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

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

continue

19. NEW ACCOUNTING STANDARDS – continuation

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

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

GASB Statement No. 101, *Compensated Absences*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

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.

continue

19. NEW ACCOUNTING STANDARDS – continuation

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.

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.

Implementation Guide No. 2020-1, *Implementation Guidance Update—2020*

The requirements of this Implementation Guide are effective as follows:

Questions 4.1–4.5, 4.18, and 5.3 for reporting periods beginning after June 15, 2021 (FY 2021-2022)
Questions 4.6–4.17 for fiscal years beginning after December 15, 2021 (FY 2022-2023), and all reporting periods thereafter
Questions 4.19–4.21 for reporting periods beginning after December 15, 2021 (FY 2022-2023)
Questions 5.1, 5.2, 5.4, and 5.5 for fiscal years beginning after June 15, 2021 (FY 2021-2022)
The provisions of paragraph 6 are effective immediately.

Earlier application is encouraged if the pronouncement addressed by the question and answer has been implemented.

Implementation Guide No. 2021-1, *Implementation Guidance Update—2021*

The requirements of this Implementation Guide are effective as follows:

Questions 4.1–4.3, 4.23, and 5.2–5.4 and the supersession of Questions Z.51.4–Z.51.7 in Implementation Guide 2015-1 for reporting periods beginning after June 15, 2022 (FY 2022-2023)
Questions 4.4–4.21 for fiscal years beginning after June 15, 2022 (FY 2022-2023), and all reporting periods thereafter
Question 4.22 for fiscal years beginning after June 15, 2021 (FY 2021-2022)
Question 5.1 for reporting periods beginning after June 15, 2023 (FY 2023-2024).

Earlier application is encouraged if the pronouncement addressed by the question and answer has been implemented.

The Senate has not yet determined the effect these statements will have on the basic financial statements.

continue

20. SUBSEQUENT EVENTS

Management believes that the following events should be disclosed:

PROMESA

2023 Fiscal Plan for Puerto Rico

In accordance with the provisions described on Note 18 of the basic financial statements, the Oversight Board approved on April 3, 2023 the Fiscal Plan as prepared by the Oversight Board.

Management has evaluated subsequent events through June 13, 2023 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 statement or its notes.

END OF NOTES

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2022

Required Supplementary Information

(Unaudited)

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	Budget Amounts		Actual Amounts	
	Original	Final	(Budgetary Basis)	Variance
REVENUES:				
Intergovernmental	$ 26,917,205	$ 26,917,205	$ 26,917,205	$ -
Total Revenues	26,917,205	26,917,205	26,917,205	-
EXPENDITURES:				
Current:				
General Government - Administrative and Operating Activities	26,704,650	26,704,650	20,493,276	6,211,374
Debt Service - Principal & Interest	212,555	212,555	212,555	-
Total Expenditures	26,917,205	26,917,205	20,705,831	6,211,374
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ -	$ -	$ 6,211,374	$ 6,211,374

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, 2022 is presented below:

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

	General Fund
Sources/Inflows of Resources:	
Actual Amounts (Budgetary Basis) "Available for Appropriation" from the Budgetary Comparison Schedule (See Page 112)	$ 26,917,205
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 53)	$ 26,917,205
Uses/Outflows of Resources:	
Actual Amounts (Budgetary Basis) "Total Charges to Appropriation" from the Budgetary Comparison Schedule (See Page 112)	$ 20,705,831
Difference – Budget to GAAP:	
Non budgetary items – Expenditures of Savings Fund	2,829,481
Total Expenditures as Reported on the Statement of Governmental Funds Revenues, Expenditures and Changes in Fund Balance (See Page 53)	$ 23,535,312

Note: Non budgetary items - expenditures of savings funds are included as part of General Fund.

END OF THIS SECTION

See Independent Auditor's Report and Notes to the Schedule of Revenues and Expenditures – Budget to Actual – General Fund.

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 annual appropriated budget for the fiscal year ended June 30, 2022 was $27,539,267. In addition, the amount of $245,980 were appropriated for Special Assignments.

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.

NOTE B – PROMESA

As per Confirmation Order of approval of Plan of Adjustment of Debts of the Government of Puerto Rico (PAD) dated January 18, 2020, the paragraph 25 establishes the following:

"25. Government Action. From the Effective Date up to an including the satisfaction of the New GO Bonds and the CVIs in accordance with their respective terms, (a) pursuant to Bankruptcy Code section 1142(b), the Government of Puerto Rico, including, without limitation,, any Entity or Person acting for or on behalf thereof, shall take any and all actions necessary to consummate the transactions contemplated by the Plan, (b) the Puerto Rico Department of Treasury and AAFAF, as applicable, are authorized and directed, notwithstanding any requirements of Puerto Rico law, to execute any and all agreements necessary for the implementation of the Plan and to make any payments required thereunder, and (c) pursuant to section 108(a)(2) of PROMESA, no party, individual, official, or officer (elected or appointed), agency, or Entity shall enact, adopt, or implement any law, rule regulation, or policy that (i) impedes, financially or otherwise, consummation and implementation of the transactions contemplated by the Plan, including, but not limited to, those contemplated pursuant to the New GO Bonds Indenture and the CVI Indenture, or (ii) creates any inconsistency in any manner, amount, or event between the terms and provisions of the Plan or a Fiscal Plan certified by the Oversight Board, each of which actions has been determined by the Oversight Board to impair or defeat the purposes of PROMESA. To the maximum extent permitted by law, the Government of Puerto Rico, including, without limitation, any Entity or Person acting for or on behalf thereof, is directed to take any and all actions necessary to consummate the transactions contemplated by the Plan. Without in any way limiting the foregoing, on the earlier to occur of (y) the Effective Date and (z) within forty-five (45) days from and after the date hereof, the agencies and instrumentalities set forth on Exhibit D hereto are directed to transfer the funds and the proceeds of liquid securities held on account and set forth on Exhibit D hereto to the Puerto Rico Treasury Single Account, provided, however, that Exhibit D hereto may be amended during the period up to and including thirty (30) days from the date hereof upon the agreement of the Oversight Board and AAFAF and, to the extent amended, the Oversight Board shall file an informative motion with the Title III Court with respect thereto."

continue

NOTE B – PROMESA (continuation)

Accordingly, the Fiscal Agency and Financial Advisory Authority (FAFAA), the Treasury Department (TD) and the Office of Management and Budget (OMB) of the Government of Puerto Rico issued the Joint Circular Letter AAFAF/DH/OGP No. 2022-01 dated January 27, 2022, under Title III of PROMESA, several government entities, including the Senate of Puerto Rico, have to transfer the balances in the Bank Accounts as of June 30, 2021 to the Operational Account of the Secretary of the Treasury ("Treasury Single Account" or TSA), on or before "February 11, 2022", in order to comply with the implementation of the PAD by March 15, 2022. The amounts indicated in Exhibit D amount to $9.0 million.

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

	2022	2021	2020	2019	2018
Proportion of theTotal Pension Liability *	0.29747%	0.31129%	0.31545%	0.32262%	0.32262%
Proportionate Share of the Collective Total Pension Liability	$ 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
Proportionate Share of the Collective Total Pension Liability as Percentage of Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

* The amounts presented have a measument 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 Senate transtitioned from GASB Statement No. 68 to GASB Statement No. 73 as a result of the PayGo implementation. This schedule is required to ilustrate 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.

	2022	2021	2020	2019	2018	2017
Proportion of Total Other Post-Employment Benefit Liability *	$ 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	0.24328%	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
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

Notes to Schedule:

* The amounts presented have a measument 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 ilustrate 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.

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 30th.

3. On August 23, 2017, was enacted the Act No. 106, known as the "Act to Guarantee Payment to Our Retirees and Establish a New Plan for Defined Contributions for Public Employees". This Act determined and declared that the ERS, JRS and TRS are in a financial emergency. Also, by this Act is hereby created the Account for the Payment of Accumulated Pensions, a trust account, separated from the general assets and accounts of the Government, designated to pay the Accumulated Pensions by the ERS, JRS and TRS under the "*Pay-As-You-Go*" scheme, as established in Chapter 2 of this Act. Once Retirement Systems exhaust their assets, the Accumulated Pension Payment Account, which will be largely nourished by the General Fund, as provided in this Act, will assume and guarantee the payment of the Accumulated Pensions as established in this Act. However, the Municipalities, the Legislative Branch, the Public Corporations, the Government and the Administration of the Courts will be obliged to pay the "Pay-Go" Charge as appropriate to each one to nurture the Account for the Payment of the Accumulated Pensions.

END OF NOTES

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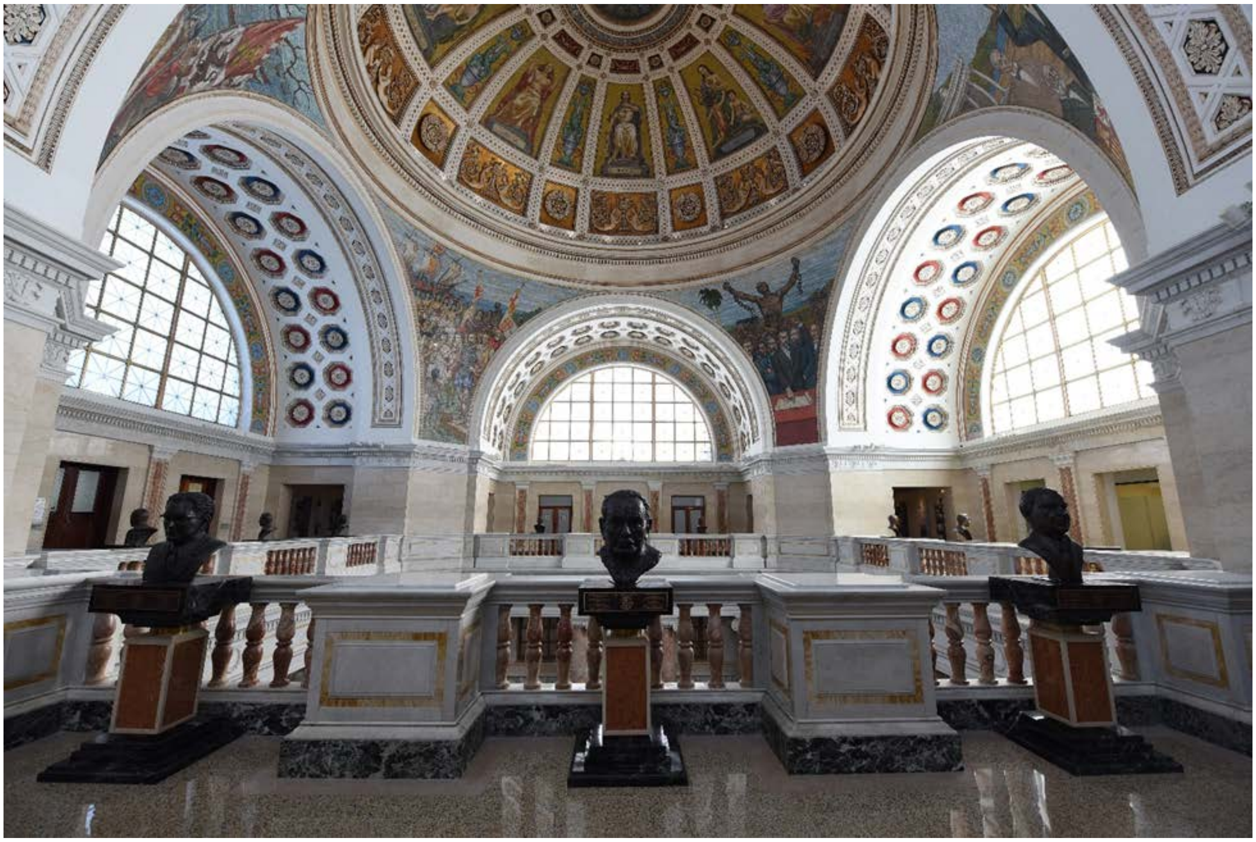

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2022

Statistical Section

(Unaudited)

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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 schedules 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:

	Page
Financial Trends Information	
These schedules contain trend information to help the reader understand how the Senate's financial performance and well-being have changed over time.	121-125
Debt Capacity	
These schedules present information to help the reader understand the Senate's levels of debt.	126
Revenue Capacity Information	
This schedule contains information to help the reader assess the Senate most significant revenue source, legislative appropriations.	127
Demographic and Economic Information	
This schedule offers demographic and economic indicators to help the reader understand the environment within the Senate financial activities take place.	128
Operating Information	
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.	129

Net Position (Deficit)	2022	Restated 2021	Restated 2020	2019	Restated 2018	2017	Restated 2016	Restated 2015	Restated 2014	2013
Invested in Capital Assets	$ 836,955	$ 985,121	$ 1,244,046	$ 1,722,328	$ 2,365,705	$ 2,042,529	$ 1,430,417	$ 1,112,707	$ 1,070,432	$ 864,311
Restricted	196,349	158,567	307,585	232,772	213,307	179,751	172,915	310,712	362,720	112,709
Unrestricted (Deficit)	(70,964,049)	(75,339,900)	(81,160,060)	(24,466,101)	(21,271,138)	(20,937,489)	(27,092,834)	(24,596,613)	(21,588,611)	8,051,160
Total Net Position (Deficit)	$ (69,930,745)	$ (74,196,212)	$ (79,608,429)	$ (22,511,001)	$ (18,692,126)	$ (18,715,209)	$ (25,489,502)	$ (23,173,194)	$ (20,155,459)	$ 9,028,180

	2022	2021	2020	2019	Restated 2018	2017	Restated 2016	Restated 2015	Restated 2014	2013
Revenues										
Legislative Appropriations	$ 26,917,205	$ 27,539,267	$ 26,001,000	$ 30,614,000	$ 39,355,000	$ 40,704,000	$ 40,204,000	$ 40,492,880	$ 44,122,600	$ 44,122,600
Special Legislative Assignments	360,429	245,980	5,548,839	5,983,205	1,626,000	3,085,635	370,973	31,795	10,872	1,660,805
Other Revenues	936,000	-	414,795	77,165	169,155	19,942	-	-	-	1,114
Total Revenues	28,213,634	27,785,247	31,964,634	36,674,370	41,150,155	43,809,577	40,574,973	40,524,675	44,133,472	45,784,519
Expenses										
Government Actitivies	24,793,959	26,511,362	37,324,285	40,493,245	41,941,479	35,462,026	42,891,281	43,542,410	39,055,434	43,766,452
Transfers, Net	-	-	-	-	814,407	(1,573,258)	-	-	-	-
Total Change in Net Position	$ 3,419,675	$ 1,273,885	$ (5,359,651)	$ (3,818,875)	$ 23,083	$ 6,774,293	$ (2,316,308)	$ (3,017,735)	$ 5,078,038	$ 2,018,067

General Fund	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Fund Balance										
Nonspendable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Restricted	196,349	158,567	307,585	232,772	213,307	179,751	172,915	310,712	362,720	112,109
Unassigned	11,450,604	8,068,711	7,924,463	12,492,429	16,615,614	14,838,186	11,308,866	14,754,004	17,781,953	12,402,821
Total General Fund Balance	$ 11,646,953	$ 8,227,278	$ 8,232,048	$ 12,725,201	$ 16,828,921	$ 15,017,937	$ 11,481,781	$ 15,064,716	$ 18,144,673	$ 12,514,930

Governmental Activities	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenues										
Legislature Appropriations	$ 26,917,205	$ 27,539,267	$ 26,001,000	$ 30,614,000	$ 39,355,000	$ 40,704,000	$ 40,204,000	$ 40,492,880	$ 44,122,600	$ 44,122,600
Special Legislative Assignement	360,429	245,980	5,548,839	5,983,205	1,626,000	2,550,000	-	-	-	1,660,805
Other	936,000	-	414,795	77,165	169,155	364,273	43,485	31,795	10,872	1,114
Total Revenues	28,213,634	27,785,247	31,964,634	36,674,370	41,150,155	43,618,273	40,247,485	40,524,675	44,133,472	45,784,519
Expenditures										
Governmental Activities	24,793,959	27,790,017	36,457,787	40,778,090	39,339,171	38,508,859	43,830,420	43,604,632	38,504,329	44,247,757
Excess (Deficiency) of Revenues Over Expenditures	3,419,675	(4,770)	(4,493,153)	(4,103,720)	1,810,984	5,109,414	(3,582,935)	(3,079,957)	5,629,143	1,536,762
Other Financing Sources (Uses)										
Transfer - In	-	995,000	-	-	-	-	-	-	-	-
Transfer - Out	-	(995,000)	-	-	-	(1,573,258)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	(1,573,258)	-	-	-	-
Net Change in Fund Balance	$ 3,419,675	$ (4,770)	$ (4,493,153)	$ (4,103,720)	$ 1,810,984	$ 3,536,156	$ (3,582,935)	$ (3,079,957)	$ 5,629,143	$ 1,536,762
Debt Service as Percentage of Noncapital Expenditures	0.86%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Governmental Activities	2022	2021	Restated 2020	2019	2018	2017	2016	2015	2014	2013
Captial Assets										
Capital Assets, Not Being Depreciated:										
Works of Arts and Historic Treasures	$ 61,750	$ 61,750	$ 61,750	$ 61,750	$ 58,000	$ 25,000	$ -	$ -	$ -	$ -
Capital Assets, Being Depreciated:										
Equipment	1,323,980	1,308,483	1,269,743	1,480,758	1,528,074	1,505,592	1,283,740	1,408,460	1,537,380	1,605,364
Computer Equipment and Software	1,701,823	1,586,327	1,586,327	2,095,748	2,226,037	2,218,748	1,879,610	1,649,883	1,653,499	1,776,616
Furniture	2,055,720	2,108,863	2,108,863	2,180,353	2,310,294	1,591,507	1,415,671	1,460,436	1,686,563	1,582,708
Vehicles	896,189	896,189	818,889	818,889	828,042	797,073	847,385	805,052	925,093	750,510
Right-To-Use Equipment	455,729	-	-	-	-	-	-	-	-	-
Total Capital Assets	6,495,191	5,961,612	5,845,572	6,637,498	6,950,447	6,137,920	5,426,406	5,323,831	5,802,535	5,715,198
Less: Accumulated Depreciation/Amortization										
Equipment	(1,234,057)	(1,169,585)	(1,057,016)	(1,171,665)	(1,117,749)	(1,045,381)	(961,221)	(1,209,700)	(1,378,696)	(1,448,508)
Computer Equipment and Software	(1,575,503)	(1,523,008)	(1,456,458)	(1,813,483)	(1,623,582)	(1,471,646)	(1,330,555)	(1,234,588)	(1,274,379)	(1,326,070)
Furniture	(1,613,383)	(1,536,085)	(1,395,750)	(1,307,555)	(1,277,357)	(1,162,407)	(1,136,061)	(1,187,889)	(1,397,425)	(1,390,146)
Vehicles	(774,857)	(747,813)	(692,302)	(622,467)	(566,054)	(415,957)	(568,152)	(578,947)	(681,603)	(686,163)
Right-To-Use Equipment	(202,546)	-	-	-	-	-	-	-	-	-
Total Accumulated Depreciation/Amortization	(5,400,346)	(4,976,491)	(4,601,526)	(4,915,170)	(4,584,742)	(4,095,391)	(3,995,989)	(4,211,124)	(4,732,103)	(4,850,887)
Total Capital Assets, Net	$ 1,094,845	$ 985,121	$ 1,244,046	$ 1,722,328	$ 2,365,705	$ 2,042,529	$ 1,430,417	$ 1,112,707	$ 1,070,432	$ 864,311

Obligations:	2022	Restated 2021	Restated 2020*	2019	2018	2017	2016	2015	2014	2013
Accrued Compensated Absences	$ 3,911,500	$ 3,370,917	$ 4,113,306	$ 3,908,966	$ 5,227,189	$ 4,668,855	$ 5,829,019	$ 5,267,559	$ 4,860,538	$ 4,685,750
Leases Liability (Intangible Right-To-Use)	257,890	455,729	-	-	-	-	-	-	-	-
Others	332,240	137,501	-	-	-	-	-	-	-	-
Total Pension Liability	80,866,391	87,377,694	75,052,980	75,052,980 *	-	-	-	-	-	-
Total OPEB Liability	1,941,667	2,155,134	2,066,612	2,156,218 **	-	-	-	-	-	-
Total Obligations	$ 87,309,688	$ 93,496,975	$ 81,232,898	$ 81,118,164	$ 5,227,189	$ 4,668,855	$ 5,829,019	$ 5,267,559	$ 4,860,538	$ 4,685,750

* As Restated Implementation GASB No. 73
* Implementation of GASB No. 75

Governmental Activities	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenues										
Legislature Appropriations	$ 26,917,205	$ 27,539,267	$ 26,001,000	$ 30,614,000	$ 39,355,000	$ 40,704,000	$ 40,204,000	$ 40,492,880	$ 44,122,600	$ 44,122,600
Special Legislative Assignement	360,429	245,980	1,346,500	1,626,000	1,626,000	3,085,635	370,973	31,795	10,872	1,660,805
Other Revenues	936,000	245,980	1,346,500	1,626,000	1,626,000	3,085,635	370,973	31,795	10,872	1,660,805
Total Legislature Appropriations	$ 28,213,634	$ 27,785,247	$ 27,347,500	$ 32,240,000	$ 40,981,000	$ 43,789,635	$ 40,574,973	$ 40,524,675	$ 44,133,472	$ 45,783,405

FOR THE LAST TEN FISCAL YEARS
PRIMARY GOVERNMENT

Fiscal Year	Population (In Thousands)	Personal Income (In Thousands)	Per Capita	Inflation Rate	Employment (In Thousands)	Unemployment Rate
2022p	3,386 p	69,730 p	12,805	2.1%	962	6.7%
2021p	3,264 p	67,610 p	25,332	3.3%	980	8.1%
2020p	3,386 p	69,730 p	12,805	2.1%	986	8.5%
2019p	3,194 p	61,129 p	21,015	0.5%	986	8.5%
2018	3,259 r	62,166 r	21,526	1.6%	971	10.3%
2017	3,366 r	53,738 r	19,140	0.6% r	982 r	11.5%
2016	3,440	51,769 r	18,485	-0.2% r	989 r	11.8%
2015	3,504	56,405	18,195	-0.3%	977 r	12.8%
2014	3,564	54,899	17,709	0.9%	987 r	14.4%
2013	3,614	55,035	17,753	0.9%	1,012	14.0%

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Legislators	27	27	31	31	31	31	27	27	27	27
Number of Employees by Function:										
Legislative	167	142	187	208	324	324	272	301	322	267
Administrative	238	212	248	316	239	239	304	302	296	291
Total Employees	405	354	435	524	563	563	576	603	618	558
Legislative Sessions:										
Number of Days	68	69	68	75	75	53	67	73	77	120
Legislative Bills	448	522	956	891	926	583	274	693	1,601	1,643
Number of Commissions Hearings	430	252	658	886	759	668	659	713	782	948
Enacted Laws	73	72	38	38	89	38	110	154	110	114
	(a)	(a)	(a)							

Note (a): Preliminary

END OF SECTION

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2022

Glossary

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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 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.

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 that 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.

Active Employees – Individuals employed at the end of the reporting or measurement period, as applicable.

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".

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.

continue

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.

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 appropriated 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.

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.

Assessed Valuation – A valuation set upon real estate or other property by a government as a basis for levying taxes.

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.

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.

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 – In the context of a financial audit, a statement by the auditor describing the scope of the audit and the auditing standards applied in the examination and setting forth the auditor's opinion on the fairness of presentation of the financial information in conformity with GAAP or some other comprehensive basis of accounting.

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.

Balance Sheet – The financial statement disclosing the assets, liabilities, and equity of an entity at a specified date in conformity with GAAP.

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 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 or the accrual method.

Benefits – Payments to which participants may be entitled under a pension plan, including pension benefits, death benefits and benefits due on termination of employment.

continue

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 finally approved by that body.

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 CAFR 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 equipment, buildings, and improvements other than buildings; land; infrastructure; and intangible assets. 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.

Cash – In the context of cash flows reporting, not only currency on 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 – A basis of accounting under which transactions are recognized only when cash is received or 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 is 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.

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 ACFRs and to provide technical assistance and peer recognition to the finance officers preparing them.

continue

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.

Annual Comprehensive Financial Report (ACFR) – An ACFR is a financial report that encompasses all funds and component units of the government. It contains (1) the basic financial statements and required supplementary information, (2) combining statements to support columns in the basic financial statements that aggregate information from more than one fund or component unit, and (3) individual fund statements as needed. It is the governmental unit's official annual report and it also contains introductory information, schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, and statistical data.

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 prescribe 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.

continue

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 Rick 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 whit 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.

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.

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.

continue

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 wasting 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 focus under 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.

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.

continue

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.*

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.

Expenditures – 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 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.

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.

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).

continue

Financial Section – One of the three basic sections of a CAFR. 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.

Fiscal Agent – A fiduciary agent, usually a bank or county treasurer, who performs the function of paying debt principal and interest when due.

Fund – 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 carry on 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.

continue

Fund Financial Statements – Basic financial statements presented on the basis of funds. Term used in contrast with *government-wide financial statements*.

Fund Type – Any one of seven categories into which all funds are classified in governmental accounting. The seven fund types are: general, special revenue, debt service, capital projects, enterprise, internal service, and trust and agency.

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.

General Fund – 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) – The conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements. The various sources of GAAP for state and local governments are set forth by Statement of Accounting Standards (SAS) No. 69, *The Meaning of "Present Fairly in Conformity with Generally Accepted Accounting Principles" in the Independent Auditor's Report.*

Generally Accepted Auditing Standards (GAAS) – Rules and procedures that govern the conduct of a financial audit.

Generally Accepted Governmental Auditing Standards (GAGAS) – Standards for the conduct and reporting of both financial and performance audits in the public sector promulgated by the Government Accountability Office (GAO) through its publication *Government Auditing Standards (GAS)*, commonly known as the "Yellow Book".

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).

continue

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.

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.

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 the 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.

continue

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.

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 CAFR. 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 occur 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.

continue

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.

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.

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 funds 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.

continue

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 OPEB Liability – The liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit OPEB plan that is administered through a trust that meets the criteria of GASB Statement No. 75.

Net Pension Liability (NPL) – The liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit pension plan.

Net Pension Obligation (NPO) – The standardized measure of funding status and progress required by the GASB to be disclosed in the notes to the financial statements. It is the actuarial present value of credited projected benefits, prorated on service and is counted at a rate equal to the expected return on present and future plan assets.

Net Position – The residual of all other financial statement elements presented in a Statement of Financial Position.

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.

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.

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 category is limited to items so 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.

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.

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.

continue

Pension Benefits – Retirement income and all other benefits, including disability benefits, death benefits, life insurance, and other ancillary benefits, except healthcare benefits, that 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 Expense – Pension expense 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.

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 ACFR/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.

continue

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 in 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.

Statistical Section – One of three basic components of a ACFR, 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, that 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.

continue

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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SENATE

COMMONWEALTH OF PUERTO RICO

19TH LEGISLATIVE ASSEMBLY

Senate

of the Commonwealth of Puerto Rico

SINGLE AUDIT REPORT

For the Fiscal Year Ended June 30, 2022

SENATE OF THE COMMONWEALTH OF PUERTO RICO

SINGLE AUDIT REPORT

FISCAL YEAR ENDED JUNE 30, 2022

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of 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, 2022, and the related notes to the financial statements, which collectively comprise the Senate's basic financial statements, and have issued our report thereon dated June 13, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

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

Yauco, Puerto Rico
June 13, 2023

Stamp #E508251 was affixed to
the original report

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Senate of the Commonwealth of Puerto Rico (the Senate)'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Senate's major federal programs for the year ended June 30, 2022. The Senate's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise the Senate's basic financial statements. We issued our report thereon dated June 13, 2023, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform

Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of This Report

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

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

Yauco, Puerto Rico
June 13, 2023

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the original report

SENATE OF THE COMMONWEALTH OF PUERTO RICO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	*Federal Assistance Listing Number*	*Pass-Through Entity Identifying Number*	*Passed-Through to Subrecipients*	*Total Federal Expenditures*
U.S DEPARTMENT OF TREASURY PROGRAMS:				
Puerto Rico Office of Management and Budget - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	$ -	$ 936,000
Total U.S. Department of Treasury Programs			-	936,000
Total Expenditures of Federal Awards			**$ -**	**$ 936,000**

The accompanying notes are an integral part of this schedule.

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal grant activities of the Senate of the Commonwealth of Puerto Rico (Senate) under programs of the Federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Senate, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Senate.

The Senate reporting entity is defined in Note 1 to the basic financial statements. All federal financial awards received directly from Federal agency as well as Federal financial awards passed-through other government agencies, if any, are included on the Schedule.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

B. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

C. Pass-through entity identifying numbers are presented where available and applicable.

D. The Senate has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. SCHEDULE NOT IN AGREEMENT WITH OTHER FEDERAL AWARD REPORTING

The information included in the Schedule may not fully agree with other Federal award reports submitted directly to Federal granting agencies.

4. ASSISTANCE LISTING NUMBER

The Assistance Listing Number, formerly known as the Catalog of Federal Domestic Assistance (CFDA) Number, is a five-digit number assigned in the awarding document for all Federal assistance award mechanisms, including Federal grants and cooperative agreements.

5. RELATIONSHIP TO STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND

Expenditures of federal awards are reported in the Senate’s *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* as follows: ARPA Fund column.

END OF NOTES

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued:

- [X] Unmodified Opinion– All Opinion Units
- [ ] Qualified Opinion– on Government-Wide Financial Statements
- [ ] Adverse Opinion
- [ ] Disclaimer

Internal control over financial reporting:

- Significant deficiency identified? [ ] Yes [X] No
- Material weakness (es) identified? [ ] Yes [X] No

Noncompliance material to financial statements noted? [ ] Yes [X] No

Federal Awards

Internal control over major programs:

- Significant deficiency identified? [ ] Yes [X] No
- Material weakness (es) identified? [ ] Yes [X] No

Type of auditor's report issued on compliance for Major Programs:

- [X] Unqualified Opinion
- [ ] Qualified Opinion
- [ ] Adverse Opinion
- [ ] Disclaimer

Any audit finding disclosed that are required to be reported in accordance with2CFR§200.516(a)? [ ] Yes [X] No

Identification of Major Programs:

Assistance Listing Number	Name of Federal Program or Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B Programs: $750,000

Auditee qualified as low-risk auditee? [ ] Yes [X] No

END OF SECTION

SECTION II – FINANCIAL STATEMENTS FINDINGS

None.

END OF SECTION

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

END OF SECTION

Fiscal Year	Finding Number	Finding	Assistance Listing Number	Questioned Costs (s)	Comments

(1) Prior Audit Findings, fully corrected or not noted during our audit:

None.

(2) Prior Audit Findings, not corrected or partially corrected:

None.

(3) Corrective action taken is significantly different from corrective action previously reported:

None.

(4) Prior Audit Findings, are no longer valid:

None.

END OF SCHEDULE