SUPERINTENDENCE OF THE CAPITOL BUILDING

(An Office of the Legislature of the Commonwealth of Puerto Rico)

Basic Financial Statements
and Required Supplementary Information

June 30, 2022

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CAPITOLINO

SUPERINTENDENCE OF THE CAPITOL BUILDING
(An Office of the Legislature of the Commonwealth of Puerto Rico

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BETANCOURT & CO PSC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Superintendent
Mr. Cesar Hernandez Alfonzo
Superintendence of the Capitol Building
San Juan, Puerto Rico

Report on the Audit of the Financial Statements

Unmodified Opinions

We have audited the financial statements of the governmental activities, each major fund information, of the **Superintendence** of the Capitol Building of Puerto Rico, as of and for the year ended June 30, 2022, and the related Notes to the Financial Statements, which collectively comprise the Superintendence's Basic Financial Statements as listed in the Table of Contents.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
General Fund	Unmodified
Capital Projects Fund	Unmodified
Coronavirus State and Local Fiscal Recovery Fund	Unmodified
COVID-19 Coronavirus Relief Fund	Unmodified

Unmodified Opinions of Governmental Activities and Each Major Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund information, of the **Superintendence** of the Capitol Building 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 Unmodified Opinions

We conducted our audit in accordance with Auditing Standards Generally Accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the **Superintendence**, 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 unmodified audit opinions.

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INDEPENDENT AUDITOR'S REPORT

(Continued)

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 **Superintendence** of the Capitol Building of Puerto Rico ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with Generally Accepted Auditing Standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are 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 **Superintendence** of the Capitol Building of Puerto Rico 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 **Superintendence**'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.

INDEPENDENT AUDITOR'S REPORT
(continued)

Required Supplementary Information Omitted

The Superintendence has omitted historical information related to GASB Statement No. 73 and GASB Statement No. 75, information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Boards who considers it to be an essential part of the financial reporting for placing the Basic Financial Statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this omitted or missing information.

Required Supplementary Information

Accounting Principles Generally Accepted in the United States of America require that the Management's Discussion and Analysis, on pages 5-10, Schedule of Revenues and Expenditures – Budget and Actual – General Fund information on pages 59-61, 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 related to Management's Discussion and Analysis, and Budgetary Comparison Information in accordance with Auditing Standards Generally Accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the Basic Financial Statements, and other knowledge we obtained during our audit of the Basic Financial Statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. We were unable to apply certain limited procedures to the required supplementary information related to employees' retirement systems information and employees' other postemployment benefits information applicable to the Superintendence, in accordance with Auditing Standards Generally Accepted in the United States of America. We do not express an opinion or provide any assurance on the information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the Financial Statements that collectively comprise the Superintendence's Basic Financial Statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Award, on pages 62 through 64, is presented for purposes of additional analysis and is not required parts 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 Basic 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 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 the Federal Awards is fairly stated, in all material respects, in relation to the Basic Financial Statements as a whole.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Report Required by Governmental Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 15, 2023, on our consideration of the Superintendence's internal control over financial reporting on our test of its compliance with certain provisions of Laws, regulations, contracts and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in consideration of Superintendence's internal control over financial reporting and compliance.

BETANCOURT & CO PSC
San Juan, Puerto Rico
August 15, 2023

Stamp No. E546093 of Puerto Rico Society
of Certified Public Accountants has been affixed
to the original of report

Management's Discussion and Analysis

Management of the Superintendence of the Capitol Building ("The Superintendence") provides this Management's Discussion and Analysis ("MD&A") as a narrative overview and analysis of the financial activities of the Superintendence for the fiscal year ended June 30, 2022, The MD&A is designed to: (a) assist the reader in focusing on significant financial matters; (b) provide an overview of the Superintendence's financial activities; (c) identity any material changes from the original budget; and (d) highlight individual fund matters. Since the MD&A is designed to focus on the current year activities, we encourage readers to review this information together with the Superintendence's Basic Financial Statements that follow.

Financial Highlights

Government-Wide Financial Statements

- The Superintendence's Net Position increased by $11,002,889 during the fiscal year and amounted to $87,768,205 at June 30, 2022.

- The total assets of the Superintendence increased by $9,964,063 during the fiscal year. This fluctuation is mainly attributable to the increase in current assets by $11,547,957 and the net decrease in capital assets of ($1,583,894).

- The total liabilities of the Superintendence amounted in fiscal year 2022 to $17,657,177 and it's mainly comprised of the accrual required under GASB No. 34 for compensated absences, accrual required under GASB No. 75 and accrual required under GASB No. 73 for pension liability in the amount of $432,609, $319,409 and $11,404,722 respectively, which represent 65% of total liabilities. The Superintendence has the resources to meet its ongoing obligations, based on the budget assigned by the Legislature, including the liabilities for accrued vacations and sick leave.

Fund Financial Statements

- The total fund balance of the Superintendence's general fund (the primary operating fund) reflected, on a current financial resource's basis, increase of $12,325,731 during the fiscal year and therefore final fund balance amounted to $7,505,764 at June 30, 2022.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Superintendence's Basic Financial Statements. The Superintendence's Basic Financial Statements are comprised of three components: (1) Government-Wide Financial Statements; (2) Fund Financial Statements; and (3) Notes to the Basic Financial Statements. This report also contains required supplementary information (Schedule of Revenues and Expenditures- Budget to Actual- General Fund). These components are described below.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (Continued)

Government-Wide Financial Statements

The Government-Wide Financial Statements are designed to provide users of the Basic Financial Statements with a broad overview of the Superintendence'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. This basically means they follow methods that are similar to those used by most businesses. These statements present short and long-term information about the Superintendence's financial position, which assists in assessing the Superintendence's economic condition at the end of the year. The Government-Wide Financial Statements include two statements:

- ***Statement of Net Position***- This presents all of the Superintendence's assets and liabilities, and their difference reported as net position. Fluctuations in Net Position may serve as a useful indicator of whether the financial position of the Superintendence is improving or deteriorating.

- ***Statement of Activities*** - This presents information showing how the Superintendence's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the Statement of Activities for some items that will only result in cash flows in future fiscal periods.

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 Superintendence, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The fund financial statements focus on individual parts of the Superintendence and report the operations in more detail than the Government-Wide Financial Statements.

- ***Governmental Funds Financial Statements*** **-** 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 spendable resources. They also focus on the balances of spendable resources at the end of the fiscal year. Such information is useful in evaluating the Superintendence's near-term financial requirements. This approach is known as using the flow of the current financial resource's measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the Superintendence that assists in determining whether there will be adequate financial resources available to meet the current needs of the Superintendence.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

> 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 funds 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 Superintendence's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances (deficit) provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Superintendence has two major governmental funds. separate column in the governmental funds balance sheet revenues, expenditures, and changes in net position. The funds are the General Fund and the Capital Projects Fund.

That is, each major fund is presented in a and in the governmental fund statement of Superintendence's two major governmental

Notes to Basic Financial Statements

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

Required Supplementary Information

The Basic Financial Statements are followed by a section of Required Supplementary Information, immediately following its notes. This section includes a Budgetary Comparison Schedule, and also a 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.

FINANCIAL ANALYSIS OF THE BASIC FINANCIAL STATEMENTS

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

Net Position

The Statement of Net Position serves over time as a useful indicator of the Superintendence's financial position at the end of the fiscal year. The Superintendence's net position decreased by $9,602,820. The Superintendence's net position includes net investment in capital assets of $92,539,278 and an unrestricted deficit of ($15,773,962). The following are the condensed statements of net position as of June 30, 2022 and 2021.

FINANCIAL ANALYSIS OF THE BASIC FINANCIAL STATEMENTS (Continued)

Condensed Statements of Net Position

	2022	2021	Change	%
Assets:				
Current assets	$ 13,195,083	$ 1,647,126	$ 11,547,957	701%
Capital assets, net	90,955,384	92,539,278	(1,583,894)	-2%
Total assets	104,150,467	94,186,404	9,964,063	11%
Deferred outflows of resources	1,928,656	2,289,899	(361,243)	-16%
Liabilities:				
Current liabilities	5,577,857	7,073,269	(1,495,412)	-21%
Noncurrent liabilities	12,073,320	12,096,649	(23,329)	-0.2%
Total liabilities	17,651,177	19,169,918	(1,512,741)	-8%
Deferred inflows of resources	659,741	541,069	118,672	22%
Net Position:				
Invested in capital assets, net of related debt	90,955,384	92,539,278	(1,583,894)	-2%
Unrestricted	(3,187,179)	(15,773,962)	12,589,783	-80%
Total net position	$ 87,768,205	$ 76,765,316	$ 11,002,889	14%

Capital Assets

The Superintendence's investment in capital assets for its governmental activities amounted to $90,955,384 and $92,539,278 for 2022 and 2021, respectively, net of accumulated depreciation. This investment in capital assets includes works of arts, construction in progress, equipment, computer equipment and software, furniture, and vehicles. Actual expenditures to purchase or construct capital assets from the Superintendence's governmental activities for the fiscal years ended June 30, 2022 and 2021 were $1,802,541 and $69,035, respectively.

Depreciation charges from the Superintendence's Statement of activities were $3,395,981 and $3,477,371 for the fiscal years ended June 30, 2022, and 2021, respectively.

FINANCIAL ANALYSIS OF THE BASIC FINANCIAL STATEMENTS (Continued)

Condensed Statement of Activities

	2022	2021	Change	%
Expenses:				
General government	$ 17,307,576	$ 16,192,120	$ 1,115,456	7%
Revenues:				
Legislative appropriations	24,925,137	9,428,601	15,496,536	164%
Federal Assistance	2,583,494	-	2,583,494	
Other Revenue	801,834	492,800	309,034	63%
Total revenues	28,310,465	9,921,401	18,389,064	185%
Net change in net position	11,002,889	(6,270,719)	17,273,608	-275%
Net position at beginning of year (as restated)	76,765,316	83,036,035	(6,270,719)	-8%
Net position at end of year	$ 87,768,205	$ 76,765,316	$ 11,002,889	14%

Changes in Net Position

The preceding Condensed Statements of Activities reflect how the Superintendence's Net Position changed during the fiscal years ended June 30, 2022 and 2021.

The Superintendence's major expense is related to salaries, benefits and payroll taxes, which represents 46% and 52% of total expenses for the fiscal years ended June 30, 2022 and 2021, respectively.

Governmental Funds Highlights

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

As of the end of the fiscal year 2022, the Superintendence's governmental funds reported a combined ending balance of $7,601,497. The general fund is the principal operating fund of the Superintendence. There are no restricted fund balances. This is the portion of fund balance that reflects resources that would be subject to externally enforceable legal restrictions to pay for specific program purposes. Accordingly, an unassigned fund balance of $7,505,764 was reported in the General funds Balance at June 30, 2022.

The Superintendence's combined ending fund balance increased by $12,535,731. See additional related comments in the following section titled general fund budgetary highlights.

FINANCIAL ANALYSIS OF THE BASIC FINANCIAL STATEMENTS (Continued)

General Fund Budgetary Highlights

The General Fund Budget for the fiscal year ended June 30, 2022 was $11,552,450 and the expenditures were $10,829,052 on an actual budgetary basis.

The following table summarizes, on a budgetary basis, the actual revenues, expenditures and (over) unexpended balance for the general fund for fiscal years ended June 30, 2022 and 2021.

	Budget 2022	Budget 2021	Change
Revenues	$ 11,552,450	$ 3,395,948	$ 8,156,502
Expenditures	10,829,052	4,128,075	6,700,977
Overspent/Unspent Balance	$ 723,398	$ (732,127)	$ 1,455,525
Expenditure rate	94%	122%	

CURRENTLY KNOWN FACTS, DECISIONS AND CONDITIONS

There is one subsequent event that may have a significant effect on the financial position (and/or the results of operations), (see Note 9).

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Superintendence's finances for all the citizens, taxpayers, customers and creditors. Also, this report serves to demonstrate the Superintendence's accountability for the money it receives from legislative appropriations. For questions regarding the information provided or additional information requests please contact: Superintendence del Capitolio - Apartado 9023828 San Juan, Puerto Rico 00902-3828.

SUPERINTENDENCE OF THE CAPITOL BUILDING
(An Office of the Legislature of the Commonwealth of Puerto Rico)

STATEMENT OF NET POSITION
June 30, 2022

		Governmental Activities
ASSETS		
Cash in commercial banks	$	13,063,131
Lease receivable		131,952
Capital assets, not being depreciated		7,403,757
Capital assets, net of accumulated depreciation		83,551,627
Total assets		104,150,467
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions		1,900,784
Related to other post employment benefits plans		27,872
Total assets and deferred outflows of resources		106,079,123
LIABILITIES:		
Accounts payable	$	3,598,230.0
Accrued liabilities		1,121,318
Deferred revenue		742,086
Liabilities payable within one year:		
Compensated absences		99,500
Lease liability(Intangible right to use)		16,723
Liabilities payable after one year:		
Compensated absences		333,109
Total pension liability		11,404,722
Other post employment benefits		319,409
Lease liability(Intangible right to use)		16,080
Total liabilities		17,651,177
DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS		530,946
DEFERRED INFLOWS OF RESOURCES RELATED TO LEASES		128,795
Total liabilities and deferred inflows of resources		18,310,918
NET POSITION		
Net investment in capital assets		90,955,384
Unrestricted (Deficit)		(3,187,179)
TOTAL NET POSITION		87,768,205

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

SUPERINTENDENCE OF THE CAPITOL BUILDING

(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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	$(17,307,576)	-	$ 2,583,494	$ -	$(14,724,082)
Total Primary Government	**$(17,307,573)**	**$ -**	**$ 2,583,494**	**$ -**	**$(14,724,082)**
	General Revenues:				
	Intergovernmental				24,925,137
	Other Revenues				801,834
	Total General Revenues				25,726,971
	CHANGES IN NET POSITION				**11,002,889**
	Net Position – Beginning of Year				76,765,316
	Net Position – Ending of Year				**$ 87,768,205**

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

SUPERINTENDENCE OF THE CAPITOL BUILDING
(An Office of the Legislature of the Commonwealth of Puerto Rico)

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2022

	General Fund	Capital Projects Fund	American Rescue Plan Fund	Coronavirus Relief Fund	Total Governmental Funds
ASSETS					
Cash in commercial banks	$ 11,824,437	$ 285,072	$ 624,050	$ 329,572	$ 13,063,131
Due from other funds	80,459	194,000	-	-	274,459
Total assets	$ 11,904,896	$ 479,072	$ 624,050	$ 329,572	$ 13,337,590
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable	3,402,478	-	-	195,752	3,598,230
Accrued liabilities	802,654	302,880	15,784		1,121,318
Deferred revenue		-	608,566	133,520	742,086
Due to other funds	194,000	80,459	-	-	274,459
Total liabilities	4,399,132	383,339	624,350	329,272	5,736,093
FUND BALANCE					
Restricted	-	95,733	-	-	95,733
Unassigned	7,505,764	-	-	-	7,505,764
Total fund balance	7,505,764	95,733	-	-	7,601,497
TOTAL LIABILITIES AND FUND BALANCES	$ 11,904,896	$ 479,072	$ 624,350	$ 329,272	$ 13,337,590

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

SUPERINTENDENCE OF THE CAPITOL BUILDING

(AN OFFICE OF THE LEGISLATURE OF THE COMMONWEALTH OF PUERTO RICO)

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

June 30, 2022

Total fund balances of governmental funds	$	7,601,497
Amounts reported for governmental activities in the statement of net position are different than the amounts reported in the governmental funds because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds		90,955,384
Lease receivable		131,952
Deferred outflows of resources in governmental activities are not recorded in the funds in the current period. - pension related		1,900,784
and related to other post-employment benefits		27,872
Deferred inflows of resources in governmental activities correspond to future periods and therefore not reported in the funds- pension related		(530,946)
related to leases		(128,795)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Lease liability		(32,803)
Compensated absences		(432,609)
Other post-employment benefit liability		(319,409)
Total pension liability		(11,404,722)
Total net position of governmental activities	$	87,768,205

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

SUPERINTENDENCE OF THE CAPITOL BUILDING

(AN OFFICE OF THE LEGISLATURE OF THE COMMONWEALTH OF PUERTO RICO)

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	General Fund	Capital Projects Fund	America Rescue Plan Fund	Coronavirus Relief Fund	Total Governmental Funds
REVENUES					
Contributions from Commonwealth of Puerto Rico	$ 14,925,137	$ 10,000,000	$ -	$ -	$ 24,925,137
Rent and others	798,677	-	-	-	798,677
Capital Grants and Contributions	-	-	1,453,742	1,129,752	2,583,494
Other revenues	-	-	-	-	-
Total revenues	15,723,814	10,000,000	1,453,742	1,129,752	28,307,308
EXPENDITURES					
General government:					
Salaries and payroll related costs	5,004,361	-	1,453,742	-	6,458,103
Meals and travel	51,761	-	-	20,375	72,136
Professional services	1,218,209	-	-	-	1,218,209
Insurance	1,488,970	-	-	-	1,488,970
Rent	244,237	-	-	4,657	248,894
Non-capitalizable equipment	186,155	-	-	672,547	858,702
Repairs and maintenance	529,062	-	-	4,159	533,221
Utilities	2,726,554	-	-	-	2,726,554
Materials and supplies	-	-	-	420,398	420,398
Postage	1,549	-	-	-	1,549
Miscellaneous	144,684	-	-	7,616	152,300
Capital outlays	-	$ 1,802,541	$ -	$ -	1,802,541
Total expenditures	11,595,542	1,802,541	1,453,742	1,129,752	15,981,577
REVENUES OVER (UNDER) EXPENDITURES	4,128,272	8,197,459	-	-	12,325,731
OTHER FINANCING SOURCES (USES)					
Proceeds from Insurance recoveries					-
Transfers in (out) between funds	8,197,459	$ (8,197,459)	$ -	$ -	-
Total other financing sources	8,197,459	(8,197,459)	-	-	-
NET CHANGE IN FUND BALANCES	12,325,731	-	-	-	12,325,731
FUND BALANCES AT BEGINNING OF YEAR	(4,819,967)	95,733	-	-	(4,724,234)
FUND BALANCES AT THE END OF YEAR	$ 7,505,764	$ 95,733	$ -	$ -	$ 7,601,497

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

SUPERINTENDENCE OF THE CAPITOL

(AN OFFICE OF THE LEGISLATURE OF THE COMMONWEALTH OF PUERTO RICO)

Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2022

Net change in fund balances - total governmental funds			$	12,325,731
Amounts reported for governmental activities in the statement of activities are different because:				
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. In the current period, these amounts are:				
Capital outlays	$	1,802,541		
Less depreciation and amortization expense		(3,395,981)		
Loss on disposal of assets		(39,166)		
Subtotal				(1,632,606)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:				
Deferred outflow related to pension		(362,950)		
Deferred outflow related to other post employment benefits		1,707		
Pension related debt		378,099		
Lease receivable		3,157		
Deferred inflow related to pension		10,123		
Other post employment benefit		13,699		
Principal payments on lease liability (intangible right to use)		15,909		
Accrued compensated absences		250,020		
				309,764
Change in net position of governmental activities			$	11,002,889

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Superintendence of the Capitol Building (the "Superintendence") is an office of the Legislature of the Commonwealth of Puerto Rico (the "Commonwealth") and was organized by Act No. 4 of July 21, 1977. The Superintendence oversees the preservation of the Complex of the Capitol Building under the direction of a Superintendent appointed by agreement between the President of the Superintendence and the Speaker of the House of Representatives of the Commonwealth of Puerto Rico.

On December 24, 1998, the Legislature of the Commonwealth of Puerto Rico enacted Act No. 321, an amendment of Act No. 4, recognizing the Superintendence as a juridical person.

On July 1, 2010, the Superintendence became fiscally autonomous pursuant to the provisions of Act 230 of July 23, 1974, as amended on September 11, 2004, known as the "Commonwealth of Puerto Rico Accounting Law". The funds of the Superintendence are under the custody of the Secretary of Treasury of Puerto Rico until transferred to the Superintendence.

Reporting Entity

The Superintendence is for financial reporting purposes part of the Commonwealth of Puerto Rico, and its financial data is reported as part of the general fund in the Commonwealth's financial statements. The accompanying Basic Financial Statements are issued solely and for the information and use of the Secretary of Treasury, the Legislative Assembly, the Governor, and the citizens of the Commonwealth of Puerto Rico.

Summary of Significant Accounting Policies

The accompanying Basic Financial Statements of the Superintendence have been prepared in conformity with generally accepted accounting principles in the United States of America (USGAAP) as required by the Governmental Accounting Standards Board ("GASB).

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

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

The accompanying Basic Financial Statements present the financial position and the changes in net position of the Superintendence and its funds as of June 30, 2022, and for the fiscal year then ended. The Superintendence's Basic Financial Statements consist of Government-Wide Financial Statements, including a Statement of Net Position and a Statement of Activities, and Fund Financial Statements, which provide a more detailed level of financial information.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continuation)

Government-Wide Financial Statements

The Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. All transactions and events that affect the total economic resources (net position) during the period are reported. Fiduciary activities, if any, whose resources are not available to finance government programs, are excluded from the Government-Wide Financial Statements. The effect of Inter-fund activities is eliminated.

The Statement of Net Position incorporates all capital (long lived) assets and receivables as well as long-term debt and obligations. The Statement of Activities reports revenues and expenses in a format that focuses on the net cost of each function of the Superintendence. Both the gross and net cost of the function, which is otherwise being supported by the general government revenues, is compared to the revenues generated directly by the function. This Statement reduces gross expenses, including depreciation, by related program revenues, operating and capital grants, and contributions. Program revenues must be directly associated with the function.

The Superintendence first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available.

Governmental Fund Financial Statements

The Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances with one column for the general fund and one column for the capital projects funds. Major funds are determined based on a minimum criterion, which is a percentage of the position, liabilities, revenues or expenditures or based on Management official's criteria. The Superintendence reports the following major governmental funds:

- **General Fund -** is used to account for and report all financial and reported resources and governmental activities, except for those required to be accounted for in another fund. It is presumed that the Superintendence’s governmental activities have been reported in the general fund except for transactions for which one of the following compelling reasons has required the use of another fund: (1) legal requirements, (2) US GAAP requirements or (3) the demands of sound financial administration requiring the use of governmental fund other than the general fund. Its revenues consist mainly of legislative appropriations.

- **Capital Projects Fund -** is used to account for and report financial resources that are restricted or committed to expenditure for capital outlays, including the acquisition or construction of major capital facilities, other than those financed by proprietary funds and trust funds. The use of the capital projects funds has been limited to only the major capital acquisitions, construction or improvement activities that would distort financial resources trend data if not reported separately from the other Superintendence's operating activities.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continuation)

Governmental Fund Financial Statements (Continuation)

- **Coronavirus State and Local Fiscal Recovery Fund** – fund used to account for and report revenue sources of the Coronavirus State and Local Fiscal Recovery Funds received from the U.S. Department of the Treasury to provide resources to respond to the Covid-19 public health emergency and its economic impacts.

- **Coronavirus Relief Fund -** This fund started as a major fund during this year. It is used to account for the resources to improve the quality of life in the communities, including funds to mitigate the impact of COVID-19.

Measurement Focus and Basis of Accounting

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

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 main categories:

Net Investment in Capital Assets **-** consists of capital assets, net of accumulated depreciation, reduced by the outstanding debt balance attributed to the acquisition, construction or improvement of those assets.

Restricted Net Position **-** consists of net resources externally restricted by creditors, grantors, laws and regulations for the acquisition or construction of major capital facilities.

Unrestricted Net Position **-** consists of net position that are neither externally nor legally restricted, neither invested in capital assets. Unrestricted net position often has constraints that are imposed by management, but that can be removed or modified.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continuation)

Governmental Funds Financial Statements

The Governmental Funds Financial Statements (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. The 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 Superintendence 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 Superintendence. 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 matured (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.

Use of estimates-Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. All other revenue items are considered measurable and available only when the Superintendence receives cash. Expenditures are recorded when the related fund liability is incurred, as under accrual accounting. However, expenditures for compensated absences and claims and judgments are recognized as expenditures when the payment is due. General capital outlays are reported as expenditures in governmental funds.

Legislative Appropriations and Joint Resolutions - The Superintendence's principal sources of revenue are legislative appropriations and joint resolutions from the Commonwealth. Appropriations are for general operating purposes of the Superintendence.

Cash and Cash with Fiscal Agent

Cash and cash equivalents include investments with original maturities of 90 days or less from the date of acquisition.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continuation)

Accounts Receivables

Receivables consist of all revenues earned but not collected at 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 (Contributions from Commonwealth) represent amounts owed to the Superintendence for reimbursement of expenditures incurred pursuant to state appropriations.

The rent and other revenues in the governmental funds are recognize as revenues when it becomes measurable and available based on actual collections during the 60 days following the current fiscal year end related to sales and use transactions due on or before year end. In the government-wide financial statement these revenues are recognized in the period when earned.

Interfund Transactions

Activity between funds that are representative of lending /borrowing arrangements outstanding at the end of the fiscal year are refer to as either "due to/ from other funds" (current portion of inter fund loans) or "advance to/from other funds" (non-current portion of inter fund loans). All other outstanding balances, between funds are reported as "due to/from other funds". During the fiscal year ended June 30, 2022, the Superintendence made routinary transfers for approximately $99 thousand from the general fund to the capital project fund to finance the capital expenditures of the fund.

Capital Assets

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

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

Depreciation and amortization expense is recorded only in the government-wide financial statements. Depreciable capital assets are generally depreciated or amortized over their estimated useful lives under the straight-line method. No depreciation or amortization has been recorded for land and construction in progress. The estimated useful lives of other major capital asset categories are:

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continuation)

Capital Assets (Continuation)

	Years
Building	40
Leasehold improvement	40
Computer equipment	5
Equipment	5&7
Furniture	5
Motor vehicles	5
Intangibles	7

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 assets, whichever is shorter.

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

Accounts Payables

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

Long-term Debt

The liabilities reported in the Government-Wide Financial Statements include long-term liabilities such as vacations and sick leave, reserves for contingencies long term portion of obligations under line of credits agreements and pension liability.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continuation)

Compensated Absences

Employees accumulate vacation leave at a rate of 2.5 days per month up to a maximum of 60 days. Unpaid vacation time accumulated is fully vested to the employees from the first day of work. All vacation pays and salary related benefits are accrued when incurred in the government-wide financial statements.

Employees accumulate sick leave at a rate of 1.5 days per month up to a maximum of 90 days. Upon retirement, an employee receives compensation for all accumulated and unpaid sick leave at the current rate, if the employee has at least 10 years of service with the Superintendence. All sick leave and salary related benefits are accrued when incurred in the government-wide financial statements when the employee meets such criteria. The "Public Service Personnel Law" requires the Superintendence to pay annually the accumulated vacation and sick leave earned exceeding the limits mentioned above.

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.

Claims and Judgments

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

Fund Balances

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continuation)

Fund Balances (Continuation)

Pursuant to the provisions of GASB No. 54, the accompanying Governmental Fund Financial Statements report fund balance amounts that are considered no spendable, such as fund balance associated with inventories. Other fund balances have been reported as restricted, committed, assigned, and unassigned, based on the relative strength of the constraints that control how specific amounts can be spent, as described as follows:

a) *Non-spendable* - Represent resources that cannot be spent readily with cash or are legally or contractually required not to be spent, including but not limited to inventories, prepaid items, and long-term balances of loans and notes receivable.

b) *Restricted* - Represent resources that can be spent only for the specific purposes stipulated by constitutional provisions, external resource providers (externally imposed by creditors or grantors), or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers.

c) *Committed* - Represent resources used for specific purposes, imposed by formal action of the Superintendence's highest level of decision-making authority (Legislative Assembly through resolutions and administrative orders) and can only be changed by a similar orders or resolution, no later than the end of fiscal year.

d) *Assigned* - Represent resources intended to be used by the Superintendence for specific purposes but do not meet the criteria to be classified as restricted or committed (generally administrative orders approved by the President of the Superintendence). Intent can be expressed by an official or body to which the Superintendence delegates authority.

e) Unassigned- Represent the residual classification for the Superintendence's general fund and includes all spendable amounts not contained in the other classifications.

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continuation)

Risk Management

The Superintendence carries commercial insurance to cover property and casualty, theft, tort claims and other losses. Insurance policies are negotiated by the Puerto Rico Department of Treasury and costs are allocated among all the governmental units of the Commonwealth. Cost of insurance allocated to the Superintendence amounted to approximately $1,445,926 for the fiscal year ended June 30, 2022. The current insurance policies have not been cancelled or terminated. The State Insurance Fund Corporation, a component unit of the Commonwealth of Puerto Rico, provides workmen compensation insurance to cover all Superintendence employees. The Superintendence's workmen compensation insurance expenditures amounted to approximately $131,327 for the fiscal year ended June 30, 2022.

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 Superintendence recognizes deferred outflows and inflows of resources.

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

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

Based on this concept, the Superintendence reports the following as deferred outflows of resources and deferred inflows of resources.

- The deferred outflows of resources or deferred inflows of resources resulting from the implementation of GASB No. 73.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continuation)

Deferred Outflows/Inflows of Resources (Continuation)

- Deferred outflows of resources related to OPEB should be reported for (a) amounts paid by the employer for OPEB as the benefits come due subsequent to the measurement date of the total OPEB liability and before the end of the reporting period (excluding amounts associated with the employer from nonemployee contributing entities that are not in a special funding situation) and (b) amounts incurred by the employer for OPEB administrative expenses subsequent to the measurement date of the total OPEB liability and before the end of the reporting period. [GASBS 75, |159]

- Revenues earned but not available within 60 days of fiscal year end.

The Superintendence has items, which arise under accrual basis of accounting that qualify for reporting in deferred outflows/inflows of resources. Accordingly, the items, related to pension system are reported in the governmentwide *Statement of Net Position.*

Accounting for Pension Costs

In June 2015, the Governmental Accounting Standards Board (GASB) issued pronouncements related to the accounting and financial reporting requirements for pension related expenses and liabilities. GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68,* replaces the requirements of GASB Statement Nos. 68 for plans administered by pension systems through trusts or equivalent arrangements, and was implemented by the Employees' Retirement System of the Government of the Government of Puerto Rico (ERS) as of June 30, 2022.

In addition, the GASB issued Statement No. 82, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, effective for the Superintendence's fiscal year beginning July 1, 2021. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in

Required Supplementary Information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The Superintendence implemented GASB Statements No. 73 for the fiscal year ending June 30, 2022, and the financial statements of the Superintendence for the year ended June 30, 2022 were issued, with audited information available at the date of the Superintendence's reports.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continuation)

Other Postemployment Benefits

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.

In addition to the pension benefits described in Note 8, 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. This benefit is financed on a pay-as-you-go basis from the General Fund of the Commonwealth of Puerto Rico.

Implementation of New Governmental Accounting Standards Board (GASB) Statements

The GASB has issued the following accounting pronouncements that have an effective date after June 30, 2022:

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

   - 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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continuation)

Implementation of New Governmental Accounting Standards Board (GASB) Statements (Continuation)

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 liability and a lease asset at the commencement of the lease term, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The Superintendence implemented GASB No. 87 with material impact on the basic financial statements.

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 Superintendence 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 Superintendence current accounting practices nor its financial reporting.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continuation)

Implementation of New Governmental Accounting Standards Board (GASB) Statements (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, 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 Superintendence current accounting practices nor its financial reporting.

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 Superintendence financial statements. The Superintendence 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 Superintendence Financial Statements.

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.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continuation)

Implementation of New Governmental Accounting Standards Board (GASB) Statements (Continuation)

Statement No. 99, Omnibus 2022 (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.

This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur.

The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continuation)

Implementation of New Governmental Accounting Standards Board (GASB) Statements (Continuation)

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).

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.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continuation)

Implementation of New Governmental Accounting Standards Board (GASB) Statements (Continuation)

PPPS (Continuation)

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.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continuation)

Implementation of New Governmental Accounting Standards Board (GASB) Statements (Continuation)

PPPS (Continuation)

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 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.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continuation)

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

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).

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continuation)

Implementation of New Governmental Accounting Standards Board (GASB) Statements (Continuation)

GASB Statement No. 96, Subscription-Based Information Technology Arrangements (Continuation)

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.
- 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.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continuation)

Implementation of New Governmental Accounting Standards Board (GASB) Statements (Continuation)

GASB Statement No. 96, Subscription-Based Information Technology Arrangements (Continuation)

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.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continuation)

Implementation of New Governmental Accounting Standards Board (GASB) Statements (Continuation)

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, which 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
- 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.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continuation)

Implementation of New Governmental Accounting Standards Board (GASB) Statements (Continuation)

GASB Statement No. 99, Omnibus 2022 (Continuation)

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continuation)

Implementation of New Governmental Accounting Standards Board (GASB) Statements (Continuation)

GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statements No. 62 (Continuation)

changes in accounting principles apply to the implementation of a new pronouncement in the absence of specific transition provisions in the new pronouncement.

This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

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

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

The 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.

NOTE 2 - DEPOSITS

The Superintendence maintains its cash in bank deposit accounts at high credit qualified financial institutions. Bank balance at June 30, 2022 was approximately $1.6 million.

The Superintendence follows the provisions of GASB Statement No. 40 (GASB No. 40), Deposit and Investment Risk Disclosures - an Amendment to GASB Statement No. 3. Accordingly, the following is essential information about credit risk, interest rate risk, custodial credit risk, and foreign exchange exposure of deposits and investments of the Superintendence at June 30, 2022:

a) Credit risk - In the case of deposits this is the risk that in the event of a bank failure, the Superintendence's deposit may not be recovered. Public funds deposited in commercial banks are fully collateralized for the amounts deposited in excess of the federal depository insurance coverage. All securities pledged as collateral are held by the Secretary of the Treasury of the Commonwealth. There is no formal policy for custodial credit risk for cash accounts opened with commercial banks outside of Puerto Rico. At June 30, 2022, the Superintendence has balances deposited in commercial bank which are insured by the FDIC up to the established limit and the excess are fully collateralized as explained above. No investments in debt or equity securities were made during the fiscal year ended June 30, 2022. Therefore, the Superintendence's management has concluded that the credit risk related to any possible loss related to defaults by commercial banks on the Superintendence's deposits and certificates of deposit is considered low at June 30, 2022.

b) 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 Superintendence manages its exposures de declines in fair values by: (1) not including debt or equity investments in its investment's portfolio at June 30, 2022, (2) limiting the weighted average maturity of its investments in certificates of deposit to periods of three months or less and (3) keeping most of its bank deposits and certificates of deposit in interest bearing accounts generating interest at prevailing market rates. At June 30, 2022, the interest rate risk associated with the Superintendence's cash and cash with fiscal agents is considered low since they have no investment portfolio.

c) Custodial credit risk - In the case of deposits this is the risk that in the event of a bank failure, the Superintendence's deposit may not be recovered. Public funds deposited in commercial banks are fully collateralized for the amounts deposited in excess of the federal depository insurance coverage. All securities pledged as collateral are held by the Secretary of the Treasury of the Commonwealth. There is no formal policy for custodial credit risk for cash accounts opened with commercial banks outside of Puerto Rico.

d) Foreign exchange risk - This is the risk that changes in exchange rates will adversely affect the value of an investment or a deposit. The Superintendence 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 Superintendence's deposits is considered low at June 30, 2022.

NOTE 3 - CAPITAL ASSETS

Capital assets activities for the fiscal year ended June 30, 2022 were as follows:

Governmental activities:				
Capital assets, not being depreciated :				
Land	$ 4,514,998	$ -	$ -	$ 4,514,998
Works of art	2,889,088	(329)	-	2,888,759
Total capital assets not being depreciated	7,404,086	(329)	-	7,403,757
Capital assets being depreciated				
Building	20,840,406	-	-	20,840,406
Leasehold improvements	87,903,552	-	-	87,903,552
Computer equipment	557,546	(7,332)	-	550,214
Equipment	9,934,805	1,142,586	(627,022)	10,450,369
Furniture	1,518,624	1,690	(83,792)	1,436,522
Motor vehicles	753,358	567,370	(172,458)	1,148,270
Intangibles (Software)	50,630	-	-	50,630
Right to use equipment		48,712		48,712
Total capital assets	121,558,921	1,753,026	(883,272)	122,428,675
Less accumulated depreciation for:				
Building	(5,402,894)	(521,010)	-	(5,923,904)
Leasehold improvements	(18,802,791)	(2,459,881)	-	(21,262,672)
Computer equipment	(543,636)	(14,660)	97,668	(460,628)
Equipment	(9,357,315)	(289,780)	620,357	(9,026,738)
Furniture	(1,481,947)	(20,513)	83,792	(1,418,668)
Motor vehicles	(727,308)	(45,880)	140,845	(632,343)
Intangibles	(107,838)	(27,556)	-	(135,394)
Less accumulated amortization for:				
Right to use equipment		(16,701)		(16,701)
Total accumulated depreciation	(36,423,729)	(3,395,981)	942,662	(38,877,048)
Total capital assets being depreciated, net	85,135,192	(1,642,955)	59,390	83,551,627
Governmental activities capital assets, net	$ 92,539,278	$ (1,643,284)	$ 59,390	$ 90,955,384

The Superintendence evaluates its capital assets to determine whether an impairment of capital assets occurred as of and for the fiscal year ended June 30, 2022. No material impairment loss has been incurred as of and for the fiscal year ended June 30, 2022 because there were no material declines in service utility of the capital assets.

NOTE 4 - LONG-TERM DEBT AND NOTE PAYABLE

Long-term liability activity for the fiscal year ended June 30, 2022 is summarized as follows:

	Beginning Balance	Payments	Use / Accruals	Ending Balance	Due Within One Year	Long-term Portion
Accrued compensated absences	$ 682,629	$ -	$ (250,020)	$ 432,609	$ 99,500	$ 333,109
Lease liability Int. Right to Use	48,712	-	(15,909)	32,803	16,723	16,080
Other post employment liability	333,108	-	(13,699)	319,409	-	319,409
Total Pension Liability	11,782,821	-	(378,099)	11,404,722	-	11,404,722
	$ 12,847,270	$ -	$ (657,727)	$ 12,189,543	$ 116,223	$ 12,073,320

NOTE 5 - DEFERED OUTFLOWS / INFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the Superintendence recognized deferred outflows of resources in the government-wide and fund statements. These items are a consumption of net position by the Superintendence that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The Superintendence has items that are reportable on the Government-wide *Statement of Net Position* that are related to outflows/inflows from changes in the Net Pension Liability (Note 6).

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

NOTE 6 - PENSION PLAN

The Superintendence employees are eligible to participate in the Employees' Retirement System of the Commonwealth of Puerto Rico and its Instrumentalities (ERS). The Employees Retirement System is a statutory trust created by Act No. 447 of May 15, 1951, as amended ("Act 447") and a component unit of the Commonwealth of Puerto Rico. The Employees Retirement System covers substantially all employees of the Commonwealth, its component units and the municipalities of Puerto Rico. Prior to the effect of Act No. 106 of August 23, 2017 (Act No. 106-2017) the Plan was administered by the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (the System). Effective July 1, 2017, all employer contributions were eliminated pursuant to Act No. 106-2017 and the Commonwealth implemented a "pay-as-you-go" (Pay Go) system for the payment of pensions. Also pursuant to Act No. 106-2017, the System was required to liquidate its assets and transfer the net proceeds to the Department of Treasury of the Commonwealth to pay pension benefits.

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

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

ERS Defined Benefit Pension Plan

The benefits provided to the Plan participants are established by the Plan law and may be amended only by the Legislature with the Governor's approval, or by court decision.

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

- Members of Act No. 447 are generally those members hired before April 1, 1990 (contributory, defined benefit program).

- Members of Act No. 1 of February 16, 1990 (Act No. 1) are generally those members hired on or after April 1, 1990 and on or before December 31, 1999 (contributory, defined benefit program).

- Members of Act No. 305 of September 24, 1999 (Act No. 305 or System 2000) are generally those members hired on or after January 1, 2000 and on or before June 30, 2013 (defined contribution program).

NOTE 6 - PENSION PLAN (Continuation)

ERS Defined Benefit Pension Plan (Continuation)

All regular employees hired for the first time on or after July 1, 2013, and former employees who participated in the defined benefit program and the System 2000 program, and were rehired on or after July 1, 2013, become members of the Contributory Hybrid Program as a condition to their employment. In addition, employees who at June 30, 2013, were participants of previous programs became part of the Contributory Hybrid Program on July 1, 2013. Also, Act No. 3 of April 4, 2013 (Act No. 3 of 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 Members - Act No. 447 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 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 members who attained 30 years of credited service by December 31, 2013 are eligible to retire at any time.

   Act No. 447 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 with 10 years of credited service upon attainment of the retirement eligibility age shown in the table below.

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 July1, 1956	57 and up	59

In addition to the requirements of the table above, Act No. 447 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.

NOTE 6 - PENSION PLAN (Continuation)

ERS Defined Benefit Pension Plan (Continuation)

2. *Eligibility for Act No. 1 Members* - Act No. 1 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 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 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 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.

NOTE 6 - PENSION PLAN (Continuation)

ERS Defined Benefit Pension Plan (Continuation)

(b) Compulsory Retirement

All Act No. 447 and Act No. 1 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 Defined Contribution Hybrid Contribution Account at the time of retirement, plus, for Act No. 447 and Act No. 1 members, the accrued benefit determined as of June 30, 2013. If the balance in the Defined Contribution 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.

(1) Accrued Benefit as of June 30, 2013 for Act No. 447 Members - The accrued benefit as of June 30, 2013 shall be determined based on the average compensation, as defined, for Act No. 447 members, the years of credited service, and the attained age of the member all as of June 30, 2013. For Act No. 447 Mayors, the highest compensation, as defined, as a Mayor is determined as of June 30, 2013.

If the Act No. 447 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 recalculated at the Social Security Retirement Age (SSRA), as defined, as 1.5% of average compensation up to $6,600 multiplied by years of credited service, up to 30 years, plus 65% (75% if member was at least age 55 as of June 30, 2013) of average compensation in excess of $6,600.

If the Act No. 447 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 recalculated at SSRA as 1.5% of average compensation up to $6,600 multiplied by years of credited service, up to 30 years, plus 55% (60% if member was at least age 55 as of June 30, 2013) of average compensation in excess of $6,600. Member contributions received from Act No. 447 members eligible for this transitory benefit during the period beginning July 1, 2013 and ending upon the attainment of 30 years of credited service are considered pre-July 1, 2013 contributions; the contributions to the Defined Contribution Hybrid Contribution Account begin after the member attains 30 years of credited service.

NOTE 6 - PENSION PLAN (Continuation)

ERS Defined Benefit Pension Plan (Continuation)

(c) Service Retirement Annuity Benefits (Continuation)

If the Act No. 447 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. Maximum benefit is 75% of average compensation. Except for Commonwealth Police and Commonwealth Firefighters, the benefit is actuarially reduced for each year payment commences prior to age 58. For participants selecting the Coordination Plan, the basic benefit is re-calculated at SSRA as 1% of average compensation up to $6,600 multiplied by years of credited service up to 20 years, plus 1.5% of average compensation up to $6,600 multiplied by years of credited service in excess of 20 years, plus 1.5% of average compensation in excess of $6,600 multiplied by years of credited service up to 20 years, plus 2.0% of average compensation in excess of $6,600 multiplied by years of credited service in excess of 20 years. Except for Police and Firefighters, the benefit is actuarially reduced for each year payment commences prior to age 58.

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

If the Act No. 1 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 members, the accrued benefit equals 1.5% of average compensation multiplied by years of credited service. The benefit is actuarially reduced for each year payment commences prior to age 65.

(d) Special Benefits

(1) Minimum Benefits

- Past Ad hoc Increases

  The legislature, from time to time, increases pensions for certain retirees as described in Act No. 124 approved on June 8, 1973 and Act No. 23 approved on September 23, 1983.

- Mini mum Benefits for Members who Retired before July 1, 2013 (Act No. 156 of 2004, Act No. 35 of 2007, and Act No. 3 of 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).

  - 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.

NOTE 6 - PENSION PLAN (Continuation)

ERS Defined Benefit Pension Plan (Continuation)

(d) Special Benefits (Continuation)

(2) Cost-of-Living Adjustments (COLA) to Pension Benefits

The Legislature, from time to time, increased 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 of 1992. Subsequent 3% increases have been granted every third year since1992, 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 of 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 of 2007).

(3) Special "Bonus" Benefits

- Christmas Bonus (Act No. 144, as Amended by Act No. 3)

  An annual bonus of $200 for each retiree, beneficiary, and disabled member paid in December provided the member retired prior to July 1, 2013.

- Medication Bonus (Act No. 155, as Amended by Act No. 3)

  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.

(e) Total Pension Liability and Actuarial Information

The total pension liability was approximately $11.4 million as of June 30, 2022. The total pension liability as of June 30, 2021 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).

(f) 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 GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

NOTE 6 - PENSION PLAN (Continuation)

ERS Defined Benefit Pension Plan (Continuation)

(f) Actuarial Methods and Assumptions (Continuation)

Mortality

The mortality tables used in the June 30, 2021 actuarial valuation were as follows:

— ***Pre-retirement Mortality***

For general employees not covered under Act No. 127, RP-2014 Employee Mortality Rates for males and females adjusted to reflect Mortality Improvement Scale MP-2018 from the 2006 base year and projected forward using MP-2018 on a generational basis. For members covered under Act No. 127, RP-2014 Employee Mortality Rates are assumed with blue collar adjustments for males and adjusted to reflect Mortality Improvement Scale MP-2018 from the 2006 base year and projected forward using MP-2018 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.

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

— ***Post-retirement Healthy Mortality***

Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rates from the UP-1994 Mortality Table for Males and 95% of the rates from the UP-1994 Mortality Table for Females, both projected from 1994 to 2010 using Scale AA. The base rates are projected using Mortality Improvement Scale MP- 2018 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

— ***Post-retirement Disabled Mortality***

Rates which vary by gender are assumed for disabled retirees based on a study of the Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 105% of the rates from the UP-1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. The base rates are projected using Mortality Improvement Scale MP-2018 on a generational basis. As a 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

NOTE 6 - PENSION PLAN (Continuation)

ERS Defined Benefit Pension Plan (Continuation)

(g) Sensitivity of the Total Pension Liability to Changes in the Discount Rate

The following presents the total pension liability calculated using the discount rate of 2.16%, as well as what it would be if it were calculated using the discount rate of 1-percentage point lower (1.16%) or 1-percentage-point higher (3.16%) than the current rate (dollars in thousands):

	At 1% decrease 1.16%	At current discount rate 2.16%	At 1% increase 3.16%
Total Pension Liability	$ 12,887,334	$ 11,404,722	$ 9,922,110

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

The following presents a summary of changes in the deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2022:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension benefits paid subsequent to measurement date	$ 575,170	$ -
Difference between expected and actual experience in measuring the total pension liability	18,218	339,771
Changes in assumptions	1,166,120	134,765
Change in employer's contributions and the emplyer's proportionate share of contributions	141,276	56,410
Total	$ 1,900,784	$ 530,946

NOTE 6 - PENSION PLAN (Continuation)

ERS Defined Benefit Pension Plan (Continuation)

(h) Deferred Outflows of Resources and Deferred Inflows of Resources (Continuation)

The following presents a summary of changes in the deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2022:

	Year of deferral	Amortization period	Beginning of the balance	Additions	Deductions	End of year balance
Deferred outflows of resources:						
Changes of assumptions	2021	4 years	$ 1,479,217	$ -	$ 313,097	$ 1,166,120
Changes in proportions	2021	4 years	211,915	-	70,639	141,276
Deferred inflows of resources:						
Difference between expected and actual experience	2021	4 years	(265,242)	(74,529)	-	(339,771)
Changes of assumptions	2021	4 years	(202,260)	-	(67,495)	(134,765)
Changes in proportions	2021	4 years	(73,567)	-	(17,157)	(56,410)
Total			$ 1,150,063	$ (74,529)	$ 299,084	$ 776,450

(i) Pension Expense

For the fiscal year ended June 30, 2022, the Superintendence recognized a pension expense of $637,256. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

NOTE 6 - PENSION PLAN (Continuation)

ERS Defined Benefit Pension Plan (Continuation)

(j) Total Pension Liability

The Superintendence's Total Pension Liability for each plan program is measured as the proportionate share of the Total Pension Liability. The Total Pension Liability of each of the plan program was measured as of June 30, 2022, and the Total Pension Liability for each plan program used to calculate the Total Pension Liability was determined by an actuarial valuation. The Superintendence's proportion of the Total Pension Liability was based on a projection of the Superintendence's long-term share of contributions to the pension plans program relative to the projected benefits paid of all participating employers, actuarially determined. As of June 30, 2021, the Superintendence used the proportional share of 4.1953%. As of June 30, 2022, the Superintendence reported $11,404,722 as Total Pension Liability for its proportionate shares of the Total Pension Liability of ERS as follows:

	June 30, 2022	
	TOTAL	**Proportional Share (.029747%)**
Total Pension Liability	$ 27,184,320,381	$ 11,404,722

The financial statements and required supplementary information for the pension plan are available at the administration Superintendence of the Employees' Retirement System (ERS) of the Commonwealth of Puerto Rico, P.O. Box 42003 San Juan PR 00940-2203.

Plan Description

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

NOTE 6 - PENSION PLAN (Continuation)

ERS Defined Benefit Pension Plan (Continuation)

(j) Total Pension Liability (Continuation)

Plan Description (Continuation)

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

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

Collective Total OPEB Liability and Actuarial Information

The total OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2021. The actuarial valuation used the following actuarial assumptions applied to all periods in the measurement period.

a) Actuarial Assumptions

Discount Rate

The discount rate for June 30, 2019 was 3.50%, respectively. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds.

NOTE 6 - PENSION PLAN (Continuation)

ERS Defined Benefit Pension Plan (Continuation)

(j) Total Pension Liability (Continuation)

Mortality

Pre-retirement Mortality

For general employees not covered under Act No. 127, RP-2014 Employee Mortality Rates for males and females adjusted to reflect Mortality Improvement Scale MP-2018 from the 2006 base year and projected forward using MP-2018 on a generational basis. For members covered under Act No. 127, RP-2014 Employee Mortality Rates are assumed with blue collar adjustments for males and adjusted to reflect Mortality Improvement Scale MP-2018 from the 2006 base year and projected forward using MP-2018 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date. 100% of deaths while in active service are assumed to be occupational for members covered under Act 127.

Post-retirement Healthy Mortality

Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rates from the UP-1994 Mortality Table for Males and 95% of the rates from the UP-1994 Mortality Table for Females, both projected from 1994 to 2010 using Scale AA. The base rates are projected using Mortality Improvement Scale MP-2018 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS

Rates which vary by gender are assumed for disabled retirees based on a study of the Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 105% of the rates from the UP-1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. The base rates are projected using Mortality Improvement Scale MP- 2018 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (Continuation)

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The following presents the Superintendence total OPEB liability of the Plan at June 30, 2022 calculated using the discount rate of 2.16%, as well as the Plan's total OPEB liability if it were calculated using the discount rate of 1-percentage point lower (1.16%) or 1-percentage point higher (3.16%) than the current rate:

	1% Decrease 1.16%	Current Discount Rate 2.16%	1% Increase 3.16%
Total OPEB liability as of June 30, 2022	$ 360,932	$ 319,409	$ 333,108

Deferred Outflows of Resources and Deferred Inflows of Resources

Because all participants are inactive, there are no deferred outflows or inflows of resources as changes in actuarial assumptions, economic or demographic gains and losses, and changes in proportionate share are recognized immediately during the measurement year. During fiscal year 2022, approximately, $28,030 of benefits paid should be deferred the measurement date of June 30,2021.

OPEB Expense

The components of Superintendence OPEB expense with a proportionate share of .03809% for the year ending June 30, 2022 is as follows:

	Amount
Interest on total OPEB liability	$ 10,644
Effect of economic/demographic gains and losses	(2,224)
Effect of assumptions changes or inputs	33,697
	$ 42,117

NOTE 8- UNCERTAINTY AND LIQUIDITY RISK

As discussed in Note 1 to the basic financial statements, The Superintendence's principal source of revenue is legislative appropriations from the Commonwealth of Puerto Rico (the Commonwealth). The funds of the Superintendence are under the custody of the Secretary of Treasury of - the Commonwealth until transferred to the Superintendence during the year.

The Commonwealth's liquidity during fiscal year 2021 continues to be severely affected and remains extremely limited, primarily, as a result of the Commonwealth's inability to access external sources of financing. The Commonwealth has not been able to fulfill its obligations on a timely manner.

NOTE 8- UNCERTAINTY AND LIQUIDITY RISK (Continuation)

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

The management has reduced operating expenditures in order to adapt to budget reductions from primary government. On these circumstance management has contemplated to lower the spending on project maintenance and payroll expenditures.

NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 15, 2023, which is the same date the financial statements were available to be issued.

Promesa

In accordance with the provisions described on this Note 9 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 August 15, 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.

NOTE 10 – LEASES

Leases Accounting Policies – Lessee

The Superintendence 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 Superintendence 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 Superintendence uses the incremental borrowing rate (IBR) when readily determinable. As most of the leases do not provide an IBR, the Superintendence 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.

NOTE 10 – LEASES (Continuation)

Leases Accounting Policies – Lessee (Continuation)

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 Superintendence is reasonably certain to exercise.

Lease Assets – Lessee

The Superintendence 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 Superintendence for the year ended June 30, 2022, was as follows:

Right-To-Use Equipment	$	48,712
Amortization Right-To-Use Equipment		(16,701)
Total Right-To-Use Equipment Less Accumulated Amortization	$	32,011

Lease Liability – Lessee

The Superintendence 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 May 2024, requiring 35 monthly payments of $1,498. The lease liability is measured at the applicable Incremental Borrowing Rate (IBR) of 5%. The IBR is the contract borrowing rates. As a result of the lease, the Superintendence has a lease asset with a net book value of $32,011 and a lease liability of $32,803 on June 30, 2022.

Long-Term Liability Roll-Forward Schedule:

	Balance at June 30,2021	Increase	Decrease	Balance at June 30,2021	Due Within One(1) Year	Due After One(1) Year
Leases Liability (Intangible Right-To-Use)	$ 48,712	$ -	$ (15,909)	$ 32,803	$ 16,723	$ 16,080

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

REQUIRED SUPPLEMENTARY INFORMATION

SUPERINTENDENCE OF THE CAPITOL BUILDING

(An Office of the Legislature of the Commonwealth of Puerto Rico)

Required Supplementary Information

June 30, 2022

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original	Final	Actual Amounts (Budgetary Basis)	Variance
REVENUES				
Legislative appropriations	$ 10,899,519	$ 10,899,519	$ 11,552,450	$ 652,931
Total revenues				
EXPENDITURES				
Salaries and payroll related costs	10,899,519	10,899,519	10,829,052	70,467
EXCESS OF REVENUES OVER EXPENDITURES	$ -	$ -	$ 723,398	$ 723,398

SUPERINTENDENCE OF THE CAPITOL BUILDING
(An Office of the Legislature of the Commonwealth of Puerto Rico)

Notes of Budget and Actual – General Fund Information
Required Supplementary Information
June 30, 2022

1. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Control

The Superintendence's annual 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 of the Superintendence and approved by the Superintendence prior to the beginning of the fiscal year. Amendments to the budget require the approval of the Superintendence. Transfers of certain appropriations within the budget do not require the approval of the Superintendence in accordance with Administrative Order 10-35 of January 2010. The Superintendence prepares its annual budget only for the operations of the general fund. The annual appropriated budget for the fiscal year ended June 30, 2022 was $11,552,450.

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 unassigned funds 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 Superintendence's Administrative Order 2010-35 of January 2010 stipulates that such unassigned funds must be spent exclusively for non-recurrent expenditures. The remaining unexpended amounts after the three years have lapsed should be reverted to the Secretary of the Treasury of Puerto Rico pursuant to Act 230.

Budget GAAP/Reconciliation

The following schedule presents comparisons of the legally adopted budget with actual data on a budget basis. Because accounting principles applied for purposes of developing data on a budget basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of differences in expenditures for the fiscal year ended June 30, 2022 is presented in the next page.

Notes of Budget and Actual – General Fund Information
June 30, 2022
Required Supplementary Information

BUDGET GAAP/RECONCILIATION

Sources / Inflows of Resources:

Revenues according to the Schedule of Revenues and Expenditures	
Budget to Actual - General Fund	$ 11,552,450
Perspective difference	
Non budgetary items:	
Other income	6,102,990
Special revenues funds' revenues	10,651,868
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance	$ 28,307,308

Uses / Outflows of Resources:

Expenditures according to the Schedule of Revenues and Expenditures	
Budget to Actual - General Fund	$ 10,829,052
Differences - budget to USGAAP	
Perspective difference:	
Non Budgetary items - Non budgeted expenditures	3,167,802
Non Budgetary items - Special revenue funds expenditures	1,984,723
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance	$ 15,981,577

SUPERINTENDENCE OF THE CAPITOL BUILDING
(An Office of the Legislature of the Commonwealth of Puerto Rico)

Schedule of Expenditures of Federal Awards
June 30, 2022

U.S. DEPARTMENT OF TREASURY				
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/AV	-	**1,453,742**
Pass-through P.R. Fiscal Agency and Financial Advisory Authority (FAFAA):				
COVID-19 Coronavirus Relief Fund (CRF)	21.019	N/AV	-	**1,129,752**
Total U.S. Department Treasury			-	**2,583,494**
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ -**	**$ 2,583,494**

The accompanying Notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.

SUPERINTENDENCE OF THE CAPITOL BUILDING

(An Office of the Legislature of the Commonwealth of Puerto Rico)

Notes to Expenditures of Federal Awards

June 30, 2022

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Superintendence of Capitol Building 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 Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements. Because the schedule presents only a selected portion of the operations of the Superintendence of Capitol Building, it is not intended to and does not present the financial position and changes in net assets of the Superintendence of Capitol Building.

The Assistance Listing Number (ALN), 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. Assistance listings are detailed public descriptions of federal programs that provide grants, loans, scholarships, insurance, and other types of assistance awards. The Sam.gov assistance listing is the publicly available online database showing all available Federally funded programs.

State or local government redistributions of federal awards to the Superintendence of Capitol Building, known as "pass–through awards", should be treated by the Superintendence of Capitol Building as though they were received directly from the federal government. The Uniform Guidance requires the schedule to include the name of the pass–through entity and the identifying number assigned by the pass–through entity for the federal awards received as a sub recipient. Numbers identified as N/A are not applicable and numbers identified as N/AV are not available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3. INDIRECT COSTS

The Superintendence of Capitol Building elected not to use the 10% de minimis cost rate and did not charge indirect cost to federal grants during the year ended June 30, 2022.

4. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying Schedule are included in the General Fund, Capital Project, ARPA Fund and the COVID-19 Coronavirus Relief Fund (CRF) in the Superintendence of Capitol Building's fund financial statements. The reconciliation between the expenditures in the fund's financial statements and expenditures in the Schedule of Expenditures of Federal Awards is as follows:

FUND	OTHER ASSISTANCE AS ADJUSTED	FEDERAL ASSISTANCE	FINANCIAL STATEMENTS
General Fund	$ 11,595,542	-	11,595,542
Captal Projects fund	1,802,541	-	1,802,541
America Rescue Plan Fund	-	1,453,742	1,453,742
Coronavirus Relief Fund	-	1,129,752	1,129,752
TOTALS	**$ 13,398,083**	**2,583,494**	**15,981,577**

5. CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS (ASSISTANCE LISTING NO. 21.027)

On March 11, 2021, was signed into Law the American Rescue Plan Act (ARPA) of 2021, the latest COVID-19 stimulus package. Within ARPA, the Coronavirus State and Local Fiscal Recovery Fund provides $350 billion for states, municipalities, counties, tribes, and territories, including $130.2 billion for local governments split evenly between municipalities and counties. Accordingly, the Superintendence of Capitol Building received a grant under Counties and Non-Entitlements categories to respond to the COVID-19 public health emergency and its economic impacts. Also, the Superintendence of Capitol Building received $2,583,494 from the assigned fund from AFAFF. The Superintendence of Capitol Building will incur ARPA grant expenditures in the following fiscal years.

6. LATENESS OF SINGLE AUDIT REPORTING PACKAGE

The Single Audit reporting package, as defined and required in 2 CFR 200 for the fiscal year ended June 30, 2022, could not be submitted in a timely manner. From 2017 to the present, Puerto Rico has suffered four consecutive emergencies caused by nature and health situations: Hurricane Maria, Earthquakes, COVID-19, and Hurricane Fiona. The **Superintendence of Capitol Building** has carried out emergency work and taken into consideration the waivers issued by the OMB, resulting in delays of the administrative work for the fiscal year 2021-2022.

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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 Superintendent
Mr. Cesar Hernandez Alfonzo
Superintendence of the Capitol Building
San Juan, Puerto Rico

We have audited, in accordance with the Auditing Standards Generally Accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Autonomous Superintendence of Capitol Building of the Commonwealth of Puerto Rico (Superintendence of Capitol Building), as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Superintendence of Capitol Building's Basic Financial Statements, and have issued our qualified report thereon dated August 15, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Superintendence of Capitol Building'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 basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of Superintendence of Capitol Building's internal control. Accordingly, we do not express an opinion on the effectiveness of Superintendence of Capitol Building's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

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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 (Continued)

Report on Internal Control Over Financial Reporting (Continued)

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Superintendence of Capitol Building's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Superintendence of Capitol Building'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 my audit, and accordingly, we do not express such an opinion. The results of my tests disclosed 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 Superintendence of Capitol Building'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 Superintendence of Capitol Building's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BETANCOURT & CO PSC
San Juan, Puerto Rico
August 15, 2023

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Certified Public Accountants

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

To the Superintendent
Mr. Cesar Hernandez Alfonzo
Superintendence of the Capitol Building
San Juan, Puerto Rico

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Autonomous Superintendence of Capitol Building of the Commonwealth of Puerto Rico (Superintendence of Capitol Building)'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 Superintendence of Capitol Building's major Federal programs for the fiscal year ended June 30, 2022. Superintendence of Capitol Building's Major Federal Programs are identified in the Summary of Auditors' Result Section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Superintendence of Capitol Building 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 fiscal 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 (GAAS); the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (Government Auditing Standards); 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 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 Superintendence of Capitol Building 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 ana 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 Superintendence of Capitol Building's compliance with the compliance requirements referred to above.

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

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, status, regulations, rules, and provisions of contracts or grant agreements applicable to the Superintendence of Capitol Building's Federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Superintendence of Capitol Building'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 GAAS, 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 Superintendence of Capitol Building'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 Superintendence of Capitol Building'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 Superintendence of Capitol Building'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 Superintendence of Capitol Building'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.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs, but no finding was noted. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Superintendence of Capitol Building's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Superintendence of Capitol Building's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be deficiencies.

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.

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

Report on Internal Control over Compliance (Continued)

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.

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BETANCOURT & CO PSC
San Juan, Puerto Rico
August 15, 2023

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to the original of report

SUPERINTENDENCE OF THE CAPITOL BUILDING
(An Office of the Legislature of the Commonwealth of Puerto Rico)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Section I - Summary of Auditor's Results

Part I : Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Opinion Unit	**Type of Opinion**
Governmental Activities	Unmodified
General Fund	Unmodified
Capital Projects Fund	Unmodified
Coronavirus State and Local Fiscal Recovery Fund	Unmodified
COVID-19 Coronavirus Relief Fund (CRF)	Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? ___Yes _x_ No
- Significant deficiency (ies) identified? ____Yes _x_ None reported

Noncompliance material to financial statement noted? ____Yes _x_ No

Part II : Federal Awards

Internal control over major programs:

- Material weakness (es) identified? ___Yes _x_ No
- Significant deficiency (ies) identified? __Yes _x_ None reported

Type of auditor's report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? __Yes _x No

Section I - Summary of Auditor's Results (Continued)

Audit findings required to be reported under Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards:

___ Yes _X_ No

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
21.019	COVID-19 Coronavirus Relief Fund (CRF)
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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Section II. Financial Statement Findings

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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Section III – Federal Award Findings and Questioned Cost

During our audit, we did not detect deficiencies, significant deficiencies, material weaknesses, or instances of noncompliance related to federal awards that are required to be reported in accordance with OMB *Uniform Guidance.*

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