THE ADDITIONAL LOTTERY SYSTEM

(AN ENTERPRISE FUND OF THE COMMONWEALTH OF PUERTO RICO)

BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023

(WITH INDEPENDENT AUDITORS' REPORTS THEREON)

THE ADDITIONAL LOTTERY SYSTEM

(AN ENTERPRISE FUND OF THE COMMONWEALTH OF PUERTO RICO)

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TORRES, HERNANDEZ & PUNTER, CPA, PSC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Administrator of
The Additional Lottery System
San Juan, Puerto Rico

Report on the Audit of the Basic Financial Statements

Opinion

We have audited accompanying basic financial statements of The Additional Lottery System (from now on "the Lottery"), which comprise the statement of net position as of June 30, 2024, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the basic financial statements, as listed in the table of contents.

In our opinion, the accompanying basic financial statements present fairly, in all material respects, the financial position of the Lottery as of June 30, 2024, and the results of its operations, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditors' Responsibilities for the Audit of the Basic Financial Statements section of our report. We are required to be independent of the Lottery and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Basic Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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 the basic financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Basic Financial Statements

Our objectives are to obtain reasonable assurance about whether the basic financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the basic financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit,
- Identify and assess the risks of material misstatement of the basic 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 basic 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 Lottery’s internal control. Accordingly, no such opinion is expressed,
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the basic financial statements, and
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lottery'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.

Emphasis - of - Matter

Newly Adopted Standards

As discussed in Note 17 to the basic financial statements, the Lottery adopted new guidance of GASB Statement No. 100 "Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62". Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America requires that the management's discussion and analysis, on pages 4 through 24, and the schedule of proportionate share of the total pension liability, as part of employees' retirement systems information, on page 67, and the schedule of proportionate share of the other postemployment benefits liability other than pensions, on page 68, be presented to supplement the basic financial statements.

Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards we have also issued our report dated February 27, 2025, on our consideration of the Lottery's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 considering the Lottery's internal control over financial reporting and compliance.

Torres, Hernández & Punter, CPA, PSC

Torres, Hernández & Punter, CPA, PSC
Certified Public Accountants

Carolina, Puerto Rico

February 27, 2025

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THE ADDITIONAL LOTTERY SYSTEM

The Additional Lottery System
(An Enterprise Fund of the Commonwealth of Puerto Rico)

Management's Discussion and Analysis (Unaudited)

For the Fiscal Years Ended June 30, 2024 and 2023

Introduction

The following management's discussion and analysis of the financial performance and activity of **The Additional Lottery System** (from now on "the Lottery") provides an introduction and understanding of the basic financial statements of the Lottery for the fiscal years ended June 30, 2024 and 2023. This discussion was prepared by management and should be read in conjunction with the basic financial statements and the notes thereto, which follows this section.

The Lottery was created by Law No. 10 of the Commonwealth of Puerto Rico (from now on "the Commonwealth") on May 24, 1989 and commenced operations effective June 1, 1990. The Lottery is an enterprise fund of the Commonwealth.

The Lottery originates its revenues from two product lines: draw games and instant games. The Lottery develops multiple games themed and prize structures to comply with its enabling legislation and customer demands. Currently, the Lottery administers eight (8) games: Pega 4, Pega 3, Pega 2 and their variations, (Powerball, Powerplay, Double Play), (Lotto and Multipicador), Revancha, Kino and instant games. Kino was added during December 2016 with draws from Monday through Saturday of each week. The Powerball and Powerplay games were added during the year ended June 30, 2015 with draws on Monday, Wednesday, and Saturday of each week. During May 2021, the Lottery rebranded its Lotto games to “Loto Cash”, with draws on Monday, Wednesday, and Friday of each week. Below, a detail of the launch dates of the different games conducted by the Lottery:

Game	Launch Date
Pega 2	July 10, 2002
Pega 2 Día	June 18, 2013
Pega 3	November 10, 1990
Pega 3 Día	June 18, 2013
Pega 4	July 10, 2002
Pega 4 Día	June 18, 2013
Aproximaciones	July 7, 2007
KINO	December 21, 2016
Wild Ball	October 25, 2022

Game	Launch Date
Loto	June 19, 1991
Loto Plus	May 21, 2016
Loto Cash	May 14, 2021
Multiplicador	October 16, 2008
Revancha	September 2, 2002
Revancha X2	May 21, 2016
Instantáneos	December 3, 2009
Powerball/Play	September 26, 2014
Double Play	September 23, 2021

Independent and corporate retailers comprised principally of grocery and convenience stores, package food stores, and restaurants serve as the primary distribution channel for online and instant lottery sales to the public. Retailers received a commission of 5% of net sales plus 1% of net prizes paid on instant games. The Lottery is authorized to utilize up to 0.1% of the net operating income corresponding to the previous fiscal year on incentive programs that promote increased sales.

As provided by Law No. 10, the Lottery must transfer to the Commonwealth the income for each fiscal year, adjusted for any amount specifically authorized by the Commonwealth.

The Lottery was established as a bureau of the Treasury Department of the Commonwealth (from now on "the Department"), which supervises and controls its operations.

Financial Highlights

- Payments to the Commonwealth were approximately $201.8 million in 2024 and $186.9 million in 2023, an increase of $14.9 million or 8% from the previous year,
- Lottery ticket sales were approximately $531.7 million in 2024 and $527.7 million in 2023, an increase of $4 million or 0.8% from the previous year, and
- Prizes paid were approximately $272.5 million in 2024 and $284.0 million in 2023, a decrease of $11.5 million or 4% from the previous year.

Basic Financial Statements

The basic financial statements provide information about the Lottery's activities. The basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

New Significant Accounting Standards Implemented

The Governmental Accounting Standards Board issued the following statements that are effective during the fiscal year ended on June 30, 2024:

(a) Statement No. 100, “Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62”. This statement has no effect on the basic financial statements of the Lottery.

These are further explained in Note 17 to the basic financial statements.

Overview of the Basic Financial Statements

The basic financial statements comprise three components: (1) management discussion and analysis, (2) basic financial statements, including statements of net position, statements of revenues, expenses, and changes in net position, statements of cash flows, and notes to the basic financial statements, and (3) required supplementary information. The basic financial statements were prepared on the accrual basis of accounting, meaning that all expenses are recorded when incurred and all revenues are recognized when earned, in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Overview of the Basic Financial Statements (Continued)

- **Statements of Net Position**

The statements of net position report all financial and capital resources of the Lottery. The statements are presented in the format where assets and deferred outflows of resources equal liabilities, deferred inflows of resources and net deficit. Assets and liabilities are presented in order of liquidity and are classified as current (convertible into cash within one year) and non-current. The focus of the statements of net deficits is to show a picture of the liquidity and health of the Lottery's financial position as of the end of the fiscal years.

The Lottery's net position are reported in the following categories:

(a) Investment in Capital Assets - this component of net position consists of all capital assets, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, and
(b) Unrestricted - this component includes all net position that does not meet the definition ofnet position invested in capital assets.

- **Statements of Revenues, Expenses, and Changes in Net Position**

The statements of revenues, expenses, and changes in net position include operating revenues, which consist of sales of tickets, and operating expenses, such as prizes, salaries and employees' benefits, commissions paid to retailers, online service fee and other administrative expenses; and non-operating revenues, such as interests and investment income. The focus of the statements of revenues, expenses, and changes in net deficits are the change in net position. This is similar to net income or loss and reflects the results of operations of the Lottery for the entire operating periods.

- **Statements of Cash Flows**

The statements of cash flows disclose net cash provided by or used for operating activities, investing activities, noncapital and related financing activities, and from capital and related financing activities. These statements also reflect the health of the Lottery in that current cash flows are sufficient to pay current liabilities.

- **Notes to the Basic Financial Statements**

The notes to the basic financial statements are an integral part of the basic financial statements and describe the significant accounting policies, related-party transactions, deposits and investments, capital assets, long-term liabilities, defined-benefit pension plans, and the commitments and contingencies. The reader is encouraged to review the notes in conjunction with the management discussion and analysis and the financial statements.

Overview of the Basic Financial Statements (Continued)

- **Required Supplementary Information – Employee's Retirement System**

The annual financial report includes the required supplementary schedule after the notes to the Basic Financial Statements, which is the Schedule of Proportionate Share of the Total Pension Liability, as the result of the implementation of GASB Statement No. 73.

- **Required Supplementary Information – Postemployment Benefits Other Than Pensions (OPEB)**

The annual financial report includes the required supplementary schedule after the notes to the Basic Financial Statements, which is the Schedule of Proportionate Share of Other Postemployment Benefits Liability, as the result of the implementation of GASB Statement No. 75.

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Overview of the Basic Financial Statements (Continued)

Summary of Net Position (2024 and 2023)

The following presents the Lottery's condensed statements of net position (deficit) as of June 30, 2024 and 2023:

	2024	2023	Increase/ (Decrease)
Assets			
Current Assets	$61,416,439	$67,902,137	($6,485,698)
Non-Current Assets:			
Capital Assets	220,590	90,527	130,063
Prepaid Income Tax on Prizes	4,693,487	5,777,537	(1,084,050)
Due From MUSL	5,983	20,421	(14,438)
Prize Reserve to MUSL	2,058,181	2,443,647	(385,466)
Other	2,500	2,500	-
	68,397,180	76,236,769	(7,839,589)
Deferred Outflow			
Pension Related	220,726	2,364,499	(2,143,773)
Other Postemployment Benefits Related	-	400	(400)
	220,726	2,364,899	(2,144,173)
Total Assets and Deferred Outflows	68,617,906	78,601,668	(9,983,762)
Liabilities			
Current Liabilities	40,243,449	43,888,374	(3,644,925)
Non-Current Liabilities	28,352,489	34,342,507	(5,990,018)
Total Liabilities	68,595,938	78,230,881	(9,634,943)
Deferred Inflow			
Pension Related	21,968	370,787	(348,819)
Net Position			
Investment in Capital Assets	220,590	90,527	130,063
Unrestricted Deficits	(220,590)	(90,527)	(130,063)
Net Position	$ -	$ -	$ -

Net position (assets and deferred outflows over liabilities and deferred inflows) may serve over time as a useful indicator of a governmental entity’s financial position. Net Position was $0 for both years presented.

Current assets consist of cash and cash equivalents and accounts receivable from retailers. Accounts receivables are generally settled on a weekly basis by a direct transfer from the retailers' bank account for the amount owned.

Summary of Net Position (2024 and 2023) (Continued)

During the fiscal year ended June 30, 2024, current assets decreased by $6.5 million in comparison to fiscal year ended June 30, 2023, due to a decrease in cash and cash equivalents of $7.5 million and an increase in accounts receivable of $1 million.

Non-current assets consist principally of amounts due by the Commonwealth. This amount consists principally of advances made during fiscal year 2024 based on estimates.

During the fiscal year ended June 30, 2024, non-current assets decreased by $1.3 million due principally to the combined effect of a decrease in prepaid income tax on prizes of $1 million, a decrease of $0.4 million in prize reserve and an increase in capital assets of $0.1 million. The Lottery prepaid a certain amount of the tax on prizes, to be paid between twenty (20) and thirty (30) year annuities. These taxes are amortized as prize expenses over the life of the annuity.

Current liabilities consist principally of accounts payable and accrued liabilities, transfers due to the Commonwealth and the current portion of prizes payable.

During the fiscal year ended June 30, 2024, current liabilities decreased by $3.6 million, principally due to a decrease of $3.3 million in transfers due to the Commonwealth of Puerto Rico.

Non-current liabilities consist principally of the long-term portion of the annuity prize obligations. These liabilities are generally paid in annual installments over a period of twenty (20) and thirty (30) years.

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The Additional Lottery System
(An Enterprise Fund of the Commonwealth of Puerto Rico)

Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Years Ended June 30, 2024 and 2023

Summary of Net Position (Deficit) (2023 and 2022)

The following presents the Lottery's condensed statements of net position (deficit) as of June 30, 2023 and 2022:

	2023	2022	Increase/ (Decrease)
Assets			
Current Assets	$67,902,137	$80,260,750	($12,358,613)
Non-Current Assets:			
Capital Assets	90,527	79,738	10,789
Prepaid Income Tax on Prizes	5,777,537	7,005,587	(1,228,050)
Prepaid Annuities	-	680,000	(680,000)
Prize Reserve to MUSL	2,443,647	2,904,488	(460,841)
Other	2,500	2,500	-
	76,236,769	90,933,063	(14,696,294)
Deferred Outflow			
Pension Related	2,364,499	31,520	2,332,979
Other Postemployment Benefits Related	400	1,200	(800)
	2,364,899	32,720	2,332,179
Total Assets and Deferred Outflows	78,601,668	90,965,783	(12,364,115)
Liabilities			
Current Liabilities	43,888,371	53,487,825	(9,599,454)
Non-Current Liabilities	34,342,510	37,466,897	(3,124,387)
Total Liabilities	78,230,881	90,954,722	(12,723,841)
Deferred Inflow			
Pension Related	370,787	11,061	359,726
Net Position (Deficit)			
Investment in Capital Assets	90,527	79,738	10,789
Unrestricted Deficits	(90,527)	(79,738)	(10,789)
Net Position (Deficit)	$ -	$ -	$ -

Net position (assets and deferred outflows over liabilities and deferred inflows) may serve over time as a useful indicator of a governmental entity’s financial position. Net Position (Deficit) was $0 for both years presented.

Current assets consist of cash and cash equivalents and accounts receivable from retailers. Accounts receivables are generally settled on a weekly basis by a direct transfer from the retailers' bank account for the amount owned.

Summary of Net Position (Deficit) (2023 and 2022) (Continued)

During the fiscal year ended June 30, 2023, current assets decreased by $12.4 million in comparison to fiscal year ended June 30, 2022, due to a decrease in cash and cash equivalents of $13.5 million and an increase in accounts receivable of $1.1 million.

Non-current assets consist principally of amounts due by the Commonwealth. This amount consists principally of advances made during fiscal year 2022 based on estimates.

During the fiscal year ended June 30, 2023, non-current assets decreased by $2.4 million due principally to the combined effect of a decrease in prepaid income tax on prizes of $1.2 million, a decrease of $0.7 million in prepaid annuities, and a decrease of $0.5 million in prize reserves. The Lottery prepaid a certain amount of the tax on prizes, to be paid between twenty (20) and thirty (30) year annuities. These taxes are amortized as prize expenses over the life of the annuity.

Current liabilities consist principally of accounts payable and accrued liabilities, transfers due to the Commonwealth and the current portion of prizes payable.

During the fiscal year ended June 30, 2023, current liabilities decreased by 9.6 million, principally due to a decrease of $6.7 million in transfers due to the Commonwealth of Puerto Rico and a decrease of $2.9 million in accounts payable and accrued liabilities.

Non-current liabilities consist principally of the long-term portion of the annuity prize obligations. These liabilities are generally paid in annual installments over a period of twenty (20) and thirty (30) years.

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The Additional Lottery System
(An Enterprise Fund of the Commonwealth of Puerto Rico)

Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Years Ended June 30, 2024 and 2023

Summary of Revenues, Expenses, and Changes in Net Position (2024 and 2023)

The following presents a condensed summary of the statements of revenues, expenses, and changes in net position for the fiscal years ended June 30, 2024 and 2023:

	2024	2023	Increase/ (Decrease)
Operating Revenues	$531,686,196	$527,698,650	$3,987,546
Operating Expenses:			
Direct Costs	317,593,762	328,763,448	(11,169,686)
General and Administrative	12,246,721	11,948,786	297,935
Total Operating Expenses	329,840,483	340,712,234	(10,871,751)
Income Before Payments to Commonwealth	201,845,713	186,986,416	14,859,297
Less Payments to Commonwealth	201,845,713	186,986,416	14,859,297
Change in Net Position	-	-	-
Net Position			
Beginning of Year	-	-	-
End of Year	$ -	$ -	$ -

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The Additional Lottery System
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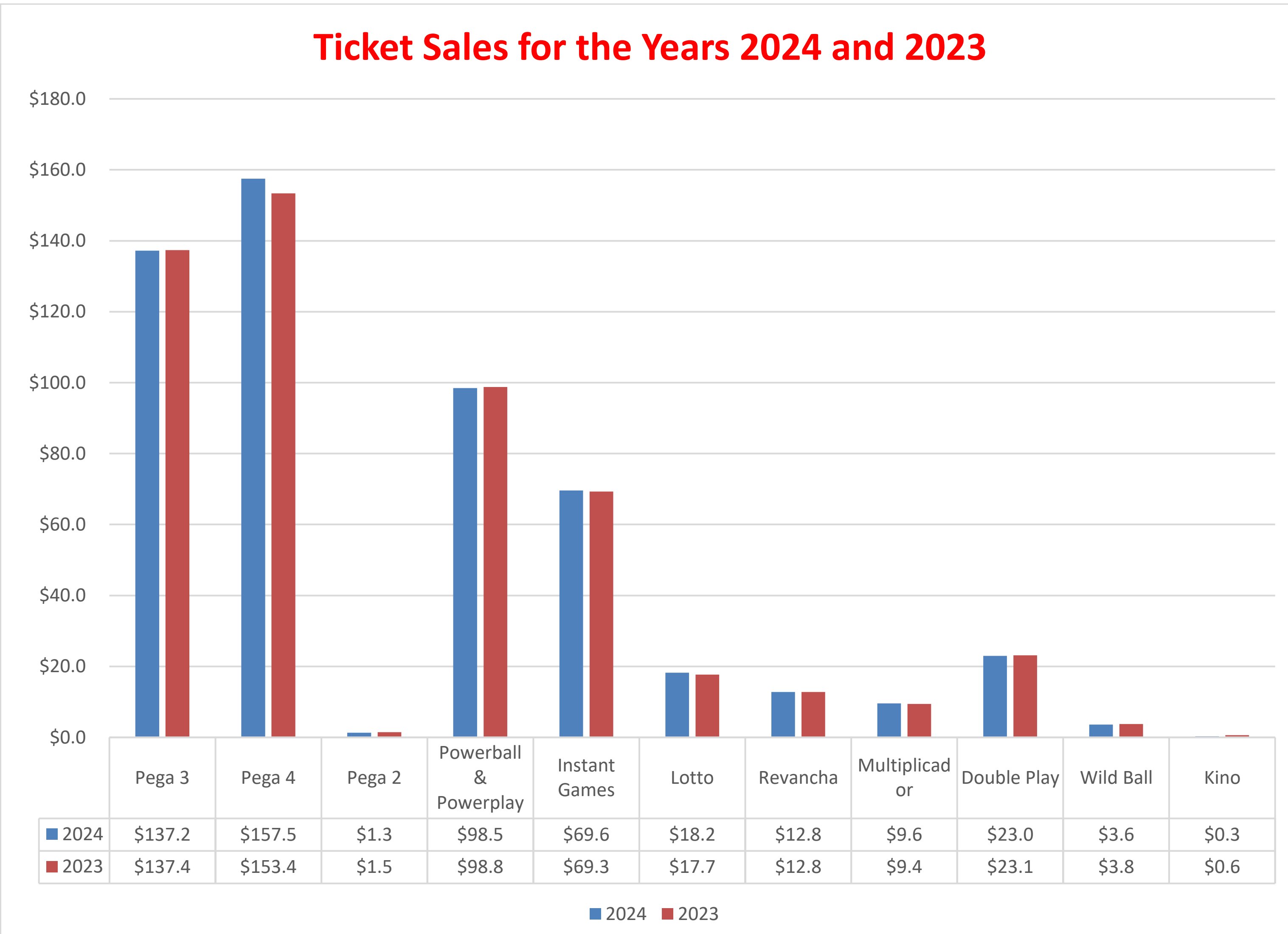
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Years Ended June 30, 2024 and 2023

Summary of Revenues, Expenses, and Changes in Net Position (2024 and 2023) (Continued)

Operating revenues consist of the sales of game tickets. The following chart summarizes the Lottery tickets sales for each game product for the years 2024 and 2023:



When comparing the year 2024 to year 2023, total tickets sales increased by approximately $4 million. Also, there was a decrease in prizes paid to all games of approximately $11.5 million. The increase in ticket sales were mostly due to increased ticket sales in the “Pega 4 and Lotto” draws.

The Additional Lottery System
(An Enterprise Fund of the Commonwealth of Puerto Rico)

Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Years Ended June 30, 2024 and 2023

Summary of Revenues, Expenses, and Changes in Net Position (Deficits) (2023 and 2022)

The following presents a condensed summary of the statements of revenues, expenses, and changes in net position (deficits) for the fiscal years ended June 30, 2023 and 2022:

	2023	2022	Increase/ (Decrease)
Operating Revenues	$527,698,650	$509,045,081	$18,653,569
Operating Expenses:			
Direct Costs	328,763,448	325,763,357	3,000,091
General and Administrative	11,948,786	9,461,149	2,487,637
Total Operating Expenses	340,712,234	335,224,506	5,487,728
Non-Operating Expenses	-	20,000,000	(20,000,000)
Income Before Payments to Commonwealth	186,986,416	153,820,575	33,165,841
Less Payments to Commonwealth	186,986,416	153,820,574	33,165,842
Change in Net Position (Deficit)	-	1	(1)
Net Position (Deficit)			
Beginning of Year	-	(1)	1
End of Year	$ -	$ -	$ -

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The Additional Lottery System
(An Enterprise Fund of the Commonwealth of Puerto Rico)

Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Years Ended June 30, 2024 and 2023

Summary of Revenues, Expenses, and Changes in Net Position (Deficit) (2023 and 2022) (Continued)

Operating revenues consist of the sales of game tickets. The following chart summarizes the Lottery tickets sales for each game product for the years 2023 and 2022:

When comparing the year 2023 to year 2022, total tickets sales increased by approximately $18.7 million. Also, there was a decrease in prizes paid to all games of approximately $1.4 million. The increase in ticket sales were mostly due to increased ticket sales in the "Powerball, Powerplay, and Double Play" draws and the introduction of a new game "Wild Ball" during October 2022.

Net Ticket Sales (2024 and 2023)

Net ticket sales for the fiscal years ended June 30, were as follows:

	2024	2023	Increase/ (Decrease)
Pega 3			
Night Draw	$87,385,019	$87,523,629	($138,610)
Day Draw	49,773,244	49,851,691	(78,447)
Pega 4			
Night Draw	107,166,914	104,253,444	2,913,470
Day Draw	50,369,752	49,141,384	1,228,368
Pega 2			
Night Draw	771,618	898,957	(127,339)
Day Draw	564,128	584,036	(19,908)
Wild Ball	3,619,409	3,759,103	(139,694)
Powerball	69,015,994	68,775,358	240,636
Powerplay	29,453,724	30,015,327	(561,603)
Lotto	18,156,950	17,701,040	455,910
Revancha	12,826,966	12,811,741	15,225
Multiplicador	9,619,260	9,415,351	203,909
Double Play	23,022,338	23,094,892	(72,554)
Kino	326,411	583,645	(257,234)
Instant Games	69,614,469	69,289,052	325,417
Total	$531,686,196	$527,698,650	$3,987,546

During the fiscal year ended June 30, 2024, there were thirteen (13) big winners of Powerball, Lotto Cash, and Revancha as compared to twelve (12) big winners of Powerball, Lotto, and Revancha in the fiscal year ended June 30, 2023 as follows:

	2024	2023
Lotto Grand Prize Winners	5	6
Revancha Prize Winners	7	5
Powerball & Powerplay Prize Winners	1	1
Total	13	12

The Additional Lottery System
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Management's Discussion and Analysis (Unaudited) (Continued)

For the Fiscal Years Ended June 30, 2024 and 2023

Net Ticket Sales (2024 and 2023) (Continued)

During the fiscal year ended June 30, 2024, the five (5) large prizes awarded for Lotto amounted to $8.6 million, seven (7) large prizes were awarded for Revancha amounting to $1.6 million, and the one (1) large prize for Powerball amounted to $1 million. In 2023, the six (6) large prizes awarded for Lotto amounted to $5.5 million, five (5) large prizes were awarded for Revancha amounting to $2 million, and one (1) large prize for Powerball amounted to $2 million.

Prize expenses include the actual amounts paid plus the amortization of interests on the prizes' annuity obligations.

Prize expenses, by the different games offered by the Lottery, during the fiscal years ended June 30, 2024 and 2023, were as follows:

	2024	2023	Increase/ (Decrease)
Pega 3			
Night Draw	$38,927,980	$46,307,700	($7,379,720)
Day Draw	23,206,000	25,146,880	(1,940,880)
Pega 4			
Night Draw	46,424,000	49,992,110	(3,568,110)
Day Draw	21,950,170	17,606,870	4,343,300
Pega 2			
Night Draw	393,125	444,375	(51,250)
Day Draw	283,375	283,550	(175)
Wild Ball	1,703,999	1,924,963	(220,964)
Powerball	34,893,465	34,848,519	44,946
Powerplay	14,726,862	15,007,664	(280,802)
Lotto	16,999,443	17,247,393	(247,950)
Revancha	7,343,680	7,594,856	(251,176)
Multiplicador	5,073,706	5,414,521	(340,815)
Double Play	12,662,286	13,679,829	(1,017,543)
Kino	189,027	319,635	(130,608)
Instant Games	47,763,885	48,190,074	(426,189)
Total	$272,541,003	$284,008,939	($11,467,936)

Prize expenses, as a percentage of ticket sales, were 51.3 % during the fiscal year ended June 30, 2024 as compared to 53.8% during the fiscal year ended June 30, 2023. The enabling law requires that at least 45% of the ticket sales be returned to players in the form of prizes.

Net Ticket Sales (2023 and 2022)

Net ticket sales for the fiscal years ended June 30, were as follows:

	2023	2022	Increase/ (Decrease)
Pega 3			
Night Draw	$87,523,629	$90,294,206	($2,770,577)
Day Draw	49,851,691	51,434,391	(1,582,700)
Pega 4			
Night Draw	104,253,444	104,367,292	(113,848)
Day Draw	49,141,384	49,486,746	(345,362)
Pega 2			
Night Draw	898,957	831,220	67,737
Day Draw	584,036	586,831	(2,795)
Wild Ball	3,759,103	-	3,759,103
Powerball	68,775,358	60,133,270	8,642,088
Powerplay	30,015,327	26,945,123	3,070,204
Lotto	17,701,040	18,277,449	(576,409)
Revancha	12,811,741	13,582,527	(770,786)
Multiplicador	9,415,351	9,701,647	(286,296)
Double Play	23,094,892	16,363,147	6,731,745
Kino	583,645	610,765	(27,120)
Instant Games	69,289,052	66,430,467	2,858,585
Total	$527,698,650	$509,045,081	$18,653,569

During the fiscal year ended June 30, 2023, there were twelve (12) big winners of Powerball, Lotto Cash, and Revancha as compared to eighteen (18) big winners of Powerball, Lotto, and Revancha in the fiscal year ended June 30, 2022 as follows:

	2023	2022
Lotto Grand Prize Winners	6	10
Revancha Prize Winners	5	7
Powerball & Powerplay Prize Winners	1	1
Total	12	18

The Additional Lottery System
(An Enterprise Fund of the Commonwealth of Puerto Rico)

Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Years Ended June 30, 2024 and 2023

Net Ticket Sales (2023 and 2022) (Continued)

During the fiscal year ended June 30, 2023, the six (6) large prizes awarded for Lotto amounted to $5.5 million, five (5) large prizes were awarded for Revancha amounting to $2 million, and the one (1) large prize for Powerball amounted to $2 million. In 2022, the ten (10) large prizes awarded for Lotto amounted to $7.8 million, seven (7) large prizes were awarded for Revancha amounting to $2.7 million, and one (1) large prize for Powerball amounted to $2.0 million.

Prize expenses include the actual amounts paid plus the amortization of interests on the prizes' annuity obligations.

Prize expenses, by the different games offered by the Lottery, during the fiscal years ended June 30, 2023 and 2022, were as follows:

	2023	2022	Increase/ (Decrease)
Pega 3			
Night Draw	$46,307,700	$51,337,692	($5,029,992)
Day Draw	25,146,880	23,818,980	1,327,900
Pega 4			
Night Draw	49,992,110	55,390,180	(5,398,070)
Day Draw	17,606,870	19,718,660	(2,111,790)
Pega 2			
Night Draw	444,375	421,250	23,125
Day Draw	283,550	300,925	(17,375)
Wild Ball	1,924,963	-	1,924,963
Powerball	34,848,519	29,853,229	4,995,290
Powerplay	15,007,664	13,472,562	1,535,102
Lotto	17,247,393	18,633,631	(1,386,238)
Revancha	7,594,856	8,330,770	(735,914)
Multiplicador	5,414,521	5,307,818	106,703
Double Play	13,679,829	11,059,743	2,620,086
Kino	319,635	338,995	(19,360)
Instant Games	48,190,074	44,605,665	3,584,409
Total	$284,008,939	$282,590,100	$1,418,839

Prize expenses, as a percentage of ticket sales, were 53.8 % during the fiscal year ended June 30, 2023 as compared to 55.5% during the fiscal year ended June 30, 2022. The enabling law requires that at least 45% of the ticket sales be returned to players in the form of prizes.

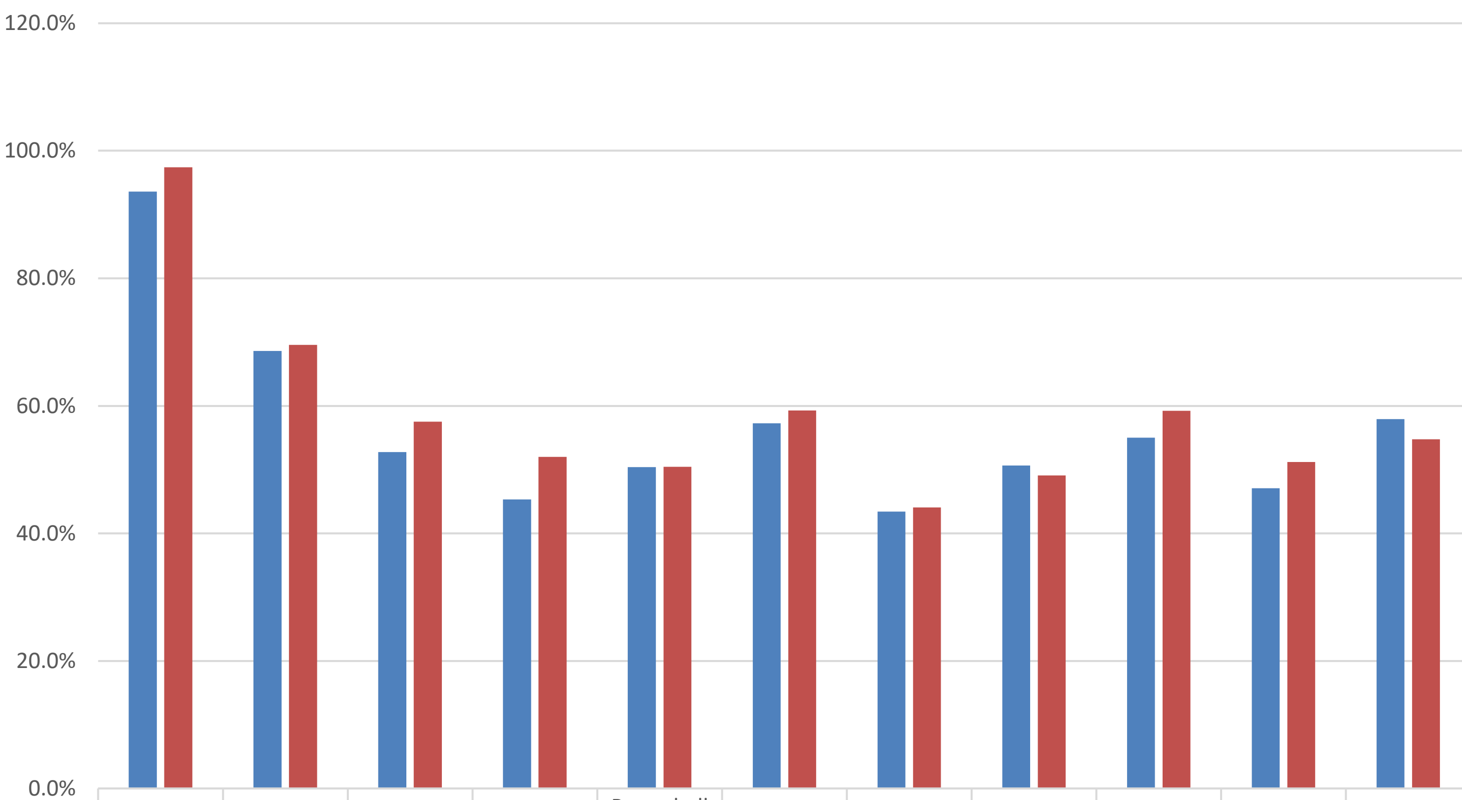
The Additional Lottery System
(An Enterprise Fund of the Commonwealth of Puerto Rico)

Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Years Ended June 30, 2024 and 2023

Prizes as a Percentage of Net Sales (2024 and 2023)

The following chart compares the prizes, as a percentage of net sales, for each game product for the fiscal years ended June 30, 2024 and 2023:

Prizes as a Percentage of Net Sales for the Years 2024 and 2023



	Lotto	Instant Games	Multiplicador	Pega 3	Powerball & Powerplay	Revancha	Pega 4	Pega 2	Double Play	Wild Ball	Kino
2024	93.6%	68.6%	52.7%	45.3%	50.4%	57.3%	43.4%	50.6%	55.0%	47.1%	57.9%
2023	97.4%	69.5%	57.5%	52.0%	50.5%	59.3%	44.1%	49.1%	59.2%	51.2%	54.8%

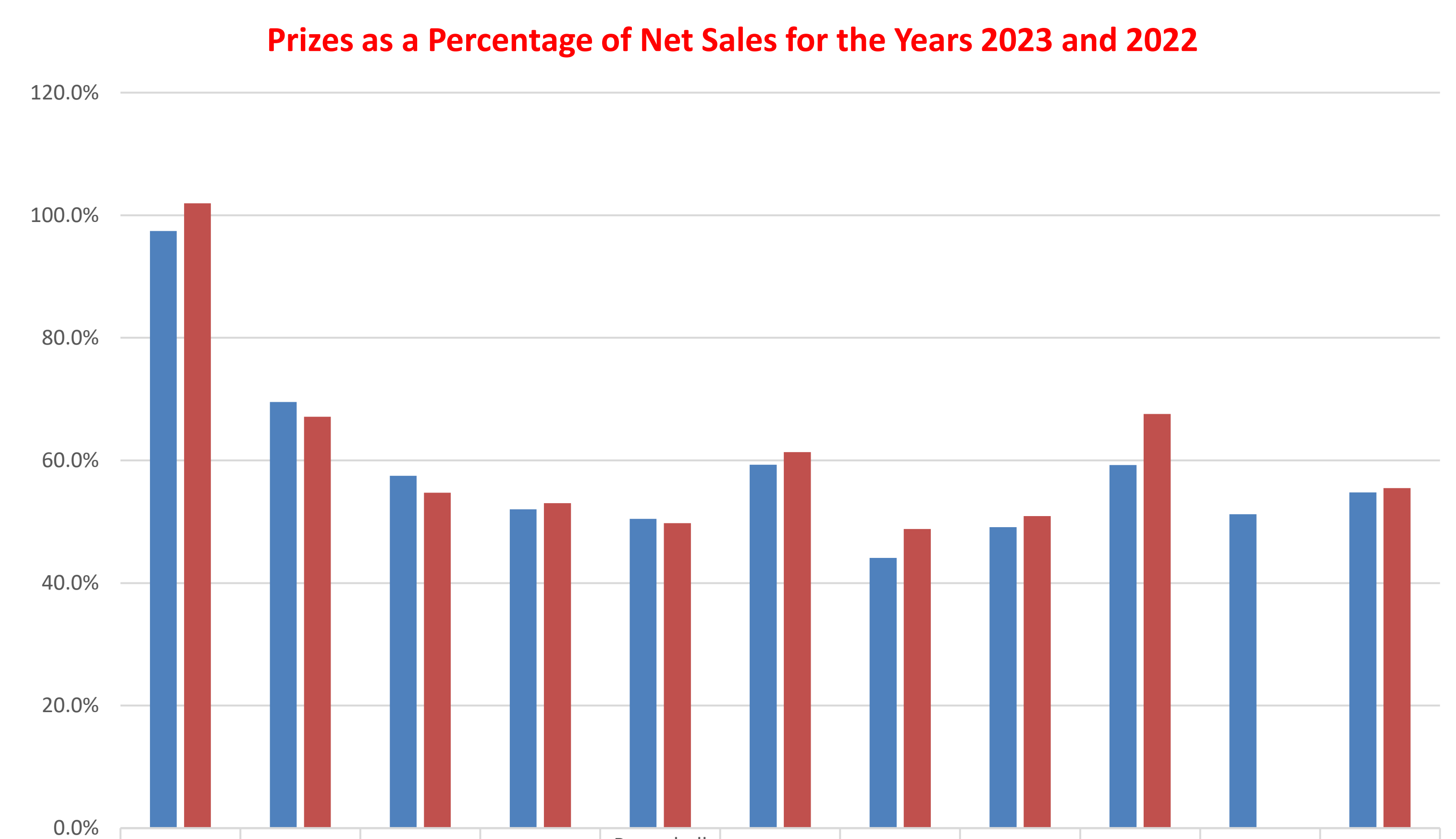
■ 2024 ■ 2023

The Additional Lottery System
(An Enterprise Fund of the Commonwealth of Puerto Rico)

Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Years Ended June 30, 2024 and 2023

Prizes as a Percentage of Net Sales (2023 and 2022)

The following chart compares the prizes, as a percentage of net sales, for each game product for the fiscal years ended June 30, 2023 and 2022:



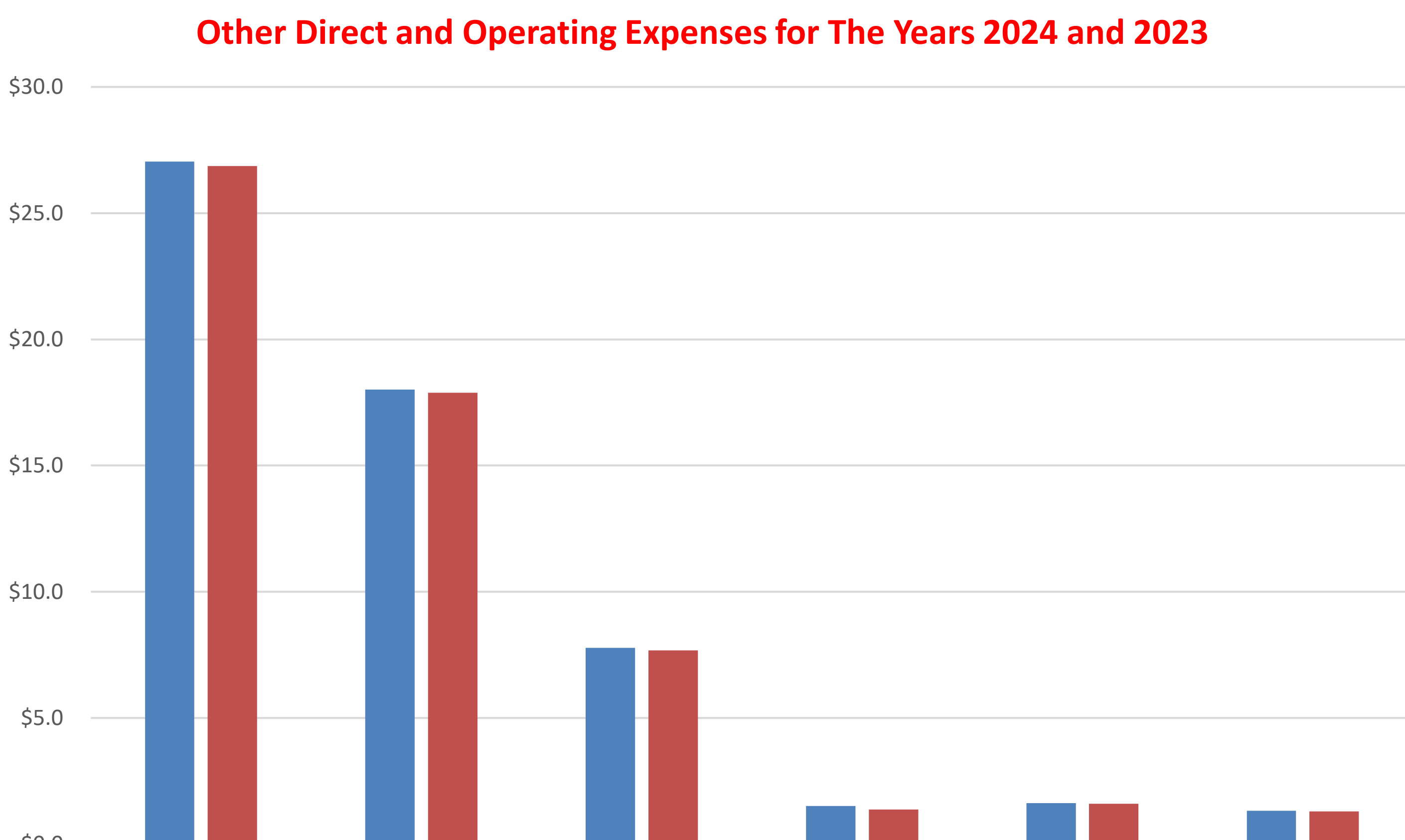
	Lotto	Instant Games	Multiplicador	Pega 3	Powerball & Powerplay	Revancha	Pega 4	Pega 2	Double Play	Wild Ball	Kino
2023	97.4%	69.5%	57.5%	52.0%	50.5%	59.3%	44.1%	49.1%	59.2%	51.2%	54.8%
2022	101.9%	67.1%	54.7%	53.0%	49.8%	61.3%	48.8%	50.9%	67.6%	0.0%	55.5%

The Additional Lottery System
(An Enterprise Fund of the Commonwealth of Puerto Rico)

Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Years Ended June 30, 2024 and 2023

Other Direct and Operating Expenses (2024 and 2023)

The following chart summarizes the composition of other direct and operating expenses for the fiscal years ended June 30, 2024 and 2023:



	Retailer Commisions	Draw/Instant Service Fees	Marketing	Salaries and Related Benefits	Pension Expense (Credit)	Other
2024	$27.0	$18.0	$7.8	$1.5	$1.6	$1.3
2023	$26.9	$17.9	$7.7	$1.4	1.6	$1.3

The Lottery pays 5% of net sales, of draw and instant games and 1% of net prizes paid on instant games, as commission to retailers.

The Lottery has a contract with Scientific Games Puerto Rico, LLC (from now on "Scientific Games") for online systems, service and other related fees. The amount paid to Scientific Games is based on a percentage of net sales, as defined in the contracts. The online and instant games service fee, as a percentage of net ticket sales, during the fiscal years ended June 30, 2024 and 2023 was 3.4% for both fiscal years.

The Additional Lottery System
(An Enterprise Fund of the Commonwealth of Puerto Rico)

Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Years Ended June 30, 2024 and 2023

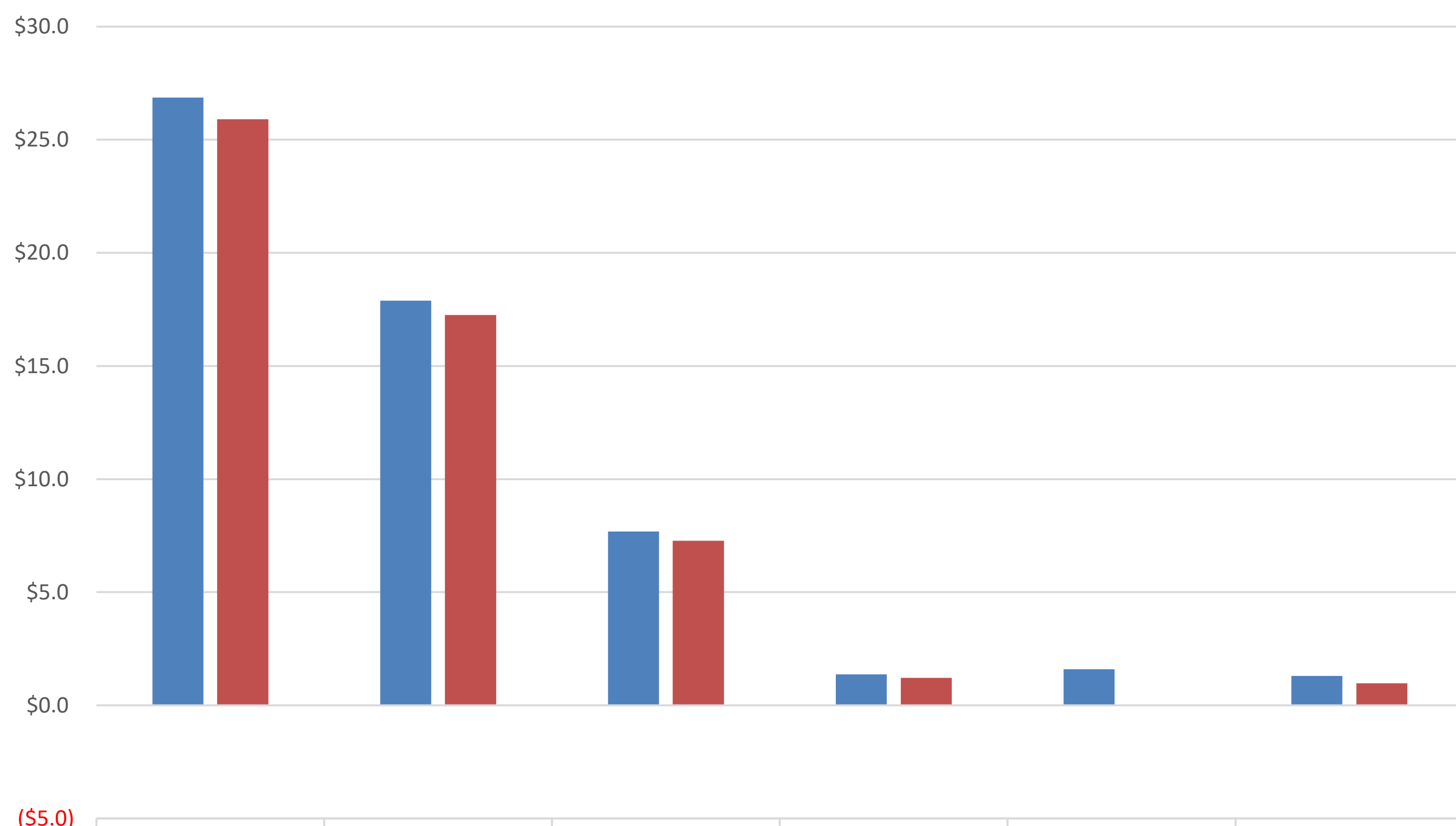
Other Direct and Operating Expenses (2024 and 2023) (Continued)

The Lottery is required by law to transfer to the Commonwealth the net income after deducting the amounts required to pay for the current year annuity prize obligations. During the fiscal years ended June 30, 2024 and 2023, the Lottery recorded transfers in the amount of $202 million and $187 million, respectively. This increase in payments to the Commonwealth is principally due to an increase of 4 million in operating revenues and a decrease of $10.9 million in operating expenses compared to fiscal year ended June 30, 2023.

Other Direct and Operating Expenses (2023 and 2022)

The following chart summarizes the composition of other direct and operating expenses for the fiscal years ended June 30, 2023 and 2022:

Other Direct and Operating Expenses for The Years 2023 and 2022



	Retailer Commisions	Draw/Instant Service Fees	Marketing	Salaries and Related Benefits	Pension Expense (Credit)	Other
2023	$26.9	$17.9	$7.7	$1.4	$1.6	$1.3
2022	$25.9	$17.3	$7.3	$1.2	(0.0)	$1.0

2023 2022

Other Direct and Operating Expenses (2023 and 2022) (Continued)

The Lottery pays 5% of net sales, of draw and instant games and 1% of net prizes paid on instant games, as commission to retailers.

The Lottery has a contract with Scientific Games Puerto Rico, LLC (from now on "Scientific Games") for online systems, service and other related fees. The amount paid to Scientific Games is based on a percentage of net sales, as defined in the contracts. The online and instant games service fee, as a percentage of net ticket sales, during the fiscal years ended June 30, 2023 and 2022 was 3.4% for both fiscal years.

The Lottery is required by law to transfer to the Commonwealth the net income after deducting the amounts required to pay for the current year annuity prize obligations. During the fiscal years ended June 30, 2023 and 2022, the Lottery recorded transfers in the amount of $187 million and $153.8 million, respectively. This increase in payments to the Commonwealth is principally due to an increase of $13.2 million in the net income from operations and a decrease of $20 million in non-operating expenses when compared to fiscal year ended June 30, 2022.

Net Position

As of June 30, 2024 the Lottery has a Net Position of $0. In the opinion of management, it is not an indication of financial difficulties as the Lottery has been and continues to be profitable. In addition, funds for the payments of annuity prizes obligations comes from funds generated from operations. During the fiscal years ended June 30, 2024 and 2023, the Lottery has generated sufficient funds for the payment of prizes.

Capital Assets

The Lottery's investment in capital assets as of June 30, 2024 and 2023 amounted to approximately $220,590 and $90,527, respectively, net of accumulated depreciation. Capital assets include machinery, equipment, furniture, and vehicles.

Contacting the Lottery's Financial Management

The management's discussion and analysis is designed to provide the citizens of Puerto Rico, the Commonwealth government officials, our players, retailers and other interested parties with an overview of the Lottery's financial activity for the fiscal years ended June 30, 2024 and 2023, and to demonstrate the Lottery's accountability for the money it received from the sale of the Lottery products. If you have any questions about this overview or need additional information, contact the Lottery's Finance Department at Fundación Angel Ramos Building, Suite 110, 383 Franklin D. Roosevelt Avenue, San Juan Puerto Rico, 00918-2143.

The Additional Lottery System
(An Enterprise Fund of the Commonwealth of Puerto Rico)

Statements of Net Position
June 30, 2024 and 2023

	2024	2023
Assets		
Current Assets:		
Cash and Cash equivalents	$56,562,262	$64,042,871
Accounts Receivable	4,854,177	3,859,266
Total Current Assets	61,416,439	67,902,137
Non-Current Assets:		
Income Tax Prepaid to the Commonwealth of Puerto Rico	4,693,487	5,777,537
Due From MUSL	5,983	20,421
Prize Reserve MUSL	2,058,181	2,443,647
Capital Assets, Net of Accumulated Depreciation	220,590	90,527
Other	2,500	2,500
Total Non-Current Assets	6,980,741	8,334,632
Deferred Outflows of Resources:		
Pension Related	220,726	2,364,499
Other Postemployment Benefits Related	-	400
Total Deferred Outflows of Resources	220,726	2,364,899
Total Assets and Deferred Outflows of Resources	68,617,906	78,601,668
Liabilities		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	3,161,603	2,097,789
Voluntary Retirement Benefits	41,993	51,708
Accrued Compensated Absences	115,733	108,604
Total Pension Liability	83,341	71,567
Other Postemployment Benefits Liability	400	400
Due to the Commonwealth of Puerto Rico	21,980,760	25,255,115
Due to MUSL	927,082	219,706
Prizes payable:		
Annuity Prize Obligation	5,773,796	6,594,628
Estimated Prize Obligation	2,920,000	3,730,000
Lower-Tier Unclaimed Prize Liability	5,238,741	5,758,857
Total Current Liabilities	40,243,449	43,888,374
Non-Current Liabilities		
Voluntary Retirement Benefits	-	39,926
Accrued Compensated Absences	98,583	92,510
Total Pension Liability	3,438,951	3,618,977
Other Postemployment Benefits Liability	52,508	54,851
Annuity Prize Obligations	24,762,447	30,536,243
Total Non-Current Liabilities	28,352,489	34,342,507
Total Liabilities	68,595,938	78,230,881
Deferred Inflows of Resources :		
Pension Related	21,968	370,787
Total Liabilities and Deferred Inflows of Resources	68,617,906	78,601,668
Net Position		
Investment in Capital Assets	220,590	90,527
Unrestricted Deficit	(220,590)	(90,527)
Net Position	$ -	$ -

See accompanying notes which are an integral part of the Basic Financial Statements.

The Additional Lottery System
(An Enterprise Fund of the Commonwealth of Puerto Rico)

Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2024 and 2023

	2024	2023
Operating Revenues		
Draw Games	$462,071,727	$458,409,598
Instant Games	69,614,469	69,289,052
Total Operating Revenues	531,686,196	527,698,650
Operating Expenses		
Direct Costs:		
Prize Expenses	272,541,003	284,008,939
Retailers Commissions	27,042,711	26,863,394
Draw and Instant Services Fees	18,010,048	17,891,115
Salaries and Related Benefits	1,513,199	1,374,810
Pension Expense	1,626,701	1,557,255
Other Postemployment Expense (Benefits)	(1,943)	41,490
Marketing Expenses	7,778,219	7,680,209
General and Administrative	1,330,545	1,295,022
Total Operating Expenses	329,840,483	340,712,234
Operating Income	201,845,713	186,986,416
Income Before Payments to the Commonwealth	201,845,713	186,986,416
Payments to the Commonwealth	(201,845,713)	(186,986,416)
Change in Net Position	-	-
Net Position		
Net Position, Beginning of Year	-	-
Net Position, End of Year	$ -	$ -

See accompanying notes which are an integral part of the Basic Financial Statements.

The Additional Lottery System
(An Enterprise Fund of the Commonwealth of Puerto Rico)

Statements of Cash Flows
For the Fiscal Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows From Operating Activities		
Cash Received From Retailers, Net of Commissions and Incentives	$504,370,389	$499,289,753
Cash Paid for Prizes and Related Taxes	(279,381,697)	(288,250,266)
Cash Paid to Suppliers for Goods and Services	(26,000,805)	(29,717,798)
Cash Paid to Employees	(1,164,171)	(938,818)
Net Cash Provided by Operating Activities	197,823,716	180,382,871
Cash Flows From Non-Capital Financing Activities		
Payments to the Commonwealth of Puerto Rico	(179,864,953)	(161,731,302)
Amount Due to the Commonwealth of Puerto Rico	(25,255,115)	(31,994,192)
Net Cash Used in Non-Capital Financing Activities	(205,120,068)	(193,725,494)
Cash Flows From Capital and Related Financing Activities		
Purchase of Capital Assets and Net Cash Used in Financing Activities	(184,257)	(115,721)
Net Cash Used in Capital and Related Financing Activities	(184,257)	(115,721)
Net (Decrease) Increase in Cash and Cash Equivalents	(7,480,609)	(13,458,344)
Cash and Cash Equivalents:		
Beginning of Year	64,042,871	77,501,215
End of Year	$56,562,262	$64,042,871

See accompanying notes which are an integral part of the Basic Financial Statements.

The Additional Lottery System
(An Enterprise Fund of the Commonwealth of Puerto Rico)

Statements of Cash Flows (Continued)

For the Fiscal Years Ended June 30, 2024 and 2023

	2024	2023
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	$201,845,713	$186,986,416
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	54,194	52,519
Loss on Disposal of Fixed Assets	-	52,413
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(994,910)	(1,099,730)
Prepaid Income Tax to the Commonwealth of Puerto Rico	1,084,050	1,228,050
Prepaid Annuities	-	680,000
Due From MUSL	721,814	(445,772)
Prize Reserve MUSL	385,466	460,841
Deferred Outflows	2,144,173	(2,332,179)
Accounts Payable and Accrued Liabilities	1,077,015	(2,932,208)
Voluntary Retirement Benefits	(49,641)	(49,025)
Total Net Pension & Other Postemployment Benefits Liability	(170,595)	3,571,198
Deferred Inflows	(348,819)	359,726
Prizes Payable	(7,924,744)	(6,149,378)
Net Cash Provided by Operating Activities	$197,823,716	$180,382,871

See accompanying notes which are an integral part of the Basic Financial Statements.

1. ORGANIZATION

The **Additional Lottery System** (from now on "the Lottery") was created by Law No. 10 of the Commonwealth of Puerto Rico (from now on "the Commonwealth") on May 24, 1989 and commenced operations effective June 1, 1990. The Lottery is an enterprise fund of the Commonwealth.

The Lottery originates its revenues from two product lines: draw games and instant games. The Lottery develops multiple games and prize structures to comply with its enabling legislation and customer demands. Currently the Lottery administers eight (8) games: Pega 4, Pega 3, Pega 2 and their variations, (Powerball, Powerplay, Double Play), (Lotto and Multipicador), Revancha, Kino and instant games. During the year ended June 30, 2015, Powerball and Powerplay games were added with draws on Wednesday and Saturday each week. During May 2021, The Lottery rebranded its Lotto games to “Loto Cash” with draws on Monday, Wednesday, and Friday of each week. Independent and corporate retailers comprised principally of grocery and convenience stores, package foods stores, and restaurants serve as the primary distribution channel for online and instant lottery sales to the general public. Retailers received a commission of 5% of net sales plus 1% of net prizes paid on instant games. The Lottery is authorized to utilize up to 0.1% of the net operating income corresponding to the previous fiscal year on incentive programs to retailers that promote increased sales.

As provided by Law No. 10, the Lottery must transfer to the Commonwealth the net income for each fiscal year, adjusted for any amount specifically authorized by the Commonwealth.

FINANCIAL REPORTING ENTITY

The financial reporting entity included in this report consists of the basic financial statements of the Lottery (primary government). To fairly present the financial position and the results of operations of the financial reporting entity, management must determine whether its reporting entity consists of only the legal entity known as the primary government or one or more organizations called component units. The inclusion of a potential component unit in the primary government's reporting entity depends on whether the primary government is financially accountable for the potential component unit or on whether the nature and significance of the relationship with the primary government is such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

GASB Accounting Standards Codification Section 2100, "Defining the Financial Reporting Entity", describes the criteria for determining which organizations, functions, and activities should be considered part of the Lottery for financial reporting purposes. Following GASB Sections 2100 and 2600 "Reporting Entity and Component Unit Presentation and Disclosure", there are two methods of presentation of the component unit in the basic financial statements: (a) blending the financial data of the component units' balances and transactions in a manner similar to the presentation of the Lottery's balances and (b) discrete presentation of the component unit's financial data in columns separate from the Lottery's balances and transactions.

1. ORGANIZATION (CONTINUED)

The basic criteria for deciding financial accountability are any one of the following:

- Financial dependency of the potential component unit on the primary government, or
- The primary government appoints a voting majority of the potential component unit's governing body and,

1. The primary government can impose its will on the potential component unit and/or,
2. A financial benefit/burden exists between the primary government and the potential component unit.

In addition, a legally separate, tax-exempt organization should be discretely presented as a component unit of a reporting entity if all the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents,
- The primary government, or its component units, is entitled to, or has the ability to otherwise access a majority of the economic resources received or held by the separate organization, and
- The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Other organizations should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government. Professional judgment is applied in determining whether the relationship between a primary government and other organizations for which the primary government is not accountable and that do not meet these criteria is such that exclusion of the organization would render the financial statements of the reporting entity misleading or incomplete.

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

Based on the above criteria, the basic financial statements of the Lottery do not include any component units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Lottery conform to accounting principles generally accepted in the United States of America (US GAS), as applicable to governmental entities. Such principles are prescribed by the Governmental Accounting Standard Boards (GASB), which is the standard setting body for establishing governmental accounting and financial reporting principles in the United States of America.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Lottery is considered a special-purpose government engaged only in business-type activities under GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". Accordingly, only those statements required for enterprise funds are presented as basic financial statements.

The Lottery follows GASB Statement No. 76, “The Hierarchy of Generally Accepted Principles for State and Local Governments”, in the preparation of its Basic Financial Statements. The following is a description of the Lottery's most significant accounting policies:

(a) Measurement Focus and Basis of Accounting

Financial Statements Presentation

The Lottery reports its financial position and results of operations as an enterprise fund. Financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds are used to account for business - type activities, which are financed mainly by fees and charges to users of the services provided by the funds operations, designed to recover its costs, including capital costs such as depreciation and debt service. Proprietary funds distinguish operating revenues and expenses from non - operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non - operating revenues and expenses.

Required Supplementary Information - Management's Discussion and Analysis

Management’s discussion and analysis is required supplementary information that introduces the basic financial statements and provides an analytical overview of the Lottery’s financial activities.This analysis is similar to the analysis the private sector provides in their annual reports.

Notes to the Basic Financial Statements

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Measurement Focus and Basis of Accounting - (Continued)

Required Supplementary Information -

GASB Statement No. 73, "Accounting and Financial Reporting for Pension Plans not within the Scope of GASB 68", the required supplementary information includes the Schedule of Proportionate Share of the Total Pension Liability.

GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits other than Pensions", the required supplementary information include the Schedule of Proportionate Share of Total OPEB Liability.

(b) Use of Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Management periodically evaluates estimates used in the preparation of the basic financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation.

(c) Cash and Cash Equivalents

In the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and are so near to their maturity that they present insignificant risk of changes in value because of changes in interest rates. They include cash on hand and on deposit and short-term investments with maturities of three months or less.

(d) Operating Revenues and Expenses

The Lottery distinguishes between operating and non-operating revenues and expenses in its Statement of Revenues, Expenses, and Changes in Net Deficits. Operating revenues and expenses are those that result from providing services that correspond to the principal ongoing operations. Operating revenues consist principally of sales of tickets and operating expenses consist principally of prizes awarded, commissions to retailers, personnel costs, and marketing expenses. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(e) Accounts Receivable

Accounts receivable represent the amount due from Lottery retailers, from the sales of lottery tickets, and is guaranteed by an insurance bond provided by the retailer. This amount is collected weekly from the retailer bank account to the Lottery bank account. The Lottery utilizes the allowance method to provide for doubtful accounts based on management's evaluation of the collectible accounts receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Accounts Receivable (Continued)

Receivables are written off when it is determined that amounts are uncollectible. As of June 30, 2024 and 2023, management believes all accounts receivable are collectible, and, as such, no allowance for doubtful accounts has been recorded.

(f) Capital Assets and Depreciation Policy

Capital assets, which consist principally of motor vehicles, furniture, and fixtures, are recorded at historical cost. A capital asset is defined by the Lottery as an asset with an initial cost of more than $500 and an estimated useful life of more than 2 years. Depreciation is computed on a straight-line method over the estimated useful life of the related asset. Maintenance and repairs are charged to operations, while renewals and betterments are capitalized. When property and equipment are disposed of, the cost and any applicable accumulated depreciation and amortization are removed from the respective accounts and the resulting gain or loss is recorded in operations.

The estimated useful lives of the major classes of capital assets are as follows:

Office Furniture, Computers, Equipment and Fixtures	2-3 years
Motor Vehicles	5 years

(g) Accounting for the Impairment or Disposal of Long - Lived Assets

The Lottery follows GASB Statement No. 42, “Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries”. This Statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries. During the year ended June 30, 2024, the Lottery evaluated its capital assets for impairment under the guidance of this Statement and determined that the possible impairment amount, if any, would not have a material impact in the Lottery’s basic financial statements. See also Note 4.

(h) Net Position

Net position is classified in the following two components in the accompanying statements of net position:

Investment in Capital Assets

The investment in capital assets component of net position (deficit) consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of June 30, 2024, there are no outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Net Position - (Continued)

Unrestricted (Deficit)

The unrestricted component of net position (deficit) is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets.

(i) Revenue Recognition

Revenues from games are recognized in the month in which the related drawings are held. Revenues from sales of tickets and commission paid for future drawings are deferred until the drawings are held.

(j) Prizes

Regulation No. 7331 requires that 45% of ticket sales be awarded to the public in the form of prizes.

Prize expenses for draw games are recorded based on prizes won by the players, as revenue is recognized. Prize expenses for instant games are recognized based on the predetermined prize structure for each game, as revenue is recognized. Any prize that remains uncollected after 180 days after ending validation date is considered unclaimed.

Effective May 17, 2021, Lotto jackpot prize and their variations were paid in lump sum payments. Lotto jackpot prizes between May 20, 2016 and May 17, 2021 were paid as annuities over a period of 30 years or a lump sum payment equal to 50% of the Lotto jackpot prize and their variations. Annuity payments before this date will remain over a period of 20 years or a lump sum payment equal to 45% of the Lotto jackpot. All other prizes are paid in a lump sum.

All prizes are recorded at the actual amounts except for annually funded prizes, which are paid out on a deferred basis. The actual prize expenses for this type of prize are based on the present value of an annuity using the rates as published by the Federal Reserve in the Treasury Constant Annuity for a 30-year annuity.

(k) Retailer Commissions

The Lottery compensates authorized operators of betting machines. The commission is computed at 5% of bets placed at each location on draw and instant games plus 1 % of net prizes paid on instant games.

(l) Retailer Incentives

The Lottery is authorized to utilize up to 0.1% of the net operating income corresponding to the previous fiscal year on incentive programs to retailers that promote increased sales.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Compensated Absences

As of the effectiveness of Act No. 8 of February 26, 2017, named "Law for the Administration and Transformation of Human Resources in the Government of Puerto Rico", every government employee shall be entitled to accrue one and one-fourth (1¼) day of vacation leave for every month of service. The employees shall begin to accrue the vacation leave upon completion of a three (3) - month period and said leave shall be retroactive to the employment commencement date. Furloughed or part-time employees shall accrue vacation leave proportionately to the number of hours regularly worked. The vacation leave may be accrued up to a maximum of sixty (60) workdays at the end of any calendar year. Vacation leave is granted to employees in order to allow them a reasonable annual rest period. As a general rule, said leave shall be used during the calendar year in which it was accrued. Every agency or public instrumentality is required to devise a vacation plan for every calendar year, in collaboration with supervisors and employees, establishing the period during which employees shall enjoy their vacation time in the manner that is more compatible with the needs for service. Said plan shall be completed no later than on December 31st of every year, so that it takes effect on January 1st of the following year.

The Lottery accrued a liability for compensated absences, which meet the following criteria: (1) the Lottery's obligation relating to employee's right to receive compensation for future absences is attributable to employee's services already rendered; (2) the obligation relates to rights that vest or accumulate; (3) payment of the compensation is probable; and (4) the amount can be reasonably estimated.

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

(n) Accounting for Pension Costs

The Lottery accounts for pension costs in accordance with the requirements of the Governmental Accounting Standards Board (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 objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

This Statement establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, “Accounting for Financial Reporting of Pensions”, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of GASB Statement No. 67, “Financial Reporting for Pension Plans”, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

Act No. 3 enacted on April 4, 2013, amended Act No. 447 for the purpose of establishing a major reform of the ERS effective on July 1, 2013. After that, and based on the fiscal crisis of the Commonwealth, was enacted Act No. 106 of 2017 to establish a New Define Contribution Plan and create the Pay-as-you-go (PayGo) scheme for payment of pensioners of the ERS and the other two retirement systems. As a result of the implementation of the PayGo system, the plan does not meet the criteria in paragraph 4 of GASB Statement No. 68, to be considered a plan that is administered through a trust or equivalent arrangement, and therefore, is required to apply the guidance on GASB Statement No. 73. See also Note 11.

Measurement Frequency and Valuation Requirements

The Total Pension Liability should be measured as of a date no earlier than the end of the employer’s prior fiscal year, consistently applied from period to period (measurement date). The Total Pension Liability can be measured from an actuarial valuation as of the measurement date or roll forward amounts from an actuarial valuation as of a date no more than 30 months plus 1 day prior to the employer’s most recent fiscal year-end. The actuarial valuation should be performed at least biennially.

(o) Accounting for Postemployment Benefit Costs Other than Pensions

Other postemployment benefits (“OPEB”) expenses are recognized and disclosed using the accrual basis of accounting. The Lottery recognized the total OPEB liability since the Lottery’s OPEB program is funded on a pay-as-you-go basis, and not by an OPEB trust. Changes in the total OPEB liability during the period are recorded as OPEB expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in the total OPEB liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the average of the remaining life of all participants including retirees and recorded as a component of OPEB expense beginning with the period in which they arose. The Lottery accounted for postemployment benefits other than pensions (OPEB) under the provisions of GASB Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”. See also Note 12.

(p) Voluntary Termination Benefits

The Lottery accounts for termination benefits in accordance with the provisions of GASB Statement No. 47, “Accounting for Termination Benefits”. This Statement establishes accounting standards for termination benefits. Pursuant to this Statement, the Lottery should recognize a liability and expense for voluntary termination (for example, early retirement incentives) when the offer is accepted, and the amount can be estimated. See also Note 13.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Risk Management

The Commonwealth purchases commercial insurance covering casualties, theft, tort, claims, and other losses, including the Lottery as an insured operation. The current insurance policies have not been cancelled or terminated. Workmen's compensation insurance is provided by the State Insurance Fund, a component unit of the Commonwealth. The Lottery has not settled any claims in excess of its insurance coverage during the past three (3) years.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2024 and 2023 consisted of the following:

	Book Balance	Depository Bank Balance
2024		
Cash Deposited in Local Commercial Banks	$ 56,562,162	$58,356,762
Cash on Hand	100	100
Total Cash and Cash Equivalents	$ 56,562,262	$ 58,356,862

	Book Balance	Depository Bank Balance
2023		
Cash Deposited in Local Commercial Banks	$ 64,042,771	$ 65,972,809
Cash on Hand	100	100
Total Cash and Cash Equivalents	$ 64,042,871	$ 65,972,909

The Lottery is restricted by law to deposit funds only in institutions approved by the Puerto Rico Treasury Department, and such deposits are required to be kept in separate accounts in the name of the Lottery.

3. CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk

For deposits, custodial credit risk is the risk that in the event of bank failure, the Lottery's deposits may not be returned to it. Under Puerto Rico statutes, public funds deposited in local commercial banks must be fully collateralized for the amount deposited in excess of federal depository insurance. All securities pledgedas collateral are held by the Secretary of the Treasury of the Commonwealth of Puerto Rico. The bank balance of the Lottery's deposits in commercial banks as of June 30, 2024 and 2023 amounted to approximately $56.6 million and $64 million, respectively, which are fully collateralized as previously described. It is the Lottery's policy to only maintain deposits in banks affiliated to FDIC to minimize the custodial credit risk.

Public Entity Trust (PET) - Deposits with Governmental Development Bank of Puerto Rico (GDB)

On March 23, 2018, GDB ceased its operations as part of winding down in an orderly fashion under Title VI of PROMESA.

On May 15, 2017, the Puerto Rico Fiscal Agency and Financial Advisory Authority (FAFAA) and the Government Development Bank for Puerto Rico (GDB) entered into a Restructuring Support Agreement (the "RSA") with a significant portion of the GDB's creditors. The parties to the RSA agreed to undertake a financial restructuring of the GDB pursuant to a Qualifying Modification under Title VI of PROMESA (the "Qualifying Modification"). On November 6, 2018, the Qualifying Modification was approved by the Federal Court. On November 29, 2018, the FAFAA and the GDB announced the consummation of the Qualifying Modification.

Pursuant to Act No. 109-2017, also known as the Government Development Bank for Puerto Rico Debt Restructuring Act (the "GDB Restructuring Act"), claims on account of deposits held by the Commonwealth and other public entities, including the Lottery, were exchanged for interest in the Public Entity Deed of Trust created pursuant to the GDB Restructuring Act. Specifically, pursuant to the GDB Restructuring Act, on the closing date of the Qualifying Modification (the "Closing Date"), the balance of liabilities owed between the Commonwealth and its agents, instrumentalities and affiliates, (each a "Non-Municipal Government Entity") and the GDB was determined by applying the outstanding balance of any deposits held at GDB in a Non-Municipal Government Entity's name against the outstanding balance of any loan of such Non-Municipal Government Entity owed to the GDB or of any bond or note of such Non-Municipal Government Entity held by the GDB as of such date. Those Non-Municipal Government Entities having net claims against the GDB, after giving effect to the foregoing adjustment, including the Lottery, received their pro rata share of interests in the Public Entity Trust (PET), which is deemed to be in full satisfaction of any and all claims such Non-Municipal Government Entity may have against GDB.

On March 15, 2022, the Commonwealth Plan of Adjustment became effective. The Commonwealth Plan of Adjustment discharged any claim related to budgetary appropriations, including appropriations for the repayment of certain loans held by the Public Entity Trust.

Deposits held with the Government Development Bank for Puerto Rico (GDB), prior to the Qualifying Modification, amounted to $11,014,711. As a result of the Qualifying Modification, the Lottery's recovery on account of its deposits at the GDB will depend upon the recovery received by the Public Entity Trust on account of the PET Assets. At June 30, 2024 and 2023 the entire balance was considered not realizable.

4. CAPITAL ASSETS

Capital assets activity as of June 30, 2024 and 2023 was as follows:

2024

	July 1, 2023	Increases	Decreases	June 30, 2024
Computers, Furniture's and Other Office Equipment	$ 1,054,900	$ 80,819	$ -	$ 1,135,719
Motor Vehicles	107,984	103,438	-	211,422
Total	1,162,884	184,257	-	1,347,141
Less Accumulated Depreciation	(1,072,357)	(54,194)	-	(1,126,551)
Capital Assets, net	$ 90,527	$ 130,063	$ -	$ 220,590

2023

	July 1, 2022	Increases	Decreases	June 30, 2023
Computers, Furniture's and Other Office Equipment	$ 1,025,320	$ 29,580	$ -	$ 1,054,900
Motor Vehicles	96,246	86,141	(74,403)	107,984
Total	1,121,566	115,721	(74,403)	1,162,884
Less Accumulated Depreciation	(1,041,828)	(52,519)	21,990	(1,072,357)
Capital Assets, Net	$ 79,738	$ 63,202	$ (52,413)	$ 90,527

GASB No. 42 requires the recognition of capital asset impairments as soon as they occur. Losses from permanent impairments should berecognized in the Statement of Revenues, Expenses and Changes in Net Deficits in accordance with paragraphs 41-46, 55, 56, 101 and 102 of GASB No. 34. The restoration or replacement of the impaired capital asset should be reported as a separate transaction from the impairment loss and insurance recovery. Nevertheless, no capital assets were impaired as a result of these events.

5. INCOME TAX PREPAID TO COMMONWEALTH OF PUERTO RICO

The law requires the Lottery to remit withheld taxes to the Commonwealth on certain prizes. The tax is based on a progressive tax table up to 20% of the prize. In cases where the prize will be payable in annual annuities, the Lottery prepays a certain amount of the total tax that will be paid over the life of the annuity. This amount is recorded as a prepaid income tax and amortized on a straight-line basis over the life of the annuity, which generally is 20 or 30 years.

6. PARTICIPATION IN MULTI-STATE LOTTERY ASSOCIATION

The Lottery became a member of the Multi-State Lottery Association (from now on "MUSL") on August 2014. MUSL is a non-profit government-benefit association created for the purpose of administering joint lottery games. MUSL includes thirty-five (35) states and territories lottery entities. Through membership in the association the Lottery is eligible to participate in Powerball with Powerplay game. The chief executive officer of each member lottery serves on the MUSL board of directors.

As member of MUSL, the Lottery is required to contribute to various prize reserve funds maintained by MUSL. The prize reserve funds serve as a contingency reserve to protect MUSL from unforeseen prize payments. MUSL periodically reallocates the prize reserve funds among the states based on relative Powerball with Powerplay with sales levels. All remaining funds remitted, and the related interest earnings (net of administrative cost), will be returned to the Lottery upon leaving MUSL, less any portion of unanticipated prize claims that may have been paid from the fund.

As of June 30, 2024 and June 30, 2023, the Lottery had deposits with MUSL of $2,058,181 and $2,443,647 respectively, representing the Lottery’s deposits of reserve funds.

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7. PRIZES PAYABLE

Annuity Prize Obligations

The Lottery carries long-term annuity price obligations at present value. Presented below is a summary of long-term annuity prize payment requirements for annuities payable to maturities:

Years Ending June 30,	Principal	Imputed Interests	Totals
2025	$5,773,796	$4,757,870	$10,531,666
2026	5,074,773	4,106,892	9,181,665
2027	4,097,458	3,009,208	7,106,666
2028	3,427,839	2,403,828	5,831,667
2029	3,054,544	2,152,122	5,206,666
2030-2034	8,512,788	6,170,544	14,683,332
2035-2039	241,026	167,307	408,333
2040-2044	208,144	200,190	408,334
2045-2049	145,875	180,791	326,666
	$30,536,243	$23,148,752	$53,684,995

This debt represents annual payments owned to Lotto jackpot winners. Annuity prizes will be paid over a period of 30 years. The imputed interest is based on the rates published by the Federal Reserve for 30-year annuities and ranged from 2.95% to 5.29% at June 30, 2024 and 2023. The amortization of the imputed interest is recorded as prize expense in the accompanying statement of revenues, expenses, and changes in net position (deficit). Activity of annuity prizes payable for the fiscal years ended June 30, 2024 and 2023 were as follows:

Years Ended	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
June 30, 2024	$ 37,130,871	$ -	$ (6,594,628)	$ 30,536,243	$ 5,773,796
June 30, 2023	$ 44,658,892	$ -	$ (7,528,021)	$ 37,130,871	$ 6,594,628

Estimated Prize Liability

The estimated prize liability as of June 30, 2024 and 2023 represents the Lottery's estimate of prizes payable related to games in process at year-end, based on the predetermined prize structure of each outstanding game.

Lower-Tier Unclaimed Prize Liability

Any prize that remains unclaimed at the end of 180 days following the draw is considered unclaimed and, in accordance with the enabling law, the unclaimed prize is paid or transferred to the Commonwealth of Puerto Rico. During the fiscal years ended June 30, 2024 and 2023, a total of approximately $10.13 million and $12.02 million, respectively, of unclaimed prizes were transferred to the Commonwealth.

8. TRANSFERS DUE TO THE COMMONWEALTH OF PUERTO RICO

The Lottery must transfer the net income, after deducting the amount required for payment of prize annuities and operating expenses to the Commonwealth. The following reconciles the amounts transferred to the Commonwealth during the fiscal years ended June 30, 2024 and 2023.

	2024	2023
Transfers Due at Beginning of Year	$ 25,255,115	$ 31,994,192
Add Net Income Available for Transfers	216,706,777	200,514,699
Total Amount Available for Transfers	241,961,892	232,508,891
Gross Transfers Made During the Year	219,981,132	207,253,776
Transfers Due at the End of the Year	$ 21,980,760	$ 25,255,115

In compliance with Act No. 10 of May 1989, as amended, the Lottery allocated the income available for transfer, net of amount retained for the payment of prizes annuities, during the fiscal years ended June 30, 2024 and 2023 to the following beneficiary funds of the Commonwealth:

	2024	2023
Commonwealth of Puerto Rico:		
Rent and Home Improvement Subsidy Fund	$ 12,059,470	$ 11,952,951
Compulsive Gamblers	250,000	250,000
Municipal Equivalency Fund	66,425,185	61,261,713
Commonwealth of Puerto Rico General Fund	110,517,022	101,401,427
Catastrophic Diseases	2,467,221	2,275,435
University of Puerto Rico Scholarships Fund	3,626,815	3,344,890
Olympic Village "German Rieckehoff Sampayo"	2,000,000	2,000,000
Olympic Committee	4,000,000	4,000,000
Puerto Rico Paralympic Committee	50,000	50,000
Puerto Rico Special Olympics	50,000	50,000
Mayaguez 2010 Foundation	100,000	100,000
Puerto Rican Sports Hall of Fame	25,000	25,000
Puerto Rico Chess Federation	50,000	50,000
Interuniversity Athletic League of PR	175,000	175,000
Puerto Rican Table Tennis Federation	25,000	25,000
Puerto Rico Athletics Federation	25,000	25,000
Total	$ 201,845,713	$ 186,986,416

9. PAYROLL AND RELATED BENEFITS

All Lottery personnel are employees of the Treasury Department of the Commonwealth. During the fiscal years ended June 30, 2024 and 2023, the Lottery incurred in $1.5 million and $1.4 million, respectively, each year for payroll and benefits costs, including pension, health insurance and other benefits costs paid to the Treasury Department who responsible for the administration of the benefit programs.

10. COMMITMENTS AND CONTINGENCIES

Servicing and Marketing Contract

The Lottery has a contract with Scientific Games Puerto Rico, LLC (from now on "SG") to provide on-line gaming system and the associated services. The contract requires SG, among others, to provide terminals to all retailers, with the related software and communication systems. Payment under the contract is based on 3.4% of total lottery net sales, including services related to sales of instant games, at a rate of 3.4% of all such sales. The contract is effective from July 1, 2016 to June 30, 2024, subject to extension pursuant to the mutual agreement. During the fiscal years ended June 30, 2024 and 2023, SG charged the Lottery approximately $18 million and $17.9 million, respectively, for services performed under the contract.

11. EMPLOYEE'S RETIRMENT PLAN

The Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (ERS) is a single-employer defined benefit plan administered by the Commonwealth of Puerto Rico.

The Lottery accounts for pension liability based on actuarial valuations measured as of the beginning of the year. The Lottery's retirement plan was administered as trusts following the guidance in GASB Statement No. 73 since there are no assets accumulated in trusts meeting the following criteria established by GASB Statement No. 68:

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

On January 18, 2022, the Title III Court entered an order confirming the Modified Eighth Amended Plan for the Commonwealth, ERS, and PBA. The Modified Eighth Amended Plan eliminated several benefits to certain Plan participants. In summary, participants within benefits for System 2000 and Act 3 members, as previously defined, who were not in payment status as of March 15, 2022 were transferred out from Plan benefits. Also, eliminated future cost of living adjustments, and benefits to active members under the Act 127-1958 (members in high-risk positions).

11. EMPLOYEE'S RETIRMENT PLAN (CONTINUED)

Plan Description

Prior to Act No. 106-2017, ERS administered different benefit structures pursuant to Act No. 447-1951, as amended, including a cost-sharing, multi-employer, defined benefit program, a defined contribution program (System 2000 program) and a contributory hybrid program. Benefit provisions vary depending on member's date of hire. Substantially all full-time employees of the Commonwealth and its instrumentalities (the Commonwealth, 78 municipalities, and 55 public corporations) were covered by the ERS. These benefits were paid by the ERS until June 30, 2018. Through Act No. 106-2017, the Commonwealth transformed the retirement systems into a single pay-as-you-go system (whereby future benefit payments are guaranteed by the Commonwealth's General Fund) and created the Retirement System Board as the new Retirement Systems governing body.

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

- Members of Act No. 447-1951 are generally those members hired before April 1, 1990 (contributory, defined benefit program).
- Members of Act No. 1-1990 are generally those members hired on or after April 1, 1990, and on or before December 31, 1999 (together with Act No. 447 participants, the Defined Benefit Program).
- Members of Act No. 305-1999 (Act No. 305-1999 or System 2000) were generally those members hired on or after January 1, 2000, and on or before June 30, 2013 (the System 2000 Program). All regular employees hired for the first time on or after July 1, 2013, and former employees who participated in the defined benefit program and the System 2000 program, and were rehired on or after July 1, 2013, became members of the Contributory Hybrid Program as a condition to their employment. In addition, participant employees of previous programs as of June 30, 2013, became part of the Contributory Hybrid Program on July 1, 2013. Pursuant to a settlement incorporated into the Eighth Amended Plan, on the effective date of the Eighth Amended Plan, all participants in the System 2000 Program would receive a one-time payment in the amount of their contributions (plus accrued interest) as of the Commonwealth's petition date in their defined contribution accounts established under Act No. 106-2017 (discussed below). Upon the payment of these refunds, all claims related to the System 2000 Program would be discharged.

The Commonwealth, through Act No. 106-2017, created a "New Defined Contribution Plan" that consisted of a trust fund, not subject to the provisions of Act No. 219-2012, known as "The Trusts Act", that will maintain an individual account for each participant of the Retirement Systems that becomes a participant of the plan.

The following employees will participate in the New Defined Contribution Plan:

- All active participants of the ERS as of July 1, 2017
- New hires entering the public service workforce after July,1 2017
- Any business or public corporation with employees not participating in the Retirement Systems as of July 1, 2017, can, through an approved resolution by its board of directors or governing body, join the New Defined Contribution Plan. The Retirement Systems Board is responsible of establishing the eligibility requirements and procedures to be followed to join the New Defined Contribution Plan.

11. EMPLOYEE'S RETIRMENT PLAN (CONTINUED)

Enrollment in the New Defined Contribution Plan is optional for the chiefs of public corporations and for employees of public corporations of the Commonwealth of Puerto Rico working and living outside the territorial limits of Puerto Rico.

The following summary of ERS plan provisions is intended to describe the essential features of the plan. All eligibility requirements and benefit amounts should be determined in strict accordance with the applicable laws and regulations.

(i) Service Retirements

(a) *Eligibility for Act No. 447-1951 Members:* Act No. 447-1951 members who were eligible to retire as of June 30, 2013 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, and (3) any age with 30 years of credited service. 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. 447-1951 members who were not eligible to retire as of June 30, 2013 and did not attain 30 years of credited service by December 31, 2013 are eligible to retire 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 July 1, 1956	57 and up	59

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

(b) Eligibility for Act No. 1-1990 Members: Act No. 1-1990 members who were eligible to retire as of June 30, 2013 continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 1-1990 members could retire upon (1) attainment of age 55 with 25 years of credited service and (2) attainment of age 65 with 10 years of credited service.

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

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

11. EMPLOYEE'S RETIRMENT PLAN (CONTINUED)

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

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

(d) Eligibility for Members Hired after June 30, 2013: Attainment of age 67.

(ii) Service Retirement Annuity Benefits

An annuity payable for the lifetime of the member equal to the annuitized value of the balance in the hybrid contribution account at the time of retirement, plus, for Act No. 447-1951 and Act No. 1-1990 members, the accrued benefit determined as of June 30, 2013. If the balance in the hybrid contribution account was $10,000 or less, it would have been paid as a lump sum instead of as an annuity.

(a) *Accrued Benefit* as of June 30, 2013 for Act No. 447-1951 Members: The accrued benefit as of June 30, 2013 was determined based on the average compensation, as defined, for Act No. 447-1951 members, the years of credited service, and the attained age of the member all as of June 30, 2013.

If the Act No. 447-1951 member had at least 30 years of credited service as of June 30, 2013, the accrued benefit equals 65% of average compensation if the member was under age 55 as of June 30, 2013, or 75% of average compensation if the member was at least age 55 as of June 30, 2013. For participants selecting the Coordination Plan, the benefit was recalculated at the Social Security Retirement Age (SSRA), as defined, as 1.5% of average compensation up to $6,600 multiplied by years of credited service, up to 30 years, plus 65% (75% if member was at least age 55 as of June 30, 2013) of average compensation in excess of $6,600.

If the Act No. 447-1951 member had less than 30 years of credited service as of June 30, 2013 and attained 30 years of credited service by December 31, 2013, the accrued benefit equaled 55% of average compensation if the member was under age 55 as of June 30, 2013 or 60% of average compensation if the member was at least age 55 as of June 30, 2013. For participants selecting the Coordination Plan, the benefit was recalculated at SSRA as 1.5% of average compensation up to $6,600 multiplied by years of credited service, up to 30 years, plus 55% (60% if member was at least age 55 as of June 30, 2013) of average compensation in excess of $6,600. Member contributions received from Act No. 447-1951 members eligible for this transitory benefit during the period beginning July 1, 2013 and ending upon the attainment of 30 years of credited service were considered pre- July 1, 2013 contributions; the contributions to the hybrid contribution account begin after the member attains 30 years of credited service.

11. EMPLOYEE'S RETIRMENT PLAN (CONTINUED)

If the Act No. 447-1951 member had less than 30 years of credited service as of December 31, 2013, the accrued benefit equaled 1.5% of average compensation multiplied by years of credited service up to 20 years, plus 2% of average compensation multiplied by years of credited service in excess of 20 years. Maximum benefit is 75% of average compensation. For participants selecting the Coordination Plan, the basic benefit is recalculated at SSRA as 1% of average compensation up to $6,600 multiplied by years of credited service up to 20 years, plus 1.5% of average compensation up to $6,600 multiplied by years of credited service in excess of 20 years, plus 1.5% of average compensation in excess of $6,600 multiplied by years of credited service up to 20 years, plus 2.0% of average compensation in excess of $6,600 multiplied by years of credited service in excess of 20 years. The benefit was actuarially reduced for each year payment commences prior to age 58.

(b) *Accrued Benefit* as of June 30, 2013 for Act No. 1-1990 Members: The accrued benefit as of June 30, 2013 is determined based on the average compensation for Act No. 1-1990 members, the years of credited service, and the attained age of the member all as of June 30, 2013.

For Act No. 1-1990 members, the accrued benefit equaled 1.5% of average compensation multiplied by years of credited service. The benefit was actuarially reduced for each year payment commences prior to age 65.

(iii) *Compulsory Retirement*

All Act No. 447-1951 were required to retire upon attainment of age 58 and 30 years of credited service.

(iv) *Termination Benefits*

(a) *Lump Sum Withdrawal*

Eligibility: A Member was eligible upon termination of service prior to 5 years of service or if the balance in the hybrid contribution account is $10,000 or less.

Benefit: The benefit equaled a lump sum payment of the balance in the hybrid contribution account as of the date of the permanent separation of service.

(b) *Deferred Retirement*

Eligibility: A Member was eligible upon termination of service with 5 or more years of service (10 years of credited service for Act No. 447-1951 and Act No. 1-1990 members) prior to the applicable retirement eligibility, provided the member had not taken a lump sum withdrawal of the accumulated contributions from the hybrid contribution account.

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

(v) *Death Benefits*

(a) *Pre-retirement Death Benefit*

Eligibility: Any current nonretired member was eligible.

Benefit: A refund of the hybrid contribution account, plus the accumulated contributions for Act No. 447-1951 and Act No. 1-1990 members.

11. EMPLOYEE'S RETIRMENT PLAN (CONTINUED)

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

Eligibility: Employees in specified high-risk positions who die in the line of work due to reasons specified in Act No. 127-1958, as amended. System 2000, Act 3 and Act 6 members who were not in payment status as of March 15, 2022 are no longer eligible based on the provisions of the 2022 Plan of Adjustment.

Spouse's Benefit: 50% of the participant's compensation at date of death, payable as an annuity until death or remarriage.

Children's Benefit: 50% of the participant's compensation at date of death, payable as an annuity, and allocated pro rata among eligible children. The annuity was payable for life for a disabled child, until age 18 for a nondisabled child not pursuing studies, and until age 25 for a nondisabled child who is pursuing studies.

Benefit if No Spouse or Children: The parents of the member should each receive 50% of the participant's compensation at date of death, payable as an annuity for life.

Post death Increases: Effective July 1, 1996, and subsequently every three-years, the above death benefits are increased by 3% provided that the beneficiary(ies) had been receiving payments for at least three-years. Future COLA's were eliminated effective March 15, 2022.

The cost of these benefits was paid by the Commonwealth.

(c) *Postretirement Death Benefit for Members Who Retired prior to July 1, 2013*

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

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

i. For those married or with dependent children at the time of death, the annual income to a widow, or widower or dependent children is equal to 60% (50% if in the Coordination Plan – 30%, prior to January 1, 2004) of the retirement benefit payable for life for a surviving spouse and/or disabled children and payable until age 18 (age 25 if pursuing studies) for nondisabled children. If in the Coordination Plan, the benefit to the surviving spouse does not begin until the spouse's attainment of age 60 and the surviving spouse must have been married to the member for at least 10 years to be eligible for this benefit. The increase in the percentage from 30% to 50% if in the Coordination Plan is paid by the Commonwealth for former government employees or by the public enterprise or municipality for their former employees. *See* Act No. 105 of 1969, as amended by Act No. 158 of 2003.

ii. The benefit, when there is no relation as stated above, is equal to the remaining balance of accumulated contributions at the time of retirement after the deduction of lifetime annual income paid and is payable to a beneficiary or to the Member's estate. In no case may the benefit be less than $1,000. Either the Commonwealth for former government employees or the public enterprise or municipality for their former employees pays the difference, up to $250, between (1) the accumulated contributions less the lifetime annual income paid and (2) $1,000. ERS pays for the rest. *See* Article 2-113 of Act No. 447-1951, as amended by Act No. 524-2004.

11. EMPLOYEE'S RETIRMENT PLAN (CONTINUED)

(d) Postretirement Death Benefit for Members Who Retired after June 30, 2013

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

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

For all members, the excess, if any, of the hybrid contribution account, plus the accumulated contributions for Act No. 447-1951 and Act No. 1-1990 members, at the time of retirement over the total annuity payments paid to the member and any beneficiary per the terms of the optional form of payment must be payable to a beneficiary or the member's estate.

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

(vi) Disability Benefits

(a) Disability

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

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

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

Eligibility: Employees in specified high-risk positions who are disabled in the line of work due to reasons specified in Act No. 127-1958 (as amended). System 2000, Act 3 and Act 6 members who were not in payment status as of March 15, 2022 are no longer eligible based on the provisions of the 2022 Plan of Adjustment.

Benefit: 80% (100% for Act No. 447-1951 members) of compensation as of date of disability, payable as an annuity. If the member died while still disabled, this annuity benefit continued to his beneficiaries. Beneficiaries include the surviving spouse and/or disabled children (for life), nondisabled children until age 18 (age 25 if pursuing studies), and the parents if no other beneficiaries. Effective July 1, 1996, and subsequently every three-years, the disability benefit was increased by 3% provided that the member (or beneficiary) had been receiving payments for at least three-years (Act No. 127-1958, as amended). Future COLA's were eliminated effective March 15, 2022.

The cost of these benefits was paid by the Commonwealth.

(c) Members who qualified for occupational or nonoccupational disability benefits as of June 30, 2013, continue to be eligible to receive such benefits.

(vii) Special Benefits

(a) Minimum Benefits

i. *Past Ad hoc Increases*: The Legislature, from time to time, increased pensions for certain retirees as described in Act No. 124-1973 and Act No. 23-1983. The benefits were paid 50% by the Commonwealth and 50% by ERS.

11. EMPLOYEE'S RETIRMENT PLAN (CONTINUED)

ii. Minimum Benefit for Members Who Retired before July 1, 2013 (Act No. 156-2003, Act No. 35-2007, and Act No. 3-2013): The minimum monthly lifetime income for members who retired or become disabled before July 1, 2013, is $500 per month effective July 1, 2013 ($400 per month effective July 1, 2007, and $300 per month up to June 30, 2007). The increase in the minimum monthly benefit from $200 per month to $300 per month was paid by the Commonwealth for former government and certain public corporations without their own treasuries' employees or by certain public corporations with their own treasuries or municipalities for their former employees. The increase in the minimum monthly benefit from $300 per month to $400 per month was to be paid by ERS for former government and certain public corporations without their own treasuries' employees or by certain public corporations with their own treasuries or municipalities for their former employees.

iii. *Coordination Plan Minimum Benefit:* A minimum monthly benefit was payable upon attainment of SSRA such that the benefit, when added to the Social Security Benefit, was not less than the benefit payable prior to SSRA.

(b) Cost of Living Adjustments (COLA) to Pension Benefits: The Legislature, from time to time, increased pensions by 3% for retired and disabled members. Beneficiaries were not entitled to COLAs granted after the retiree's death. The first increase was granted by Act No. 10-1992. Subsequent 3% increases have been granted every third year since 1992, with the latest 3% increase established on April 24, 2007, and effective July 1, 2007 (retroactive to January 1, 2007) for retired and disabled members that were receiving a monthly benefit on or before January 1, 2004 (Act No. 35-2007). In addition, effective July 1, 2008, any retired or disabled member that was receiving a monthly annuity on or before January 1, 2004, less than $1,250 per month received an increase of up to 3% without exceeding the limit of $1,250 per month (Act No. 35-2007). Future COLAs were eliminated effective March 15, 2022.

(c) Special "Bonus" Benefits

(i) Christmas Bonus (Act No. 144-2005, as Amended by Act No. 3-2013): An annual bonus of $200 for each retiree, beneficiary, and disabled member has historically been paid in December provided the member retired prior to July 1, 2013. This benefit is paid from the supplemental contributions received from the Commonwealth for former government and certain public corporations without their own treasuries, or by certain public corporations with their own treasuries or municipalities for their former employees.

(ii) Medication Bonus (Act No. 155-2003, as Amended by Act No. 3-2013): An annual bonus of $100 for each retiree, beneficiary, and disabled member to cover health costs paid in July provided the member retired prior to July 1, 2013. Evidence of coverage is not required. The amount is prorated if there are multiple beneficiaries. This benefit is paid from the Supplemental Contributions received from the Commonwealth for former government and certain public corporations without their own treasuries, or by certain public corporations with their own treasuries or municipalities for their former employees.

Before July 1, 2017, the Commonwealth made contributions to the ERS for the special benefits granted by special laws. The funding of the special benefits was provided to the ERS through legislative appropriations each January 1 and July 1. Special benefits to eligible Act 447-1951 participants are being paid by each employer as they become due since July 1, 2017.

11. EMPLOYEE'S RETIRMENT PLAN (CONTINUED)

(viii) Contributions

Contributions by members consist, as a minimum, of 8.5% of their compensation directly deposited by the Puerto Rico Department of Treasury in the individual member accounts under the New Defined Contribution Plan created pursuant to Act No. 106-2017. Also, as of that date, System's participants shall make no individual contributions or payments to the accumulated pension benefits payment account or additional contributions to ERS.

Participating employers are responsible for the payment of the PayGo fee to the accumulated pension benefits payment account, which is computed based on the amount of actual benefits paid to retirees, disabled and beneficiaries of each participating employer.

(ix) Early Retirement Programs

On July 2, 2010, the Commonwealth enacted Act No. 70 establishing a program that provides benefits for early retirement or economic incentives for voluntary employment termination to eligible employees, as defined. Act No. 70-2010 also established that early retirement benefits will be provided to eligible employees that have completed between 15 and 29 years of creditable services and will consist of monthly benefits ranging from 37.5% to 50% of each employees' monthly salary. Benefits under this program will be paid by the General Fund of the Commonwealth and by the public corporations, covering their respective employees until the plan member reaches the later of age 55 for members under Act No. 447-1951 or age 65 for members under Act No. 1-1990, or the date the plan member would have completed 30 years of service had the member continued employment. In addition, the public corporations will also be required to continue making the required employee and employer contributions to ERS. The General Fund of the Commonwealth will be required to continue making its required employer contributions. ERS will be responsible for benefit payments afterward.

On December 8, 2015, the Commonwealth enacted the Voluntary Early Retirement Law, Act No. 211 of 2015 (Act No. 211-2015), establishing a voluntary program to provide pre-retirement benefits to eligible employees, as defined. Act 106-2017 repealed Act No. 211-2015, while creating incentives, opportunities, and retraining programs for public workers.

(x) Changes in Plan Provisions since Prior Valuation

The Modified Eight Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al. confirmed by the U.S. District of Puerto Rico on January 18, 2023, eliminated Act 127-1958 high-risk death and disability benefits for System 2000, Act 3, Act 106 members in high-risk positions, eliminated future cost of living adjustments, including those on the Act 127-1958 benefits, and eliminated all future ERS benefits for System 2000 and Act 3 members who were not in payment status as of March 15, 2022.

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11. EMPLOYEE'S RETIRMENT PLAN (CONTINUED)

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

1) Total Pension Liability and Actuarial Information

The Lottery'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 July 1, 2022, and the Total Pension Liability for each plan program used to calculate the Total Pension Liability was determined by an actuarial valuation as of July 1, 2022, rolled forward to June 30, 2023 using standard update procedures. The Lottery's proportion of the Total Pension Liability was based on the ratio of each component unit's actual benefit payments to the total actual benefit payments paid during the year ending on the measurement date.

As June 30, 2024, the Lottery's used the proportion of 0.01696%, which was the June 30, 2023 base as required by GASB No. 73:

Proportion - June 30, 2022	0.01666%
Proportion - June 30, 2023	0.01696%
Change - Increase	0.00030%

As of June 30, 2024, the Lottery reported $3,522,292 as total Pension Liability for its proportionate share of the total Pension Liability of ERS, as follows:

Total Pension Liability	Total	Proportion (0.01696%)
Total Pension Liability	$ 20,770,773,432	$ 3,522,292

2) Pension Expense

For the fiscal year ended June 30, 2024, the Lottery recognized pension expense of $1.6 million. Pension expense represents the change in the method of benefits payment from "pay-as-you-go" system.

11. EMPLOYEE'S RETIRMENT PLAN (CONTINUED)

3) Deferred Outflows/Inflow of Resources

As of June 30, 2024, the Lottery reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,455	$ 21,968
Changes of assumptions	134,495	-
Changes in proportion	435	-
Benefits paid subsequent to measurement date	83,341	-
	$ 220,726	$ 21,968

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

Pension benefits paid subsequent to measurement date of $83,341, reported as deferred outflows of resources, will be recognized as a reduction of total pension liability in the year ending June 30, 2025. The amount is recorded as a current liability in the accompanying Statement of Net Position.

Amounts reported as deferred outflows/inflows of resources from pension activities as of June 30, 2024 will be recognized in the pension expense as follows:

Year ending June 30,	Amount
2025	$ 23,083
2026	23,083
2027	23,083
2028	23,083
2029	23,085
Total	$ 115,417

Actuarial Methods and Assumptions

Actuarial valuations of ERS involve estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2024 is provided below. Total pension liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of service for current and inactive employees.

11. EMPLOYEE'S RETIRMENT PLAN (CONTINUED)

The actuarial valuation used the following actuarial assumptions:

Inflation Rate	Not Applicable
Actuarial cost method	Entry age normal
Municipal Bond Index	3.65% based on Bond Buyer General Obligation 20 - Bond Municipal Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.
Discount Rate	3.65%
Salary increase	3.00% per year. No compensation increases are assumed until July 1, 2021, as a result of Act No. 3-2017, four year extension of Act No. 66-2014, and the current general economy. Based on professional judgement and System input.
Mortality	Pre-Retirement Mortality: For general employees not covered Under Act No. 127-158, PubG-2010 employee rates, adjusted by 100% for males and 110% for females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. For members covered under Act 127, PubS-2010 Employee Mortality Rates are assumed for males and females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. As generational tables, they reflect mortality improvements both before and after measurement date. 100% of deaths while in active service are assumed to be occupational for members covered under Act 127-1958.
	Post-Retirement Retiree Mortality: Rates vary by gender are assumed for healthy retirees and beneficiaries based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 healthy retiree rates adjusted by 100% for males and 110% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date. This assumption is also used for beneficiaries prior to the member's death.
	Post-Retirement Disabled Mortality: The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females. The base rates are projected using Mortality Improvement Scale MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after measurement date.
	Post-Retirement Beneficiary Mortality: Prior to retiree's death, beneficiary mortality is assumed to be the same as the post-retirement retiree mortality. For periods after the retiree's death, the PubG-2010 (B) contingent survivor rates, adjusted by 110% for males and 120% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after measurement date.

11. EMPLOYEE'S RETIRMENT PLAN (CONTINUED)

This valuation also reflects a salary freeze until July 1, 2017 due to Act No. 66 of 2014. While the Act No. 66 salary freeze only applies to Central Government employees, public corporations are mandated to achieve savings under Act No. 66, and actuaries have assumed that they will meet this mandate by freezing salaries. Also, while municipalities are not impacted by Act No. 66, the actuaries have also assumed the salary freeze for these employees due to the current economic conditions in Puerto Rico.

Discount Rate

The asset basis for the date of depletion projection is the ERS's fiduciary net position (the gross assets plus deferred outflows of resources less the gross liabilities, including the senior pension funding bonds payable, plus deferred inflows of resources). On this basis, the ERS's fiduciary net position was expected to be exhausted in the fiscal year 2015. After June 30, 2017, the Commonwealth enacted legislation that changed the structure of pension administration managed by ERS.

The ERS's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the single equivalent rate that result in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the ERS's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payments, to the extent that the ERS's fiduciary net position is not projected to be sufficient.

The discount rate on June 30, 2023 was as follows:

	June 30,2023
Discount Rate	3.65%
Long-term expected rate of return net of investment expense	N/A%
Municipal bond rate*	3.65%

* Bond buyer General Obligation 20-Bond Municipal Index

As directed by the ERS, the asset basis for the date of depletion projection is the ERS's net assets (the gross assets less the Pension Obligation Bond proceeds). On this basis, net assets were exhausted in the 2014-2015 fiscal year and no projection was needed to be performed as of June 30, 2016, as the tax-free municipal bond index applies in all years and is thus the single equivalent interest rate that is used as the discount rate in the determination of the Total Pension Liability.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability.

11. EMPLOYEE'S RETIRMENT PLAN (CONTINUED)

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

The following presents the Lottery's proportionate share of the Total Pension Liability, calculated using the discount rate of 3.65%, as well as what the Administration's proportionate share of the Total Pension Liability would be if it were calculated using a discount rate that is 1 - percentage point lower or 1 - percentage point higher than the current rate:

Description	At 1% decrease (2.65%)	At current discount rate (3.65%)	At 1% increase (4.65%)
Total Pension Liability	$ 3,927,200	$ 3,522,292	$ 3,184,201

Pay-As-You-Go Funding

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

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

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

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

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

11. EMPLOYEE'S RETIRMENT PLAN (CONTINUED)

- Contributions to ERS are primarily based on statutory percentage of payroll.

- Disbursements are comprised of benefit payments, administrative expenses, and Pension Obligation Bond debt service.

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

- If the budget is set based on expected contributions and disbursements, in the event of adverse experience during the fiscal year, we should provide for additional funds from the sponsoring employers.

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

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

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

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12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (“OPEB”)

Program Description and Membership

The Lottery provides postemployment benefits other than the pension benefits described in Note 11, for its retired employees (the “OPEB Program”). The plan is an unfunded, single employer defined benefit other postemployment healthcare and insurance coverage benefit plan. 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".

The OPEB 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. 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 retirement age. Act No. 3 of 2013 eliminated this healthcare benefit to the OPEB plan members that retired after June 30, 2013.

Funding Policy

The obligations of the Plan members’ employer are established by action of the Lottery pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement.

The Lottery currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Lottery.

Relationship Between Valuation Date, Measurement Date and Reporting Date

The valuation date is July 1, 2022. This is the date as of which the actuarial valuation is performed. The measurement date is June 30, 2023. This is the date as of which total OPEB liability is determined. The reporting date is the Lottery’s fiscal year ending date. This report is for measurement year July 1, 2022 to June 30, 2023 for reporting periods ending June 30, 2023 through June 30, 2024.

Significant Changes

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

12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB") (CONTINUED)

Total OPEB Liability, Expense and Deferred Outflows/Inflows of Resources

As permitted by GASB, the Lottery's proportionate share of the total OPEB liability as of June 30, 2024 of $52,908 was measured at June 30, 2023 by an actuarial valuation as of that date. An expected total OPEB liability was determined as of June 30, 2023, the valuation date, using standard roll back techniques. The roll back calculation begins with the total OPEB liability, as of the measurement date, June 30, 2023, adds the expected benefit payments for the year, deducts interest at the measurement date, adds the expected benefit payments for the year, deducts interest at the discount rate for the year, and then subtracts the annual normal cost (also called the service cost).

For the year ended June 30, 2024, the Lottery recognized an OPEB credit of $1,943, included as part of other postemployment benefits expense in the accompanying Statement of Revenues, Expenses and Changes in Net Position.

There were no deferred outflows of resources related to OPEB resulting from the Lottery's benefit payments subsequent to the measurement date, as the amount was $0 as of June 30, 2024.

The Lottery's proportion of the OPEB liability used was as follows:

Proportion - June 30, 2022	0.00794%
Proportion - June 30, 2023	0.00818%
Change - Increase	0.00024%

Discount Rate

The discount rate as of June 30, 2023 was as follows:

	June 30,2023
Discount Rate	3.65%
Long-term expected rate of return net of investment expense	N/A%
Municipal bond rate	3.65%

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB") (CONTINUED)

Actuarial Methods and Assumptions

The actuarial cost method used to measure the total OPEB liability as of June 30, 2024 was the individual entry age normal cost method. The actuarial valuations used the following actuarial assumptions:

Measurement Date	June 30, 2023
Valuation Date	July 1, 2022
Actuarial cost method	Entry Age Normal
Medical Rate	Not Applicable
Salary increase	Current General Economy
Mortality	Pre-Retirement Mortality: for general employees not covered Under Act No. 127-1958, PubG-2010 employee rates, adjusted by 100% for males and 110% for females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. For members covered under Act 127, PubS-2010 Employee Mortality Rates are assumed for males and females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. As generational tables, they reflect mortality improvements both before and after measurement date. 100% of deaths while in active service are assumed to be occupational for members covered under Act 127.
	Post-Retirement Mortality: Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.
	Post-Retirement Disabled Mortality: Rates which vary by gender are assumed for disabled retirees based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 disabled retiree dates, adjusted by 80% for males and 100% for females. The base rates are projected using Mortality Improvement Scale MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.
	Post-Retirement Beneficiary Mortality: Prior to retiree's death, beneficiary mortality is assumed to be the same as the post-retirement retiree mortality. For periods after the retiree's death, the PubG-2010(B) contingent survivor rates, adjusted by 110% for males and 120% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB") (CONTINUED)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about the actuarial value of program assets relative to the actuarial accrued liability for benefits.

Calculations are based on the types of benefits provided at the time of each valuation and on the pattern of sharing of costs between the employer and members to that point. The projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

The actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short term volatility in actuarial accrued liabilities and actuarial value of assets.

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

The following presents the total OPEB liability calculated using the discount rate of 3.65%, as well as what it would be if it were calculated using a discount rate of 1 percent-point lower (2.65%) or 1 percent-point higher (4.65%) than the current rate:

Description	At 1% decrease (2.65%)	At current discount rate (3.65%)	At 1% increase (4.65%)
Other Postemployment Benefit Liability	$ 57,445	$ 52,908	$ 48,994

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13. VOLUNTARY TERMINATION BENEFITS

During the fiscal year ended June 30, 2011, the Legislature of the Commonwealth of Puerto Rico approved a one-time retirement incentive plan for all regular employees of Central Government Agencies and certain Public Corporations, known as Act #70 of July 2, 2010. The program included early retirement incentives for certain eligible employees. Under the plan, employees could select one of three options as follows: Article 4(a) provides economic incentive based on the following parameters:

Years of Service in Public Sector	Incentive Gross Amount
Up to 1 Year	1 Month of Salary
From 1 Year and One Day Up to 3 Years	3 Months of Salary
From 3 Years and One Day and Up	6 Months of Salary

Article 4(b) provides employees meeting certain years of service criteria (between 15 and 29 years) and opting for early retirement, to receive a higher pension benefit rate than they would otherwise be entitled to receive based on their current years of service, but such pension rate is lower than what they would have been entitled to if they had waited to meet the full vesting requirements. Annuity pension payments are based on the following parameters:

Credited Years of Service	Pension Payment (As a % of salary)
15	37.5%
16	40.0%
17	42.5%
18	45.0%
19	47.5%
20 to 29	50.0%

13. VOLUNTARY TERMINATION BENEFITS (CONTINUED)

The Lottery will be responsible for making the applicable employer contributions to the Employees Retirement System, as well as making the payments to cover the annuity payments to the employees opting for the early retirement window, until both; the years of service and age requirements for full vesting would have occurred, at which time the applicable Retirement System will continue making the annuity payments. However, after July 1, 2017, and based on Retirement System's Circular Letter No. 2019-01 of October 29, 2018, the applicable employer and employee contributions being made by the Lottery were eliminated.

Employees selecting options 4(a) or (b) will be entitled to receive full payment of healthcare plan benefits for a period of up to 12 months or the date that the employee is eligible for a healthcare plan benefit offered by another employer, whichever occurs first.

Article 4(c) provides eligible employees that have 30 years of credited services contributing to the Commonwealth of Puerto Rico Retirement System and request to start receiving their pension benefits, will be entitled to receive the economic incentive disposed on article 4(a) but not entitled to the incentives provided on article 4(b). Employees that have the required retirement age but have not achieved the years of credited services contributing to the Commonwealth of Puerto Rico Retirement System will be entitled to an economic incentive of up to 6 months of salary to cover for the years of service not credited.

The Lottery has four participants in the plan, and termination benefits are measured at the discount present value of expected future benefit payments. Benefits are based on 60% of average pay (meaning the highest annual average salary of the participant during any of three years of credited services), in addition to social security and Medicare computed at 7.65%, and retirement benefits based on a percentage ranging from 45% to 50% from 2016 to 2025. Termination benefits will be completed during the fiscal year 2024-2025.

As of June 30, 2024, the present value of future incentive payments reported as a liability amounted to $41,993. The long-term portion of the early termination obligation amounted to $0, with a current portion of $41,993. Such amounts are disclosed, respectively, as short-term and long-term liabilities in the accompanying Statement of Net Position (Deficit). The liability under this program was discounted at approximately 3.3%.

14. LONG – TERM LIABILITY ACTIVITY

Changes in long – term obligations, for the year ended June 30, 2024, are as follows:

	Balance as of June 30, 2023	Increases	Decreases	Balance as of June 30, 2024	Due Within One Year
Total Pension Liability	$ 3,690,544	$ -	$ (168,252)	$ 3,522,292	$ 83,341
Total OPEB Liability	55,251	-	(2,343)	52,908	400
Termination Benefits	91,634	2,067	(51,708)	41,993	41,993
	$ 3,837,429	$ 2,067	$ (222,303)	$ 3,617,193	$ 125,734

15. NET POSITION

As of June 30, 2024 there was an increase of Net Position of $10 compared to June 30, 2023. In the opinion of management, is not an indication of financial difficulties as the Lottery has been and continues to be profitable. In addition, management expects that funds for payments of annuity prize obligations will be totally covered from funds generated from operations. During the fiscal years ended June 30, 2024 and 2023, the Lottery has generated sufficient funds for the payment of prizes.

16. DATE OF MANAGEMENT'S REVIEW

The Lottery followed the provisions of FASB ASC topic “Subsequent Events”, which establishes general standards to be applied in accounting for, and disclosure of events that occur after the statement of position date, but before basic financial statements are issued or available to be issued. This standard introduces the concept of "financial statements available to be issued", which are financial statements that are complete in form and format, that comply with US GAAP and have obtained all approvals required for issuance.

It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for the date, whether it is the date the basic financial statements were issued or were available to be issued. This topic should be applied to the accounting and disclosure of subsequent events not addressed on other applicable US GAAP.

The Lottery's management evaluated subsequent events until February 27, 2025, date in which the basic financial statements are available to be issued. No events should be either recognized or disclosed in the basic financial statements. See also Note 18.

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17. NEW ACCOUNTING STANDARDS

a. GASB Implementation

The provisions of the following Governmental Accounting Standards Board (GASB) Statements were effective during the year ended June 30, 2024:

- GASB Statement No. 100, "Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62". This Statement enhances 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.

  GASB No. 100 does not have any impact on the Lottery's basic financial statements.

b. Future Adoption

The Governmental Accounting Standards Board issued the following pronouncements that have effective dates after June 30, 2024. The Lottery is currently evaluating its accounting practices to determine the potential impact on the basic financial statements for the GASB Statements.

- In June 2022, the GASB issued Statement No. 101, "Compensated Absences". This Statement updates the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.
- In December 2023, the GASB issued Statement No. 102, "Certain Risk Disclosures". This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years ending after June 15, 2023.
- In April 2024, the GASB issued Statement No. 103, "Financial Reporting Model Improvements". This Statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years ending after June 15, 2025.
- In September 2024, the GASB issued Statement No. 104, "Disclosure of Certain Capital Assets". This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by GASB Statement 34. This Statement also requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years ending after June 15, 2025.

18. SUBSEQUENT EVENTS

The Lottery has evaluated all transactions occurring after the statement of net position as of February 27, 2025, for items that could potentially be recognized or disclosed in the financial statements. The following events were noted:

TROPICAL STORM ERNESTO

On August 13, 2024, Tropical Storm Ernesto impacted Puerto Rico with heavy rains and storm winds, leading to significant flooding and widespread damage on the island. This severe weather event resulted in approximately 728,000 households losing electricity and 235,000 households experiencing disruptions in the water supply. The economic ramifications extended to the operations of The Additional Lottery System, as weekly sales experienced a notable decline due to the storm. Typically, weekly sales averaged around $7.9 million, however, during the week of the event, they dropped to $5.8 million. An analysis of sales data from the same period in previous years confirmed that this decline was not attributable to seasonal factors but was directly related to the storm's impact.

GENERAL POWER OUTAGE

On December 31, 2024, a massive blackout occurred in Puerto Rico, leaving approximately 90% of households without electricity. The restoration of electrical services was estimated to take between 24 and 48 hours. The Power Outage had economic consequences for The Additional Lottery System, as weekly sales, which generally averaged around $8.0 million, dropped to $5.5 million during the week of the event. An analysis of sales data from the same period in previous years confirmed that this decline was not attributable to seasonal factors but was directly related by the Power Outage's impact.

END OF NOTES

The Additional Lottery System
(An Enterprise Fund of the Commonwealth of Puerto Rico)

Required Supplementary Information
Schedule of Proportionate Share
of the Total Pension Liability

Last Six Fiscal Years (Amounts were determined as of June 30 of each year)

Description	2024*	2023*	2022*	2021*	2020*	2019*	2018*
Proportion of Total Pension Liability	0.01696%	0.01666%	0.00059%	0.00058%	0.00058%	0.00053%	0.00057%
Proportionate Share of Total Pension Liability	$3,522,292	$3,690,544	$ 160,036	$ 163,458	$ 144,588	$ 128,689	$ 161,414

*The amounts presented have a measurement date of the previous fiscal year end.

Fiscal year 2019 was the first year that the Lottery transitioned from GASB No. 68 to No. GASB 73, as result of the PayGo implementation. This schedule is required to illustrate 10 years of information. However, until a 10-year trend has been completed, information is presented only for the years for which the required supplementary information is available.

There are no assets accumulated in a trust for payment of defined pension benefits participants, and the plan is not administered through a trust or equivalent arrangement.

See accompanying independent auditor’s report.

The Additional Lottery System
(An Enterprise Fund of the Commonwealth of Puerto Rico)

Required Supplementary Information
Schedule of Proportionate Share of
Total Other Postemployment Benefit Liability

Last Six Fiscal Years (Amounts were determined as of June 30 of each year)

Description	2024*	2023*	2022*	2021*	2020*	2019*	2018*
Proportion of Total Other Postemployment Benefit Liability	0.00818%	0.00794%	0.00182%	0.00176%	0.00174%	0.00172%	0.00115%
Proportionate Share of Total Other Postemployment Benefit Liabilit	$ 52,908	$ 55,251	$ 14,561	$ 15,394	$ 14,473	$ 14,448	$ 10,610

*The amounts presented have a measurement date of the previous fiscal year end.

Fiscal year 2018 was the first year that the new requirements of GASB 75 were implemented at the Lottery. This schedule is required to illustrate 10 years of information. However, until a 10-year trend has been completed, information is presented only for the years for which the required supplementary information is available.

There are no assets accumulated in a trust for payment of OPEB related benefits, and the plan is not administered through a trust or equivalent arrangement.

See accompanying independent auditor’s report.

TORRES, HERNANDEZ & PUNTER, CPA, PSC
Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT

To the Administrator of
The Additional Lottery System
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 Additional Lottery System (from now on the Lottery), an enterprise fund of the commonwealth of Puerto Rico, as of and for the fiscal year ended June 30, 2024, and the related notes to the basic financial statements, which collectively comprise the Lottery's basic financial statements, and have issued our report thereon dated Februay 27, 2025.

As discussed in Note 1, the basic financial statements of the Lottery are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities of the Commonwealth of Puerto Rico attributable to the transactions of the Lottery. It does not intend to, and does not present fairly, the financial position and changes in financial position of the Commonwealth of Puerto Rico in conformity with accounting principles generally accepted in the United States of America.

Report on Internal Control Over Financial Reporting

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

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

Report on Internal Control Over Financial Reporting (Continued)

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lottery'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 determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lottery'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 Lottery's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Torres, Hernández & Punter, CPA, PSC

Torres, Hernández & Punter, CPA, PSC
Certified Public Accountants

Carolina, Puerto Rico

February 27, 2025

DPSC87-193
THE ADDITIONAL LOTTERY SYSTEM