AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)

BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2023

(With Independent Auditors' Report Thereon)

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)

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Aquino, De Córdova, LLC
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Automobile Accidents Compensation Administration
(a Component Unit of the Commonwealth of Puerto Rico):

Opinion

We have audited the accompanying financial statements of the Automobile Accidents Compensation Administration (a Component Unit of the Commonwealth of Puerto Rico) (the "Administration"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Administration's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Administration, as of June 30, 2023, and the changes in financial position and, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Administration, 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 Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 financial statements.

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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Administration's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Administration's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4 thru 11 and required supplementary information by GASB Statements No. 73 and 75 on pages 70 and 71 and the schedule of ten – years claims development information on page 72, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2024, on our consideration of the Administration's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Administration's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Administration's internal control over financial reporting and compliance.

Carolina, Puerto Rico

June 27, 2024

Aquino, De Córdova, LLC
by Eduardo González-Green
Lic. # 3171

Stamp number E567338
of the Puerto Rico CPA Society
has been affixed to the
original report

AQUINO DE CORDOVA LLC
CERTIFIED PUBLIC ACCOUNTANTS
Lic. 422
PUERTO RICO

This section of the financial report of the Automobile Accidents Compensation Administration (A Component Unit of the Commonwealth of Puerto Rico) (hereinafter referred to as the "Administration"), represents a narrative overview and analysis of the financial performance and activities for the fiscal years ended June 30, 2023 and 2022. The information presented herein should be read in conjunction with the attached Basic Financial Statements, including the notes thereto.

Summarized Basic Financial Statements information, relevant financial and operational indicators operational budgets and other management tools were used for purpose of this analysis.

Background

The Administration was created by Law No. 138 of 1968 (as amended) to provide death, disability and health benefits for victims of automobile accidents, subject to certain limitations and conditions. On August 14, 2020, Law No. 111 was approved named "Law on Social Protection for Motor Vehicle Accidents". This Law revokes Law No. 138 of 26 June 1968, as amended. Law No. 111 establishes a system of insurance and compensation for traffic accidents through a mandatory premium for any authorized motor vehicle, to provide a cover for health services to any person who suffers bodily injury, illness or death as a result of a traffic accident; recognize the existence, continuity and legal personality of the Administration.

The annual premium amounts to $35 per vehicle and is paid during the vehicle's registration renewal. This premium was established in 1968 and has remained unchanged since then. New vehicles pay a fee of $37.50 during the first year. The insurance premium is collected by the Puerto Rico Treasury Department (from now on "PRTD") and recognized ratably as income during the policy year. The portion of premiums that will be earned in the future is deferred and reported as Unearned Premiums in the Statement of Net Position.

Financial Highlights

- The Administration experienced an operating income from insurance operations of approximately $60.9 million in 2023. During fiscal year 2022, the Administration had net operating income from insurance operations of $22.7 million. This is due to a decrease of $38.1 million in pension expenses from 2023 to 2022.

- Net position for the year ended June 30, 2023 increased by $69.4 million, or 48.96%, as compared to an increase in net position of $3.1 million in 2022, for an increase of $66.3 million, or 2,089%. This increase is mainly due to an increase in operating income of $38.1 million, or 167.70%, from $22.7 million in 2022 to $60.9 million in 2023 and an increase in nonoperating revenues of $28.6 million, from a net nonoperating expenses of $17.3 million in 2022, to a net nonoperating revenues of $11.3 million in 2023. Increase in nonoperating revenues is due basically to an unrealized gain on investments of $10.2 million in 2023, as compared to an unrealized loss on investments of $19.8 million in 2022, or $30 million.

- Operating revenues decreased by $209,338, from $94.9 million in 2022 to $94.7 million in 2023, or .22%. Balance remained basically constant from fiscal year ended June 30, 2022 to 2023.

- Operating expenses amounted to approximately $33.8 million in 2023. This represents a net decrease of $38.3 million, as compared to the previous year 2022. This is due to a decrease of $38.1 million in pension expenses from 2022 to 2023.

(Continued)

- During fiscal year 2023, the Administration recorded interest and dividend income of approximately $4.8 million (2022 - $4 million). There was also a realized loss on sales of investments of $3.7 million in 2023 when compared to a realized loss of $1.6 million in 2022; and an unrealized gain due to changes in market value of investments for $10.2 million in 2023 when compared to an unrealized loss of $19.8 million in 2022. There were no impairment losses recorded during 2023 or 2022.

- The Administration's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by approximately $72.4 million as of June 30, 2023, ($141.8 million in 2022) representing a deficit decrease of $69.4 million when compared to 2022, which was a deficit decrease of $3.1 million.

- The Administration's has Right-to-Use Equipment and Office and Storage Space Capital Assets of $2,707,414, net of accumulated amortization, a Right-to-Use Liability related to those equipment, office and storage space of ($2,886,586), a Lease Receivable for office space rented of $777,013 and Deferred Inflows of Resources for $(777,013).

Overview of the Financial Report

The Administration is a component unit of the Commonwealth of Puerto Rico (hereinafter referred to as the Commonwealth) and is presented in the Commonwealth's government-wide financial statements as an enterprise fund.

The Basic Financial Statements provide information about the Administration's activities. The Basic Financial Statements are prepared in accordance Accounting Principles Generally Accepted in the United States of America (US GAAP) as promulgated by the Governmental Accounting Standards Board (GASB).

The Administration's Basic Financial Statements are presented, attached to this document, and represent the financial position of the Administration as of June 30, 2023, and the results of operations for the fiscal year then ended.

The Basic Financial Statements consist of the: (1) Statement of Net Position, (2) Statement of Revenues, Expenses, and Changes in Net Position, (3) Statement of Cash Flows, and (4) notes to the financial statements. The Basic Financial Statements are 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 GAAP.

Statement of Net Position

The Statement of Net Position presents the Administration's financial position as of June 30, 2023, showing information that includes all of the Administration's assets and liabilities, as well as the net position. An evaluation of the overall financial health of the Administration would extend to other external factors, such as the quality of the portfolio of investments and their related market conditions, the experience of gains and losses that may be affected by demographic variables, the inflationary increase of medical costs, and actuarial assumptions used for purposes of estimating the Reserve for Future Benefits.

(Continued)

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position shows how the Administration's net assets changed during the fiscal year. All current fiscal year revenues and expenses are recognized using the accrual method of accounting, which consists of recognizing such revenues and expenses when earned and incurred, respectively, regardless of when the cash is received or paid.

Statement of Cash Flows

The Statement of Cash Flows presents the sources and uses of cash flows divided in categories: operating activities, non-capital financing activities, capital and related financing activities, and investing activities. The statement reconciles net cash and cash equivalents at the beginning and end of the year and reconciles the net operating gain (loss) with the cash provided by operating activities to provide an explanation of cash and noncash activities within the statements of revenues, expenses and changes in net position.

Notes to the Basic Financial Statements

The notes to the financial statements are an integral part of the Basic Financial Statements and describe the significant accounting policies, deposits and investments, capital assets, long-term liabilities, retirement plans and the commitments and contingencies. The reader is encouraged to read the notes in conjunction with the Management Discussion and Analysis and the Basic Financial Statements.

New Significant Accounting Standards Implemented

The following GASB Statements were implemented without an impact to the Administration:

- Statement No. 91, "Conduit Debt Obligations",
- Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payments Arrangements",
- Statement No. 96, "Subscription-Based Information Technology Arrangements", and
- Statement No. 99, "Omnibus 2022".

These are further explained in Note 2(W) to the basic financial statements.

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 the Other Postemployment Benefits Liability, as the result of the implementation of GASB Statement No. 75.

Detailed Financial Analysis of the Administration

The Administration was created in 1968 by virtue of Law No. 138 as a public corporation of the Commonwealth of Puerto Rico. It operates a system of compulsory insurance for vehicles licensed for the use within the Commonwealth. The insurance covers bodily injuries caused by automobile accidents and has an annual premium, which was established in 1968, of $37.50 for new vehicles and $35 for renewals. The Administration, therefore, is responsible for managing the risks of insurance established in the Law and provides adequate resources for insured beneficiaries by managing premiums, claims and expenses.

Automobile Accidents Compensation Administration
(A Component Unit of the Commonwealth of Puerto Rico)
Management's Discussion and Analysis (Unaudited)
June 30, 2023

(Continued)

The following table reflects condensed net position of the Administration as of June 30, 2023 and 2022 as follows:

Statement of Net Position

The following represents major changes in the Statement of Net Position items:

	2023	2022	Differences
Assets:			
Current Assets	$ 88,593,773	$ 68,716,094	$ 19,877,679
Restricted Asset	178,657	251,964	73,307
Capital Assets, Net	8,141,905	6,991,198	(1,150,707)
Other Noncurrent Assets	155,714,933	143,508,080	12,206,853
Total Assets	252,629,268	219,467,336	33,161,932
Deferred Outflows of Resources	31,751,431	43,334,520	(11,583,089)
Total Assets and Deferred Outflows of Resources	$ 284,380,699	$ 262,801,856	$ 21,578,843
Liabilities:			
Current Liabilities	$ 87,142,485	$ 88,839,107	1,696,622
Noncurrent Liabilities	236,589,792	302,197,621	65,607,829
Total Liabilities	323,732,277	391,036,728	67,304,451
Deferred Inflows of Resources	33,039,773	13,584,727	(19,455,046)
Net Position:			
Investment in Capital Assets	5,255,319	4,305,229	950,090
Unrestricted (Deficit)	(77,646,670)	(146,124,828)	68,478,158
	(72,391,351)	(141,819,599)	(69,428,248)
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 284,380,699	$ 262,801,856	$ (21,578,843)

The following represents major changes in the Statement of Net Position items:

Current Assets

Total current assets increased by $19.9 million or 28.9%. This increase is directly attributable to an increase in cash and cash equivalents, of $7.7 million in unrestricted cash balances, or 15.74%. Also, receivables from insurance premiums increased by $12.1 million, or 82.25%.

(Continued)

Capital Assets

During the year ended June 30, 2023, Capital Assets Right-to-Use Equipment and Office and Storage Space Capital Assets increased by $845,628, mainly due to a new regional office opened in the Municipality of Caguas, for which contract was signed on August 11, 2022, and the signing of an extension for the equipment contract for additional five years.

Also, depreciable and nondepreciable capital assets increased by $1,040,102, mostly due to the net effect of additions of $1,695,772, retirement of assets with a book value of $673 and depreciation expense for the year of $654,997.

Considering the changes in Right-to-Use Equipment and Office and Storage Space Capital Assets and the Depreciable and Nondepreciable Capital Assets, total Capital Assets increased by $1,150,707.

Other Noncurrent Assets

During the year ended June 30, 2023, there was an increase in other noncurrent assets of $12.2 million, mostly due to an increase in investments of $12.4 million, or 8.76%.

Deferred Outflows of Resources Related to Pension Plan and OPEB

Deferred outflows of resources amounted to $31.8 million in 2023, for a decrease of $11.5 million, when compared to balance of $43.3 million during the year ended June 30, 2022. This represents a decrease of 26.73%.

Current Liabilities

Total current liabilities decreased from $88.8 million as of June 30, 2022 to $87.1 million as of June 30, 2023, or $1.7 million. Major changes are as follows:

- **Unpaid Claims Liability and Reserve for Future Benefits**

  The reserve for future benefits is an estimate of unpaid benefits on any given date. The estimate of the reserve for future benefits is an actuarial function involving the current financial evaluation of future contingent events. As of June 30, 2023, the current portion of the unpaid claim liability was $8.4 million and as of June 30, 2022, the current portion was $13.0 million, for a decrease of $4.6 million, or 35.37%.

  According to the actuarial report, the Unpaid Claims Liability and Reserve for Future Benefits is segregated into various major areas: benefits for death, funeral, disability, dismemberment and medical/hospital coverage with basic (less than two years) and extended (over two years) benefits. It also includes the incurred but unpaid claim liability, and the loss adjustment expenses. Each major area is evaluated separately, and a reserve is estimated for each. It should be noted that most payments for funeral, dismemberment and disability benefits are settled within two years, while other benefits settlements may depend on the composition and age distribution of the beneficiaries and on the severity of the accident and related trauma.

- **Total Pension Liability and Total OPEB Liability**

  Current portion of the Total Pension Liability is $12,413,130 for 2023, in comparison to $12,323,418 for 2022, for an increase of $90,164, or .73%. The current portion of the Total OPEB Liability is $379,400 for 2023, in comparison to $392,599 for 2022, for a decrease of $13,199 or 3.36%. They represent the benefits paid subsequent to measurement date.

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GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, "Accounting and Financial Reporting for Pensions", as well as for the assets accumulated for purposes of providing those pensions. As the Puerto Rico Government Employee Retirement System (PRGERS) is a multiple employer plan and the benefits are not funded by a pension trust, GASB Statement No. 73 applies to the pension benefits provided to each participating employer's own employees. This recording is made as shown by the Actuarial Report of the PRGERS.

The PRGERS report is for the measurement year July 1, 2021 to June 30, 2022 and for the reporting periods ending July 1, 2022 through June 30, 2023.

Noncurrent Liabilities

Total noncurrent liabilities decreased from $302.1 million as of June 30, 2022 to $236.6 million as of June 30, 2023. Major changes are as follows:

- **Unpaid Claims Liability and Reserve for Future Benefits**

  As of June 30, 2023, the noncurrent portion of the unpaid claim liability was $53 million and as of June 20, 2022, the noncurrent portion was $46.2 million, for an increase of $6.7 million. This offset, in part, the decrease in unpaid claims liability and reserve for future benefits explained above.

- **Total Pension Liability, Total OPEB Liability and Deferred Inflows of Resources Related to Pension Plans**

  The noncurrent portion of the Total Pension Liability is $172,439,130 for 2023, in comparison to $242,627,769 for 2022, for a decrease of $70.1 million. The noncurrent portion of the Total OPEB Liability is $3,377,984 for 2023, in comparison to $4,275,465 for 2022, for a decrease of $897,481, or 20.99%.

  Due to the above, the Administration recorded deferred inflows of resources related to pension plan, resulting from changes in the net pension liability not included in pension expense. Deferred inflows of resources related to pension plans increased from $12.5 million in 2022 to $32.2 million in 2023, or an increase of 158%.

  Deferred Inflows of Resources, related to the recognition of a lease receivable for office space rented, decreased from $1,084,574 in 2022 to $777,013 in 2023 or a decrease of 28%.

Net Position at End of Year

- Total Net Position for the Fiscal Year ended June 30, 2023 increased by $69.4 million. This increase is mainly due to increases in net operating income of $38.1 million and net nonoperating revenues of $28.6 million.

It should be noted that, as required by the Law that created the Administration, the excess of revenues collected during any fiscal year over the payment of benefits and operational expenses must be kept by the Administration to cover all unanticipated claims. If, in any year, the receipts and the reserves accrued are not sufficient to cover the losses and the expenses incurred, the Secretary of the Treasury shall provide, as an advance to the Administration, the sums required to remediate the deficiency. Such advance would be obtained from any funds available in the General Government Fund of the Commonwealth of Puerto Rico.

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Statement of Revenues, Expenses, and Changes in Net Position

The following presents a detailed description of the Administration's revenues, expenses and changes in net position:

	2023	2022	Variance Dollars	Variance Percentage
Operating Revenues	$ 94,778,052	$ 94,987,390	$ (209,338)	(0.22) %
Operating Expenses	32,472,269	71,085,917	(38,613,648)	(54.32) %
Depreciation and Amortization Expense	1,390,020	1,145,995	244,025	21.29 %
Operating Income/(Loss)	60,915,763	22,755,478	38,160,285	167.70 %
Nonoperating Revenue/(Expenses)	11,310,631	(17,384,047)	28,694,678	(165.06) %
Contributions to Other Governmental Agencies	(2,798,146)	(2,200,101)	(598,045)	27.18 %
Net Change in Net Position	$ 69,428,248	$ 3,171,330	$ 66,256,918	2,089.25 %

Revenues from Insurance Premiums

The premiums are earned ratably over the one-year term of coverage, and they are anticipated to remain in line with the prior year if there are no significant changes in vehicles covered. The insurance premium rate per vehicle per year is $37.50 for new vehicles and $35 for renewals and has remained the same for over 40 years.

The Administration has been able to continuously generate Net Operating Revenues on a steady basis. The average Net Operating Revenues during the last ten (10) years was approximately $82.5 million. Average covered vehicles for the past ten years amounted to approximately 2.3 million vehicles.

Starting on September 2022, the Administration began offering two new coverages, including extended coverage. Premium coverage is being sold at $70 per vehicle, with a $35 deductible over the Premium. In addition, Plus Coverage is being sold at $50 per vehicle, with a $15 excess over regular coverage.

General and Administrative Expenses

The general and administrative expenses increased by $265,331 million, from $13 million in 2022 to $13.3 million in 2023. Basically, balance remains constant from 2022 to 2023.

Contributions to Other Governmental Agencies

The Administration is required by legislation, to contribute to other governmental agencies funds for different Governmental programs. During the year ended June 30, 2023, the Administration contributed funds to other governmental agencies including transfers to Puerto Rico Traffic Safety (Act 33-1972) amounting to $1,724,230.

On January 23, 2017 Act No. 3-2017 named "Act to Address the Economic, Fiscal and Budgetary Crisis in Order to Guarantee the Operations of the Government of Puerto Rico" (Act No. 3-2017) was enacted by the Commonwealth of Puerto Rico in order to take temporary emergency measures so that the

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Commonwealth can continue its operations and be able to offer essential services to its citizens; establish certain prohibitions over the engagement of professional services, among other measures, which will be in effect until July 15, 2021. Under Act 3-2017, the Administration is required to transfer the savings resulting from the enactment of this Act to the "Fund for Services and Therapies for Special Education Students". For the fiscal year ended June 30, 2023, the Administration accrued $1,073,916 for such purposes, from budgetary savings.

Contacting the Administration's Financial Management

This financial analysis (including the basic financial statements and notes thereto) is designed to provide a general overview of the Administration's finances and to comply with the financial reporting guidelines established by the Commonwealth of Puerto Rico, as well as to demonstrate the Administration's commitment to public accountability. For questions regarding this analysis and/or to request additional information, contact the Administration's Finance Department at Chardón Ave. #249, Arterial Hostos Square, Hato Rey, PR, 00918 or by calling at 787-753-8495.

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENT OF NET POSITION
JUNE 30, 2023

ASSETS:	
Current Assets:	
Cash and Cash Equivalents	$ 57,210,817
Investments	2,223,685
Accrued Interest and Dividends	605,944
Receivables:	
Investments Sales	285,110
Premiums, Net	26,919,158
Leases	397,093
Others, Net	951,966
Total Current Assets	88,593,773
Noncurrent Assets:	
Restricted Cash	178,657
Investments	154,943,081
Leases Receivable	379,920
Other Assets	391,932
Capital Assets:	
Nondepreciable	900,882
Depreciable/Amortizable, Net	7,241,023
	8,141,905
Total Noncurrent Assets	164,035,495
Total Assets	252,629,268
DEFERRED OUTFLOWS OF RESOURCES:	
Pension Related	31,372,031
Other Postemployment Benefits Related	379,400
Total Deferred Outflows of Resources	31,751,431
Total Assets and Deferred Outflows of Resources	$ 284,380,699

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

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2023

LIABILITIES:	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	$ 16,086,132
Unearned Premiums	45,829,136
Unpaid Claim Liability and Reserve for Future Benefits	8,433,000
Acquisition of Investments	478,584
Accrued Compensated Absences	2,016,579
Total Pension Liability	12,413,582
Total Other Postemployment Benefits Liability	379,400
Termination Benefits	813,918
Lease Liability	692,154
Total Current Liabilities	87,142,485
Noncurrent Liabilities:	
Unpaid Claims Liability and Reserve for Future Benefits	52,969,000
Reserve for Litigations	2,000,000
Total Pension Liability	172,439,130
Total Other Postemployment Benefits Liability	3,377,984
Termination Benefits	3,609,246
Lease Liability	2,194,432
Total Noncurrent Liabilities	236,589,792
Total Liabilities	323,732,277
DEFERRED INFLOWS OF RESOURCES:	
Pension Related	32,262,760
Lease Related	777,013
Total Deferred Inflows	33,039,773
NET POSITION:	
Investment in Capital Assets, Net	5,255,319
Unrestricted/(Deficit)	(77,646,670)
Total Net Position (Deficit)	(72,391,351)
Total Liabilities, Deferred Inflows of Resources and Net Position (Deficit)	$ 284,380,699

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

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

OPERATING REVENUES:	
Insurance Premiums Earned	$ 91,417,285
Other Income	3,360,767
Total Operating Revenues	94,778,052
OPERATING EXPENSES:	
Disability Benefits	386,869
Death, Funeral, Accident and Health Benefits	28,956,291
Beneficiary Services	16,626,115
General and Administrative Expenses	13,344,879
Pension Credit	(25,944,415)
Other Postemployment Benefits Credit	(897,470)
Depreciation and Amortization Expense	1,390,020
Total Operating Expenses	33,862,289
Operating Income	60,915,763
NONOPERATING REVENUES / (EXPENSES)	
Interests and Dividend Income	4,759,701
Realized Loss on Sales of Investments	(3,693,725)
Unrealized Gain on Investments	10,244,655
Contributions to Other Governmental Agencies	(2,798,146)
Total Nonoperating Expenses - Net	8,512,485
Change in Fund Net Position	69,428,248
Net Position (Deficit) at Beginning of Year	(141,819,599)
Net Position (Deficit) at End of Year	$ (72,391,351)

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

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

Cash Flows from Operating Activities:	
Receipts from Policyholders	$ 81,764,585
Payments for Benefits to Policyholders	(27,582,160)
Payments to Employees and Related Benefits	(36,663,552)
Payments to Suppliers for Goods and Services	(4,098,325)
Other Receipts	551,436
Net Cash Provided in Operating Activities	13,971,984
Cash Flows From Noncapital Activities:	
Contributions to Governmental Agencies	(2,798,146)
Cash Flows From Capital and Related Financing Activities:	
Purchase of Capital Assets	(1,695,772)
Cash Flows From Investing Activities:	
Proceeds from Sales of Investments	125,764,531
Purchase of Investments	(132,071,989)
Distribution From Investments and Collection of Interest and Dividends Income	4,538,532
Net Cash Used in Investing Activities	(1,768,926)
Net Increase in Cash, Cash Equivalents and Restricted Cash	7,709,140
Cash at the Beginning of the Year	49,680,334
Cash at End of Year	$ 57,389,474
Summary of Cash, Cash Equivalents, and Restricted Cash:	
Unrestricted	$ 46,755,367
Cash Equivalents	10,455,450
	57,210,817
Restricted	178,657
Total Cash, Cash Equivalents and Restricted Cash	$ 57,389,474

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

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	$ 60,915,763
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	1,390,020
Loss on Disposition of Capital Assets	673
Changes in Assets and Liabilities:	
Increase in Receivable from Premiums	(12,148,846)
Decrease in Other Receivables	(176,143)
Decrease in Lease Receivable	307,561
Increase in Other Assets	(17,997)
Increase in Unpaid Claim Liability and Reserve for Future Benefits	2,113,000
Increase in Unearned Premiums Reserve	2,496,147
Increase in Accounts Payable and Accrued Expenses	945,849
Decrease in Lease Liability	(645,025)
Decrease in Termination Benefits	(1,187,030)
Decrease in Compensation Absences	(50,979)
Decrease in Other Postemployment Benefits Liability	(910,669)
Decrease in Deferred Outflows of Resources	11,583,089
Increase in Deferred Inflows of Resources	19,455,046
Decrease in Total Pension Liability	(70,098,475)
Net Cash Provided by Operating Activities	$ 13,971,984
Summary of Noncash Transactions:	
Net Increase in the Fair Value of Investments	$ 6,550,930
Securities Sold, but not yet Delivered	$ 285,110
Securities Purchased, but not yet Received	$ (478,584)
Right-to-Use Assets Obtained from Lease Liability	$ 845,628

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

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

1. ORGANIZATION

The Automobile Accidents Compensation Administration (the “Administration” or “ACAA”) is a public corporation and a component unit of the Commonwealth of Puerto Rico, created by Law No. 138 of June 26, 1968 known as the "Law on Social Protection for Automobile Accidents"; and for other purposes (as amended). The Administration operates a system of compulsory insurance for vehicles licensed to be used on public roads and highways in Puerto Rico. This insurance covers bodily injuries caused by automobile accidents and compensation for beneficiaries (and their dependents). The annual premium is $35 per motor vehicle (new vehicles pay a fee of $37.50 during the first year). On August 14, 2020, Law Number 111 was approved named "Law on Social Protection for Motor Vehicle Accidents". This Law revoke Law Number No. 138 of 26 June 1968, as amended. Law Number 111 establishes a system of insurance and compensation for traffic accidents through a mandatory premium for any authorized motor vehicle, to provide a cover for health services to any person who suffers bodily injury, illness or death as a result of a traffic accident; recognize the existence, continuity and legal personality of the Administration.

The basic financial statements presented herein relate solely to the financial position and results of operations of the Administration and are not intended to present the financial position of the Commonwealth or the results of its operations or its cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Administration conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting policies.

The Administration 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 most significant accounting policies:

(A) FINANCIAL REPORTING ENTITY

The financial reporting entity included in this report consists of the basic financial statements of the Administration (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 Administration 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

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(A) FINANCIAL REPORTING ENTITY (CONTINUED)

the financial data of the component units' balances and transactions in a manner similar to the presentation of the Administration's balances and (b) discrete presentation of the component unit's financial data in columns separate from the Administration's balances and transactions.

The Administration does not have component units.

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 basic 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.

The Administration is presented as a discretely presented component unit of the Commonwealth of Puerto Rico, and its basic financial statements are included in the Commonwealth of Puerto Rico’s basic financial statements. The Administration operates a system of compulsory insurance coverage for all registered motor vehicles and compensates citizens for injuries arising from motor vehicle accidents. The Administration is a component unit of the Commonwealth of Puerto Rico, since the Commonwealth has the ability to significantly influence rates charged by the Administration and has access to its resources, and the Governor of the Commonwealth also appoints the Administration's governing body.

(B) BASIS OF ACCOUNTING

The Administration accounts for insurance premiums, claim costs, acquisition costs, loss contingencies and other related costs in accordance with provisions of the GASB Statement No. 10, "Accounting and Financial Reporting/or Risk Financing and Related Insurance Issues", as amended, which requires that the basic financial statements of the Administration be presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (US GAAP).

(C) BASIS OF PRESENTATION

The Administration’s activities are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) BASIS OF PRESENTATION (CONTINUED)

The statement of net position and the statement of revenues, expenses, and changes in net position report information on all activities of the Administration. The statement of net position presents the Administration's assets, deferred outflows of resources liabilities, and deferred inflows of resources, with the residual of all elements presented in a financial position statement reported as net position. Net position is reported in three categories:

- Net investment in capital assets, consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes, leases, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

- Restricted component of net position consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. As of June 30, 2023, the Administration has no restricted component of net position.

- Unrestricted component of net position consists of net position that does not meet the definition of the preceding categories. Unrestricted net position often is designated, in order to indicate that management does not consider it to be available for general operations. Unrestricted net position often has constraints on use that are imposed by management, but such constraints may be removed or modified.

The statement of revenues, expenses, and changes in net position presents information on how the Administration's net position changed during the reporting period. The Administration distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses are those that result from the Administration providing the services that correspond to their principal ongoing operations, which include those that result from providing insurance coverage and compensation benefits to the injured, including death benefits. Revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

The statement of cash flows shows changes in cash and cash equivalents, resulting from operating, noncapital and capital financing and investing activities, which include cash receipts and cash disbursements information.

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

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) CASH AND CASH EQUIVALENTS

For basic financial statements purposes, the Administration considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents as of June 30, 2023, consists of funds invested in short term bills, notes and investments funds.

(E) INVESTMENTS

Investments mainly include U.S. government and agencies' obligations, mortgage-backed securities, and corporate debt and equity obligations. Investments are recorded at fair value in accordance with GASB Statement No. 72, "Fair Value Measurement and Application". Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Investments in equity securities with readily determinable fair values and all investments in debt securities are carried at fair value. Money market investments with a remaining maturity at time of purchase of one year or less are carried at cost.

Investment positions in 2a-7 from the Securities and Exchange Commission (SEC), like external investment pools are carried at the pools share price. Fair value is determined based on quoted market prices and quotations received from independent broker/dealers or pricing service organizations. The Administration has private equity investment, whose fair vales have been estimated in the absence of readily determinable fair values. This estimate is based on information provided by the underlying fund managers.

Securities transactions are accounted for on the trade date. Realized gains or losses from the sale of securities and unrealized changes in the fair value of outstanding securities are included in net increase (decrease) in fair value of investments. Realized gains or losses are computed as the difference between the proceeds of the sale and the original cost of the investment sold. Gains and losses on the sale of securities are determined based on the specific identification method.

(F) RECEIVABLES OR PAYABLES RESULTING FROM THE SALE OR ACQUISITION OF INVESTMENTS

Investment transactions at or close to June 30, 2023, for which the settlement date occurs after the fiscal year ends, are recorded separately for basic financial statements purposes.

(G) ACCOUNTS RECEIVABLE

Receivables from premiums collected are estimates based on the amounts reported by the Treasury Department of the Commonwealth of Puerto Rico (PRTD), which could be subject to change. Any change in estimate is recorded in the year that it is identified.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(G) ACCOUNTS RECEIVABLE (CONTINUED)

For the year ended June 30, 2023, the Administration has a receivable for remittances of premiums collected by the PRTD amounting to $26,919,158.

Receivables are unsecured and presented net of estimated allowances for uncollectible accounts. Such allowances are determined based upon past collection experience and current economic conditions.

The allowance for uncollectible accounts insurance premiums and other receivables is an amount that management believes will adequate to absorb possible losses on existing receivables that may become uncollectible based on evaluations of the collectability of the receivables and prior credit loss experience. Because of uncertainties inherent in the estimation process, the related allowance may change in the future.

Accrued interest and dividends represent uncollected income earned on investments.

(H) CAPITAL ASSETS

Capital assets are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization is provided using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the respective lease terms or the estimated useful lives of the improvements, whichever is shorter. Expenditures for maintenance and repairs that do not extend the live of the assets are charged to operations, while those for renewals and improvements are capitalized. Capital assets subject to capitalization are defined by the Administration as those which have a cost of $500 or more at the date of acquisition and have an expected useful live of two or more years. At the time capital assets are sold or otherwise disposed, the cost and related accumulated depreciation are removed from the books and the resulting gain or loss, if any, is credited or changed to operations.

Intangible right-to-use lease assets are recorded at the present value of future lease payments over the contract term. See also Note 1 (I) and 9.

Estimated useful lives of the capital assets are as follows:

Description	Estimated Useful Live
Building	45 Years
Equipment	10 - 20 Years
Computer and Software	5 - 7 Years
Vehicles	4 Years
Office Furniture and Fixtures	5 - 10 Years
Intangible Right-To-Use Lease Assets	2 to 5 years

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(H) CAPITAL ASSETS (CONTINUED)

The Administration accounts for asset impairment under the provisions of 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 impairments of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances are outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the Administration should be reported at the lower of carrying value or fair value.

The Administration evaluated its capital assets and determined that there were no impairments as of June 30, 2023.

(I) LEASES

GASB Statement No. 87 "Leases" defines a lease as a contract that transfers the right to use another entity's asset for a specific period of time in an exchange or exchange-like transaction. The Administration has entered into various lease agreements, primarily for office space for their regional offices providing services to citizens, for office equipment, and for documents handling and storage. Under these contracts, the Administration recognizes a lease liability and a lease asset (intangible right-to-use asset) at the commencement of the lease term in the Statement of Net Position, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset is measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

Likewise, the Administration leases some of its real property, structures and improvements to third parties, which include a cafeteria for the use of employees and visitors of the Administration's central office and for office space. Under these contracts, the Administration recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term in the Statement of Net Position. The lease receivable is measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

An amendment to a lease contract is considered a lease modification, unless the lessee's right to use the underlying asset decreases, in which case it is considered a partial or full lease termination. A lease termination is accounted for by reducing the carrying values of the lease liability and lease asset by a lessee, or the lease receivable and deferred inflows of resources by the lessor, with any difference being recognized as a gain or loss.

The future lease payments are discounted using the interest rate implicit in the lease contract. If the interest rate is not available, the incremental borrowing rate determined by the Administration is used. The lease term is determined by the sum of the non-cancelable periods, plus renewal options when they are reasonably certain of being exercised or early termination options when they are reasonably certain of not being exercised. See also Note 9.

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(J) DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The Administration reports deferred outflows and inflows of resources in addition to assets and liabilities. A deferred outflow of resources is a consumption of net position by the Administration that is applicable to a future reporting period. A deferred inflow of resources represents an acquisition of net position by the Administration that is applicable to a future period. Pension related deferred outflows and inflows of resources may include changes in proportionate share contributions, contributions to the pension plan subsequent to the measurement date, differences between expected and actual experience in the total pension liability and net difference between projected and actual earnings on pension plan investments.

(K) UNEARNED PREMIUMS RESERVE

The insurance offered by the Administration has an annual premium, which is collected in advance, when the vehicle is purchased or when the vehicle's registration is renewed. The Administration records the premium as unearned revenue and amortizes if for the twelve-month period of its duration.

(L) INSURANCE PREMIUMS

Insurance premiums are collected in advance by the PRTD and recognized ratably as income during the policy year. The portion of premiums that will be earned in the future is deferred and reported as Unearned Premiums in the accompanying Statement of Net Position. Law Number 111, of August 14, 2020, named "Law on Social Protection for Motor Vehicle Accidents", Article 15 named "Financing", Part C, states that no governmental agency shall withhold any share or administrative charge from premiums earned. For fiscal years ended June 30, 2023 and 2022, PRTD has not withhold such share or administrative charge after the effective date of Law 111.

(M) BENEFITS EXPENSES

Benefits expenses are recorded when claims are incurred. In addition, management has established reserves to cover for the estimated cost of all future benefits related to claims incurred but not reported during the year. These reserves are adjusted annually following the advice of an independent actuary. Management believes that these reserves are reasonable and reflective of anticipated ultimate experience. Since the reserves are based on estimates, the net amounts that will ultimately be paid to settle the liability may change from the estimated amounts provided for.

The Law that created the Administration limits medical hospitalization benefits to a maximum of two years after an accident, except in severe trauma cases. The Law allows a Medical Committee to extend payment of medical benefits beyond the two-year period as deemed necessary.

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
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FOR THE FISCAL YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(M) BENEFITS EXPENSES (CONTINUED)

In addition, the Law that created the Administration requires that the excess of revenues collected during any fiscal year over the payment of benefits and operational expenses must be kept by the Administration to cover all unanticipated claims. Also, if in any year the receipts and the reserves accrued are not sufficient to cover the losses and the expenses incurred, the Secretary of the Treasury of Puerto Rico shall provide, as an advance to the Administration the sums required to remedy the deficiency. Such advance would be obtained from any funds available in the General Fund of the Commonwealth of Puerto Rico.

Beginning on January 3, 2020, ACAA invoices through the fee for service system, following ACAA's rates manual. Based on Law Number 138 of June 26, 2018, and ruling 6911 of December 1, 2004, as amended both, the Medical Services Administration (ASEM) must deliver all payment claims using ACAA's formularies to that effect, within 120 days since services were rendered, together with all required supporting documentation. ACAA is required to pay for medical services rendered to those individuals eligible to receive such services.

(N) ACCOUNTING FOR PENSION COSTS

The Administration implemented 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.

This Statement establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, "Accounting and Financial Reporting for 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. The Statement requires supplementary information that include the Schedule of Proportionate Share of the Total Pension Liability.

Act No. 3 enacted on April 4, 2013, amended the Act No. 447 for the purpose of establishing a major reform of the Employee's Retirement System (ERS) effective on July 1, 2013. After that, and based on the fiscal crisis of the Commonwealth, was enacted the Act No. 106 of 2017 to establish a New Define Contribution Plan and create the pay-as-you-go (PayGo) scheme for

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(N) ACCOUNTING FOR PENSION COSTS (CONTINUED)

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 apply the guidance on GASB Statement No. 73. See also Note 10.

(O) POSTEMPLOYMENT BENEFITS OTHER THAT PENSIONS (OPEB)

Other postemployment benefits ("OPEB") expense is recognized and disclosed using the accrual basis of accounting. The Administration recognizes the total OPEB liability since the Administration'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 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 service life of all participants including retirees and recorded as a component of OPEB expense beginning with the period in which they arose. The Administration 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".

This Statement replaces GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", changes similar to those implemented on GASB Statement No. 67, "Financial Reporting for Pension Plans", and Statement No. 68, "Accounting and Financial Reporting for Pensions" should be made. The Statement requires supplementary information that include the Schedule of Proportionate Share of the Total OPEB Liability. See also Note 11.

(P) TERMINATION BENEFITS

The Administration 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 Administration should recognize a liability and expense for voluntary termination benefits (for example, early retirement incentives) when the offer is accepted, and the amount can be estimated. See also Note 12.

(Q) 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.

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(Q) COMPENSATED ABSENCES (CONTINUED)

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 to allow them a reasonable annual rest period. As a general rule, said leave shall be used during the calendar year in which employees shall enjoy their vacation time in the manner that is more compatible with thee needs for service. Said plan shall be completed no later than on December 31st day of every year, so that it takes effect on January 1st of the following year.

The vacation policy of the Administration generally provides for the annual accumulation of thirty (30) days of vacation and eighteen (18) days of sick leave. Vacation time and sick leave are fully vested to the employees from the first day of work. The excess of accumulated vacation over thirty (30) days and over three (3) days of sick leave is paid periodically to those employees as provided in the collective bargaining agreement. For administrative employees, any excess over fifteen (15) days of sick leave is also paid periodically. In addition, all employees are entitled, upon retirement, to a lumpsum payment equal to a day's worth of salary for each year of service, up to (30) thirty years, as long as the last (10) ten years of service have been rendered in ACAA. As a result of Act No. 66 of June 17, 2014, some of these excess accumulations are no longer payable to the employees.

The Administration accrued a liability for compensated absences, which meet the following criteria: (1) the Administration's obligation relating to employee's rights 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 Administration has accrued a liability for compensated absences, which has been earned but not taken by the Administration'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, 2020. All vacation pay is accrued when incurred. The current portion is the amount estimated to be used in the following year.

As of June 30, 2023, the Administration accrual for compensated absences amounts to $2,016,579 which represents the Administration's commitment to fund such compensated absences due during the next fiscal year.

(R) NET POSITION CLASSIFICATION

Net position represents the difference between assets and liabilities and is presented in three components as follows:

- **Invested in Capital Assets**, **Net -** consists of capital assets net of accumulated depreciation, reduced by the outstanding balance of lease liabilities.

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(A Component Unit of the Commonwealth of Puerto Rico)
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(R) NET POSITION CLASSIFICATION (CONTINUED)

Net Investment in Capital Assets is comprised of the following:

Capital Assets, Net of Accumulated Depreciation and Amortization	$ 8,141,905
Less: Outstanding Balance of Lease Liability	(2,886,586)
Investment in Capital Assets, Net	$ 5,255,319

- **Restricted Net Position** - consists of net position with constraint placed on the use either by: (1) external groups such as creditors, grantors, contributions, or law or regulations of other government; (2) law through constitutional provisions or enabling legislation.

- **Unrestricted Net Position** - consists of all other assets that do not meet the definitions of "restricted" or "invested" in capital assets.

(S) INCOME TAXES

The Administration, as a component unit of the Commonwealth, is exempt from the payment of income taxes.

(T) STATEMENT OF CASH FLOWS

The accompanying Statement of Cash Flows is presented in accordance with the provisions of GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting". The provisions of GASB Statement No. 34 requires that the direct method be used to present the funds inflows and outflows of the Administration. For purposes of the Statement of Cash Flows, the Administration considers all highly liquid debt instruments with maturities of three months or less when purchased to be cash equivalents.

(U) RISK MANAGEMENT

The Administration is exposed to the risk of loss from torts theft, damages to, and destruction of assets, errors and omissions, employee injuries and illnesses, natural disasters, environmental and other losses. Commercial insurance coverage is obtained for claims that may arise from such matters. The commercial insurance coverage is negotiated by the PRTD and the cost is paid by the Administration. No additional payments were made after the annual insurance costs were determined.

(V) USE OF ESTIMATES

The preparation of the basic financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The accounts requiring the use of significant estimates include certain receivables,

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(V) USE OF ESTIMATES (CONTINUED)

reserve for future benefits, unearned premiums reserve, useful lives of property and equipment, pension and OPEB liabilities, and deferred outflows and inflows of resources. The current economic environment has increased the degree of uncertainty inherent in these estimates and assumptions. Therefore, Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation.

(W) NEW ACCOUNTING STANDARDS

a. New Accounting Standards Adopted

The provisions of the following Governmental Accounting Standards Board (GASB) Statements were implemented when applicable during the year ended June 30, 2023:

- In May 2019, GASB issued Statement No. 91, "Conduit Debt Obligations". The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021, which requires the Administration to implement the statement in fiscal year 2022-2023. The statement was implemented without an impact to the Administration.

- In March 2020, GASB issued Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payments Arrangements". The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The requirements of this statement are effective for reporting periods after June 15, 2022, which requires the Administration to implement the Statement in fiscal year 2022-23. The statement was implemented without an impact to the Administration.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(W) NEW ACCOUNTING STANDARDS (CONTINUED)

a. New Accounting Standards Adopted (Continued)

- In May 2020, GASB issued Statement No. 96, "Subscription-Based Information Technology Arrangements". This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement, are effective for reporting periods beginning after June 15, 2022, which requires the Administration to implement this Statement in fiscal year 2022-23. The statement was implemented without an impact to the Administration.

- In April 2022, GASB issued Statement No. 99, "Omnibus 2022". The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Certain requirements related to the leases, PPPs, and SBITAs, are effective for reporting periods beginning after June 15, 2022, which requires the Administration to implement them in fiscal year 2022-23. The statement was implemented without an impact to the Administration.

b. Future Adoption

The Governmental Accounting Standards Board issued the following pronouncements that have effective dates after June 30, 2023. The Administration is currently evaluating its accounting practices to determine the potential impact on the basic financial statements for the GASB Statements:

- Regarding GASB issued Statement No. 99, "Omnibus 2022", The requirements related to the financial guarantees and the classification and reporting of certain derivatives are effective for periods beginning after June 15, 2023, which requires the Administration to implement them in fiscal year 2023-24.

- In June 2022, the GASB issued 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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(W) NEW ACCOUNTING STANDARDS (CONTINUED)

b. Future Adoption (Continued)

corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for fiscal years ending after June 15, 2023.

- 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 ending 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, 2024.

- In April 2024, the GASB issued Statement No. 103, “Financial Reporting Model Improvements”. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues regarding MDA, unusual or infrequent items, presentation of the proprietary fund statements of revenues, expenses and changes in fund net position, major component unit presentation and budget comparison information. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reports period thereafter.

3. CASH AND CASH EQUIVALENTS

The Administration is restricted, by law, to deposit funds only in institutions approved by the Puerto Rico Treasury Department (from now on PRTD), and such deposits are required to be maintained in separate accounts in the Administration's name.

Under the laws and regulations of the Government, public funds deposited by the Administration in local commercial banks must be fully collateralized for the amounts deposited in excess of the Federal Deposit Insurance Corporation (from now on FDIC) coverage. All securities pledged as collateral are held by agents designated by the Government's Secretary of the PRTD, but not in the Administration's name.

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3. CASH AND CASH EQUIVALENTS (CONTINUED)

As of June 30, 2023, cash and cash equivalents mainly consist of deposits in banks and short-term investments categorized as follows:

Category	Description
1	Cash deposits in local banks collaterized or insured by the Federal Deposit Insurance Corporation (FDIC).
2	Uncollaterized Deposits.

A summary of the Administration's cash and cash equivalents by category of risk as of June 30, 2023, is shown below:

	Credit Risk Category 1	Credit Risk Category 2	Bank Balance	Carrying Amount
Unrestricted Cash	$ 48,839,736	$ -	$ 48,839,736	$ 46,755,367
Restricted Cash	600,974	-	600,974	178,657
Cash Equivalents	-	10,455,450	10,455,450	10,455,450
	$ 49,440,710	$ 10,455,450	$ 59,896,160	$ 57,389,474

The restricted cash represents funds of the Puerto Rico Traffic Safety Commission held for custody by the Administration.

Segregated in the Statement of Net Position as:

Unrestricted	$ 57,210,817
Restricted	178,657
Total	$ 57,389,474

Credit Risk

This is the risk that an issuer or other counterpart to an investment will not fulfills its obligations. As of June 30, 2023, the Administration has invested only in cash in commercial banks approximately $49.5 million, which are insured by the FDIC generally up to a maximum of $250,000. As mentioned before, public funds deposited by the Administration in commercial banks must be fully collateralized for the amounts deposited in excess of the FDIC coverage.

Also, all securities pledged as collateral are held by the Secretary of the PRTD of the Commonwealth. Therefore, the Administration's management has concluded that the credit risk related to any possible loss related to defaults by commercial banks on the Administration's deposits is considered low as of June 30, 2023.

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3. CASH AND CASH EQUIVALENTS (CONTINUED)

Interest Rate Risk

This is the risk that changes in interest rates of debt and equity investments will adversely affect the fair value of an investment. The Administration manages its exposure to declines in fair values by: (1) limiting the weighted average maturity of its investments in certificates of deposit to periods of three months or less, and (2) keeping most of its banks deposits and certificates of deposit in interest bearing accounts generating interests at prevailing market rates. Therefore, as of June 30, 2023, the interest risk associated with the Administration's cash and cash equivalents is considered low.

Foreign Exchange Risk

This is the risk that changes in exchange rates will adversely affect the value of an investment or a deposit. According to the aforementioned investment guidelines, adopted by the Administration, the Administration is prevented from investing in foreign securities or any other types of investments for which foreign exchange risk exposure may be significant. Accordingly, management has concluded that the foreign exchange risk related to the Administration's deposits is considered low as of June 30, 2023.

4. INVESTMENTS

The Administration invests in stocks, bonds, real estate, United States obligations, and cash equivalents as described more fully in its investment policy. Also, it can invest in international securities.

The Administration’s investment policy taken as a whole requires money managers to maintain, with certain limitations, the following composition of the assets: not more than 75% and not less than 50% in fixed income securities; not more than 35%, and not less than 10% in equity securities. Also, within the equity securities position in the portfolio, not more than 15% may be invested in international markets. In addition, not more than 20% in Alternative Investment. Alternative investment includes real estate, private equity and venture capital funds, as well as hedging and tactical allocation strategies.

The investments are made based on Asset Classes that include equities of U.S. companies as well as equities of companies domiciled outside of the United States, debt or fixed income securities from U.S., Puerto Rico and non-US governments and corporations. These categories are then diversified by capitalization, issuers, investment styles, types of securities, and other diversifiers that can optimize return and volatility. Common investment strategies in private equity are venture capital, mezzanine capital, growth capital, leveraged buyouts and distressed investments. Investment in companies whose primary source of revenues is related to the alcohol industry as defined by the Standard Industry Code is expressly prohibited.

According to the Statement of Investment Policy, the Administration's cash reserve should be invested in high quality, short term investments, including commercial paper, US Treasury obligations, certificates of deposits, bankers' acceptances, and repurchase agreements collateralized by US Government securities. The Administration's Statement of Investment Policy, Objectives and Guidelines provide specific information regarding investment requirements.

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4. INVESTMENTS (CONTINUED)

The accompanying basic financial statements were prepared on the basis of accounting policies required by GASB Statement No. 31, “Accounting Financial Reporting for Certain Investment and For External Investments Pools”. Therefore, all investment securities are accounted for at fair market value rather than cost.

As of June 30, 2023, the investment portfolio is held primarily for the purpose of income or profit and serves as the funding for the estimated Unpaid Claim Liability and Reserve for Future Benefits presented in the noncurrent section of the statement of net position. As a result, investments were classified as current and noncurrent in the accompanying Statement of Net Position as follows:

Current Assets:

Investments in Corporate Bonds and Others with Maturities Within One Year	$ 2,223,685
Total Current Assets	2,223,685
Noncurrent Assets	154,943,081
Total	$ 157,166,766

During the fiscal year ended June 30, 2023, the Administration sold a number of investments as part of its investment strategy. The results of said sales are as follows:

Proceeds from the Sale of Investments	$ 125,997,216
Amortized Costs of Investments	(129,690,941)
Realized Loss on Sales of Investments	$ (3,693,725)

On the accompanying Statement of Cash Flows, proceeds from sale of investments is reconciled as follows:

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4. INVESTMENTS (CONTINUED)

Proceeds from Sale of Investments	$125,997,216
Add: Investments Sold During 2022, Collected in 2023	52,425
Less: Investments Sold in 2023, But not Yet Delivered	(285,110)
Proceeds from Sales of Investments per Cash Flows Statement	$125,764,531

Thus, the accompanying Basic Financial Statements as of June 30, 2023 reflect changes in the market value as well as realized losses and impairment of the Administration's investment portfolio as follows:

Realized Loss on Sales of Investments	$ (3,693,725)
Change in Fair Value of Investment	10,244,655
Net Change on Fair Value of Investments	$ 6,550,930

Fair Value of Investments

The Administration follows the provisions of GASB Statement No. 72 "Fair Value Measurements and Application". The Administration measures and records its investments using fair value measurement guidelines established by US GAAP. These guidelines recognize a three tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and
- Level 3: Unobservable inputs.

As of June 30, 2023, the Administration had the following recurring fair value measurements:

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4. INVESTMENTS (CONTINUED)

		Fair Value Measurements Using		
	June 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment Type:				
Corporate Bonds	$ 12,120,711	$ -	$ 12,120,711	$ -
U.S. Sponsored Agencies Notes:				
Federal Home Mortgage Corporation (FHLMC)	2,161,368	-	2,161,368	-
Federal Home Mortgage Association (FNMA)	3,867,600	-	3,867,600	
U.S. Government Bonds	22,167,312	-	22,167,312	-
Mortgage and Asset-Backed Securities:				
Government National Mortgage Association (GNMA)	421,281	-	421,281	-
FNMA	329,284	-	329,284	-
Asset Backed Securities	2,697,017	-	2,697,017	-
Commercial Mortgage-Backed	1,125,651	-	1,125,651	-
Municipal/Provincial Bonds	4,697,183	-	4,697,183	-
Non-US Fixed Income	-	-	-	-
U.S. Corporate Stocks	33,282,276	33,282,276	-	-
Non-U.S. Corporate Stocks	9,377,721	9,377,721	-	-
Sub-Total investments	92,247,404	$ 42,659,997	$ 49,587,407	$ -
Invesments Measured at the Net Assets Value (NAV)				
Private equity funds	11,531,761			
Alternative investments	5,010,550			
External investment pools	48,377,051			
Subtotal	64,919,362			
Total investments	$ 157,166,766			

The Administration's investment managers generally use the market approach to value its investment securities, which uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities or a group of assets and liabilities. Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features and ratings. Matrix pricing is used to value securities based non the securities' relationship to benchmark quoted prices.

Equity securities, namely private equity funds, classified in Level 3 are valued using financial information provided by individual capital fund managers, adjusted if deemed appropriate. As of June 30, 2023, the Administration does not have any items classified as level 3.

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4. INVESTMENTS (CONTINUED)

Investments valued using the net asset value (NAV) per share (or its equivalent) are considered "alternative investments" and, unlike more traditional investments, generally do not have readily obtainable market values and some take the form of limited partnerships.

The Administration values these investments based on the partnerships' audited or unaudited financial statements and/or confirmations. If June 30 statements are available, those values are used. However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is rollforward from the most recently available valuation taking into account subsequent calls and distributions.

The following table presents the unfunded commitments, redemption frequency (if currently eligible), and the redemption notice period for the Entity's alternative investments measured at NAV:

Description		Investments Measured at the Net Assets Value (NAV)	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds	1	Guayacán Fund Of Funds IV, LP	$ 3,580,470	$ 20,927	N/A	N/A
Private equity funds	2	Guayacan Privte Equity Fund LP III	500,687	315,351	N/A	N/A
Private equity funds	3	Puerto Rico Fund For Growth, L.P.	7,450,604	1,304,864	N/A	N/A
Alternative Investment	4	Kinetic Funds I, LLC	1	-	Quarterly	65 business days prior notice
Alternative Investment	5	X Square Alternative Dividend Alpha Fund, Inc.	5,010,549	-	Bi-monthly	10 business days prior notice
External Investment Pools	5	Eaton Vance Institutional Senior Loan Fund	5,306,511	-	Monthly	65 business days prior notice
External Investment Pools	6	Eaton Vance High Yield BondMutual Fund (EIHIX)	18,098,176	-	Daily	N/A
External Investment Pools	7	Eaton Vance Emerging Market Debt Mutual Fund (EELDX)	7,571,562	-	Daily	N/A
External investment pools	8	Baird Advisor Aggregate Bond Fund (BAGIX)	13,248,369	-	Daily	N/A
External investment pools	9	Fidelity 500 Index Fund (FXAIX)	4,152,433	-	Daily	N/A
			$ 64,919,362	$ 1,641,142		

The fair value of investments in limited partnerships and alternative investments as of June 30, 2023 amounted to $64,919,362. An alternative investment is a financial asset that does not fall into one of the conventional equities / fixed income / cash categories. The fair values of these investments have been estimated by the corresponding general partner or fund manager of these partnerships and disclosed in its respective separate audited or unaudited financial statements. The allocations of net gain and net loss to the limited partners are based on certain percentages, as established in the limited partnership agreements.

The investments in limited partnerships were as follows:

4. INVESTMENTS (CONTINUED)

- During the fiscal year 2023, the Administration made no contributions to the Guayacán Fund of Funds IV, LP, a Delaware limited partnership organized on February 23, 2015, by Grupo Guayacán, Inc. as General Partner. The net cumulative amount invested as of June 30, 2023, was $2,479,073 with a fair market value (capital balance) of $3,580,470. The Administration has a total commitment of $2.5 million. The Administration received cash return distribution of $338,914 during fiscal year 2023. The term of the Partnership shall continue until December 31, 2026, with a three (3) one-year period extensions.

- During the fiscal year 2023, the Administration made an additional contribution of $120,423 to the Guayacán Private Equity Fund, LP III, a Delaware limited partnership organized on October 28, 2016, by Advent Morro Equity Partners GP III, as General Partner. The original contribution of $25,000 to the partnership was made in December 2016, with additional contributions made during past several fiscal years for a cumulative contribution total of $684,649; with a fair market value (capital balance) of $500,687. The Administration has a total commitment of $1,000,000. The Administration did not receive cash return during fiscal year 2023. The Partnership's purpose is to achieve superior rates of return by investing in a diversified portfolio in the United States and International private equity investment partnerships and other limited liability vehicles that operate as pooled investment vehicles that, in turn, primarily make equity and equity related investments in private businesses.

- During the fiscal year 2023, the Administration made an additional contribution of $1,133,333 to the Limited Partnership for the investment in the Puerto Rico Fund for Growth (PRFG). The Administration also received $1,295,933 Return of Capital. The General Partner of PRFG is Community Development Venture Capital Alliance (CDVCA). The Capital Commitment is for $10 million and for a twelve (12) years period. Additional Capital Commitment and period could be extended in accordance with the Limited Partnership Agreement. The Investment in this fund is expected to be primarily in Economically Targeted Investment (ETI). Investment may include housing, community economic development, business development, and collective transport investment, and may also include in securities from Private Equity by local investment manager or USA committed to investing, in part, within Puerto Rico. The total cumulative contribution as of June 30, 2023, was $8,695,136, with a fair market value (capital balance) of $7,450,604.

- As of June 30, 2023, Kinetic Funds I, LLC had a fair market value of $1. In summary, at the end of years 2018 and 2016 in order to maintain the target allocations in the alternative asset class, the Administration contributed a total of $4,000,000 to Kinetic Funds I, LLC, a Delaware limited liability company which is part of the Kinetic Investment Group. Originally the investment fund focused on income generation, investment in Government Bonds, Corporate Bonds Preferred Shares, Real Estate, among others. It should be noted that the fair market value was written down to $1,179,000 during the fiscal year ended June 30, 2020, as an impairment, after learning

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4. INVESTMENTS (CONTINUED)

that the Securities and Exchange Commission (SEC) was investigating Mr. Williams. Kinetic Executive Director. The investigation indicated that Mr. Williams transferred, without authorization, moved money from the capital investment of Kinetic Funds to the account of KCL Services, another of its related companies, from which he withdrew money in the form of loans to finance personnel and operational expenses of Kinetic International. As part of the SEC case investigation during December 2021 the Administration received a pro rata partial distribution of $1,600,000. Also, a second pro rata partial liquidation payment of $423,727 was received during February 2023. Delaware limited liability corporation. The fair market value ended with a zero balance.

- X2 Alternative Dividend Alpha Fund, Inc. (the “Fund”) is a non-diversified, open-end management investment company registered under the Puerto Rico Investment Companies Act of 1954, as amended (the “PR Investment Companies Act”) organized in 2013. During the fiscal year 2023, under the reinvest capital gains instructions, 4,601.62 shares of the Fund were purchased at an average price of $9.92. Due to investment market conditions during 2023, the “Fund” experienced a favorable result of approximately $684,123 or a 15.81% increase. The fair market value as of June 30, 2023, was $5,010,549. The Administration holds 511,802.75 shares in the X2 Alternative Dividend Alpha Fund at an average price of $9.79 per share. For the fiscal year ended June 30, 2023, the Administration received $45,648 in dividends. The X2 Alternative Dividend Alpha Fund invests in Class A Open and Mutual Funds.

- As of June 30, 2023, the Administration holds 633,235.24 shares in the Eaton Vance Institutional Senior Loan Fund at an average price of $8.38 per share. It received dividends and redemptions of approximately $377,244. As of June 30, 2023, this fund had accrued interest income of $38,917 and a fair market value of $5,306,511. The Eaton Vance Fund is part of the alternative investment held by the Administration. Eaton Vance Management in senior secure loans managed by Eaton Vance Management and is a separate investment Fund of Eaton Vance Institutional Funds, an exempt limited liability company incorporated in the Cayman Islands. The Fund's investment objective is to provide high levels of current income as is consistent with the preservation of capital, by investing in a portfolio primarily of senior floating rate loans. The original commitment in the Eaton Vance Senior Secured Loans Funds was $3 million. An additional contribution of $2,682,500 was made on December 27, 2019, in which 301,743.53 shares were purchased at a $8.89 price per share. During the fiscal year 2023, the Eaton Vance Institutional Senior Loan Fund experienced a favorable result of approximately $113,693 or 2.17% increase.

- On August 25, 2020, the Administration purchased 2,341,920.38 shares of Eaton Vance High Yield Bond Mutual Fund (EIHIX – Class I) at a net price of $4.27 for a total amount of $10,000,000. On July 14, 2021, 1,548,672.57 additional shares were purchased at a $4.52 price for a total of $7,000,000. The Fund investments are actively managed, and the primary investment objective is to provide a high level of current income. The Fund seeks growth of capital as a secondary investment objective. The Fund principal investment strategy is to invest at least 80% of its net assets in fixed-income securities,

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4. INVESTMENTS (CONTINUED)

including preferred securities and other hybrid securities, senior floating rate loans and secured and unsecured floating rate loans and convertible securities. The Fund may invest up to 25% of its total assets in foreign securities. As of June 30, 2023, this fund had accrued interest income of $94,284 and a fair market value of $18,098,176, which represents a total of 4,468,685.31 shares. During the fiscal year 2023, the Eaton Vance High Yield Bond Mutual Fund experienced a favorable result of approximately $1,631,309 or 9.85% increase. Also, under the reinvest capital gains instructions, 250,555.74 shares of the Fund were purchased at an average price of $4.00 for a total of $1,003,348.

- On July 14, 2021, the Administration purchased 1,571,268.24 shares for a total of $14,000,000 at a $8.91 price per share. During the fiscal year 2023, due to investment market conditions, the Administration decided to limit the international exposure, and as a result the fund sold 818,553.89 shares for $6,000,000. Nonetheless, the fund experienced a favorable result of approximately $1,310,358 or a 14.15% increase. Also, under the reinvest capital gains instructions it received dividends and redemptions of approximately $875,316, which represents the purchase of 69,260.16 shares at a $12.64 price per share. As of June 30, 2023, the Administration holds 1,008,197.34 shares in the Eaton Vance Emerging Market Debt Mutual Fund (EELDX) at an average price of $7.51 per share for a fair market value of $7,571,562. The Fund investments are actively managed, and the investment objective is total return, which is defined as income plus capital appreciation. The fund invests at least 80% of net assets on income instruments issued by emerging market entities or sovereign nations, as a result it will have a significant exposure to foreign currencies and duration. Investments were made, among other countries, in Top major international countries such as Mexico, Indonesia, and Peru.

- On July 14, 2021, the Administration purchased 259,740.26 shares for $3,000,000 at a $11.55 price per share. Also, under the reinvest capital gains instructions it received dividends and redemptions of approximately $303,362, which represents the purchase of 27,740.81 shares at a $10.94 price per share. Originally, on August 25, 2020, the Administration purchased 1,010,951.98 shares of Baird Advisor Aggregate Bond Fund (BAGIX - Institutional Class Share) at a net price of $11.87 for a total of $12,000,000. Also, under the reinvest capital gains instructions it received dividends and redemptions of approximately $405,782, which represents the purchase of 41,800.69 shares at a $9.71 average price per share. As of June 30, 2023, the Administration holds 1,368,633.22 shares. The Fund investments are actively managed, and the primary investment objective is to seek an annual rate of return, before fund expenses, greater than the annual rate of total return of the Bloomberg Barclays U.S. Aggregate Bond Index. The Fund principal investment strategy is to invest at least 80% of its net assets in fixed-income debt obligations from US Government and other public sector entities, Assets-backed and mortgage-backed obligations of US and foreign issuers, as well as to Corporate debt of US and foreign issuers. The Fund only invests in investment grade

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4. INVESTMENTS (CONTINUED)

debt obligations, rated at the time of the purchase. As of June 30, 2023, this fund had a fair market value of $ 13,248,370. During the fiscal year 2023, the Baird Advisor Aggregate Bond Fund experienced an unfavorable result of approximately $33,224 or -0.25% decrease.

- On December 28, 2022, the Administration purchased 26,687 shares for $3,500,000 at a $131.15 price per share of Fidelity 500 Index Fund (FXAIX). Also, under the reinvest capital gains instructions it received dividends and redemptions of approximately $14,358, which represents the purchase of 101.16 shares at a $141.93 price per share. The Fund investments Objective is to seek investment total results, which represents the combination of capital change and income. Also, the investment strategy is to passively manage, attempting to track the performance of an unmanaged index of securities, contrary to the typical actively managed fund that seeks to outperform a benchmark index. In line with the primary investment strategy, that normally invest at least 80% of assets in common stocks included in the S&P 500 Index, which broadly represents the performance of common stocks publicly traded in the United States. As of June 30, 2023, the Administration holds 26,788.16 shares of this fund and had a fair market value of $ 4,152,433. Also, the Fidelity 500 Index Fund experienced a favorable result of approximately $652,433 or 19.6% increase.

The estimated market value of the investments as of June 30, 2023, by contractual maturity is shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call penalties:

	Contracted Maturity					
Investment Type:	Within One Year	After One to Five Years	After Five to Ten Years	After Ten Years	Without Maturity	Total
Corporate Bonds	$ 601,191	$ 6,742,317	$ 6,073,973	$ 2,855,663	$ 44,224,618	$ 60,497,762
U.S. Sponsored Agencies Notes:						
Federal Home Mortgage Corporation (FHLMC)	-	-	11,959	2,149,409	-	2,161,368
Federal Home Mortgage Association (FNMA)	-	358	53,887	3,813,354	-	3,867,599
U.S. Government Bonds	1,319,069	15,181,341	5,235,358	431,544	-	22,167,312
Mortgage and Asset-Backed Securities:						
Government National Mortgage Association (GNMA)	-	-	80,970	340,310	-	421,280
FNMA	-	242,365	86,919	-	-	329,284
Asset Backed Securities	-	1,774,358	396,834	525,826	-	2,697,018
Commercial Mortgage-Backed	-	-	127,026	998,625	-	1,125,651
Municipal/Provincial Bonds	303,425	2,101,466	1,336,659	955,634	-	4,697,184
Hedge Fund	-	-	-	-	5,010,550	5,010,550
Venture Capital and Partnerships	-	-	-	-	11,531,761	11,531,761
U.S. Corporate Stocks	-	-	-	-	33,282,276	33,282,276
Non-U.S. Corporate Stocks	-	-	-	-	9,377,721	9,377,721
Total investments	$ 2,223,685	$ 26,042,205	$ 13,403,585	$ 12,070,365	$ 103,426,926	$ 157,166,766

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4. INVESTMENTS (CONTINUED)

As of June 30, 2023, investment maturities as a percentage of total investments are as follows:

Maturity	Maturity %
Within One Year	1.4 %
After One to Five Years	16.6 %
After Five to Ten Years	8.5 %
After Ten Years	7.7 %
Without Maturity	65.8 %

The following is a summary of the credit quality rating for the investment securities portfolio estimated market value as of June 30, 2023:

	Credit Risk Rating 2023				
Investment Type:	AAA to A	BBB+ to B	CCC to CC	Not Rated	Total
Corporate Bonds	$ 9,192,391	$ 7,080,753	-	$ 44,224,618	$ 60,497,762
U.S. Sponsored Agencies Notes:					
Federal Home Mortgage Corporation (FHLMC)	2,161,368	-	-	-	2,161,368
Federal Home Mortgage Association (FNMA)	3,867,599	-	-	-	3,867,599
U.S. Government Bonds	22,167,312	-	-	-	22,167,312
Mortgage and Asset-Backed Securities:					
Government National Mortgage Association (GNMA)	421,280	-	-	-	421,280
FNMA	329,284	-	-	-	329,284
Asset Backed Securities	2,697,018	-	-	-	2,697,018
Commercial Mortgage-Backed	882,713	-	-	242,938	1,125,651
Municipal/Provincial Bonds	4,643,000	-	-	54,184	4,697,184
Hedge Fund	-	-	-	5,010,550	5,010,550
Venture Capital and Partnerships	-	-	-	11,531,761	11,531,761
U.S. Corporate Stocks	-	-	-	33,282,276	33,282,276
Non-U.S. Corporate Stocks	-	-	-	9,377,721	9,377,721
Total Investments	$ 46,361,965	$ 7,080,753	$ -	$ 103,724,048	$ 157,166,766

The credit risk related to investments is the risk that debt securities in the Administration's portfolio will decline in price or fail to make principal and interest payments when due because the issuer of the security experiences a decline in the financial condition. The Administration limits its credit risk by investing principally in high quality investments (rated BBB or better, according to Standard and Poor's or other equivalent rating agencies when maturities are longer than a year). In addition, the Administration restricts investment in certain securities to avoid concentration and/or increase duration. Also, mitigates this risk by maintaining a diversified investment portfolio.

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4. INVESTMENTS (CONTINUED)

The custody of these investments is held by a custodial bank in the name of the Administration. The investments portfolio is managed by more than 10 asset management firms and external consultants, and the internal cash position is managed by the Director of Finance, Planning and Budgeting.

Interest risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Administration manages its exposure to declines in fair value by (1) maintaining a diversified portfolio of debt and equity investments and (2) diversifying the weighted average maturity of its investments in debt securities.

Foreign exchange risk is the risk that changes in exchanges rates will adversely affect the value of an investment or a deposit. According to the investment guidelines the Administration's investing in foreign securities (or any other types of investments for which foreign exchange risk exposure may be significant) is limited to 15% of the total portfolio. Accordingly, management has concluded that the foreign exchange risk related to the Administration's investments is considered low as of June 30, 2023.

5. OTHER RECEIVABLES

Other receivables as of June 30, 2023 consisted of:

Governmental Entities:	
State Insurance Fund Corporation	$ 1,053,210
Puerto Rico Safety Traffic Commission	1,558,979
	2,612,189
Less: Allowance for Doubtful Accounts	(1,926,175)
Total Other Receivables - Governmental Entities	686,014
Others	
Recoveries from Beneficiaries	22,597,232
Insurance Companies	525,169
Others	1,960,001
	25,082,402
Less: Allowance for Doubtful Accounts	(24,816,450)
Total Other Receivables	265,952
Total Other Receivables - Net	$ 951,966

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6. CHANGES IN CAPITAL ASSETS

Increases and decreases in the Administration's capital assets during the fiscal year were as follows:

Description	Beginning Balance	Additions	Adjustments/ Retirements	Ending Balance
Capital Assets Not Being Depreciated:				
Land	$ 900,882	$ -	$ -	$ 900,882
Total Capital Assets Not Depreciable	900,882	-	-	900,882
Capital Assets Being Depreciated:				
Building	6,975,781	-	-	6,975,781
Equipment	981,743	-	-	981,743
Computer and Software	7,105,105	387,515	-	7,492,620
Motor Vehicles	203,926	247,301	(50,707)	400,520
Furniture and Fixtures	1,473,834	551,996	(13,396)	2,012,434
Building and Leasehold Improvements	4,921,321	508,960	-	5,430,281
Total Capital Assets Depreciable	21,661,710	1,695,772	(64,103)	23,293,379
Less: Accumulated Depreciation and Amortization				
Buildings and Leasehold Improvements	(9,340,568)	(391,265)	50,707	(9,681,126)
Others	(8,827,635)	(263,732)	12,723	(9,078,644)
Total Accumulated Depreciation and Amortization	(18,168,203)	(654,997)	63,430	(18,759,770)
Right-to-Use Assets				
Leased Equipment	266,665	349,022	-	615,687
Leased Office Space	2,905,431	496,606	-	3,402,037
Total Right-To-Use Assets	3,172,096	845,628	-	4,017,724
Less: Accumulated Amortization for:				
Leased Equipment	(88,888)	(77,470)	-	(166,358)
Leased Office Space	(486,399)	(657,553)	-	(1,143,952)
Total Accumulated Amortization	(575,287)	(735,023)	-	(1,310,310)
Total Right-To-Use Assets, Net	2,596,809	110,605	-	2,707,414
Total Capital Assets, Depreciable/ Amortizable (Net)	$ 6,090,316	$ 1,151,380	$ (673)	$ 7,241,023
Total Capital Assets, Net	$ 6,991,198	$ 1,151,380	$ (673)	$ 8,141,905

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7. UNPAID CLAIMS LIABILITY AND RESERVE FOR FUTURE BENEFITS

The activity in the liability for unpaid, losses and loss adjustment expenses for the year ended 2023 is summarized as follows:

Death and Funeral:	
Death	$ 5,850,000
Funeral	39,000
Disability	390,000
Accident and Health:	
Medical Hospitalization - Basic:	
Unpaid Claims Liability	9,380,000
Medical Hospitalization - Extended:	
Unpaid Claims Liability	35,392,000
Dismemberment	117,000
Loss Adjustment Expenses	10,234,000
	$ 61,402,000

The activity in the unpaid claims liability and reserve for future benefits for the year ended June 30, 2023, is as follows:

Unpaid Claims Liability and Reserve for Future Benefits at the Beginning of the Year, Presented Based on the Undiscounted Method	$ 59,289,000
Less - Loss Adjustment Expenses	(9,882,000)
Net Claims at the beginning of the Year	49,407,000
Insured Claims:	
Provision for Insured Events of Current Year	29,343,160
Payment of Claims:	
Current Year Insured Events	(12,878,573)
Prior Year Insured Events	(14,703,588)
Total Claims Payment	(27,582,160)
Net Claims at End of Year	51,168,000
Plus - Loss Adjustment Expenses	10,234,000
Unpaid Claims Liability and Reserve for Future Benefits at End of Year, Presented Based on the Undiscounted Method	$ 61,402,000

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8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As of June 20, 2023, accounts payable and accrued liabilities consisted of:

Accounts Payable:	
Governmental Agencies - Commonwealth of Puerto Rico:	
Puerto Rico Safety Traffic Commission	$ 435,874
Puerto Rico Department of Education	10,226,035
Commonwealth of Puerto Rico (Pay-Go)	2,291,671
Total Governmental Agencies	12,953,580
Suppliers, Professional Services, and Others	2,752,959
Total Accounts Payable	15,706,539
Accrued Liabilities:	
Accrual for Christmas Bonus and Other Fringe Benefits	379,593
Totals	$ 16,086,132

9. LEASES

Lessee

The Administration entered into noncancelable leases with various vendors, as a lessee, for the intangible right-to-use leased equipment, office space for the Administration's regional offices used to provide services to citizens, and for document handling and storage. Terms range from monthly payments of $4,393 to 13,822, contract years from 2 to 9 years, and expiration dates from June 1, 2024 to July 1, 2031. Interest rates range from 8.45% to 8.85%, as established by the Puerto Rico Fiscal Agency and Financial Advisory Authority (FAFAA). Also, the lease terms include the noncancelable period per the contract plus/minus any extension options or termination options the Administration is reasonably certain to exercise.

The future principal and interest payments as of June 30, 2023 are as follows:

Fiscal Years Ending June 30,	Principal	Interests
2024	$ 692,154	$ 230,314
2025	650,953	173,047
2026	528,545	119,328
2027	421,709	77,479
2028	259,883	47,077
2029-2033	333,342	39,512
	$ 2,886,586	$ 686,757

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9. LEASES (CONTINUED)

Lessor

The Administration leases some of its real property, structures and improvements to third parties, which include a cafeteria for the use of employees and visitors of the Administration's central office and for office space. Terms range from monthly payments of $4,250 to $23,675, contract years from 2 to 5 years, and expiration dates from June 30, 2024 to June 2, 2027. Interest rates range from 8.45% to 8.85%, as established by the Puerto Rico Fiscal Agency and Financial Advisory Authority (FAFAA). Also, the terms of these noncancelable leases include the noncancelable period per the contract plus/minus any extension options or termination options the Administration is reasonably certain to exercise.

The following schedule presents, by fiscal year, the future minimum principal and interest revenue to be received:

Fiscal Years Ending June 30,	Principal	Interests
2023	$ 397,093	$ 47,325
2024	107,704	27,291
2025	117,632	19,454
2026	154,064	10,807
	$ 776,493	$ 132,050

10. PENSION 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 Retirement System Board.

The Administration accounts for pension liability based on actuarial valuations measured as of the beginning of the year (June 30, 2022). The Corporation retirement plan were 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.

10. PENSION PLAN (CONTINUED)

- 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 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).

(A) ERS

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, multiemployer, 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 fulltime 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 will 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 will be discharged.

10. PENSION PLAN (CONTINUED)

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, and
- 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.

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 would continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 447-1951 members could retire upon (1) attainment of age 55 with 25 years of credited service; (2) attainment of age 58 with 10 years of credited service; and (3) any age with 30 years of credited service. In addition, Act No. 447-1951 members who would attain 30 years of credited service by December 31, 2013 would be eligible to retire at any time.

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

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

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10. PENSION PLAN (CONTINUED)

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.

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.

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10. PENSION PLAN (CONTINUED)

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.

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.

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10. PENSION PLAN (CONTINUED)

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.

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.

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10. PENSION PLAN (CONTINUED)

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.

(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.

10. PENSION PLAN (CONTINUED)

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).

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.
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

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10. PENSION PLAN (CONTINUED)

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.

10. PENSION PLAN (CONTINUED)

viii. Contributions

Contributions by members consists, as a minimum, of an 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 an incentives, opportunities, and retraining program 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, 2022, 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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10. PENSION PLAN (CONTINUED)

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

1) Total Pension Liability and Actuarial Information

The Administration'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, 2021, 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, 2021, rolled forward to June 30, 2022 using standard update procedures. The Administration's proportion of the total Pension Liability was based on a projection of the long-term share of contributions to the pension plans program relative to the projected contributions of all participating employers, actuarially determined.

As June 30, 2023, the Administration's used the proportion of .93786%, which was the June 30, 2022 base, as required by GASB Statement No. 73:

Proportion - June 30, 2022	0.83446 %
Proportion - June 30, 2021	0.93786 %
Change - Decrease	(0.10340)%

As of June 30, 2023, the Administration reported $184,852,712 as Total Pension Liability for its proportionate share of the Total Pension Liability of ERS, as follows:

	Total	**Proportion (.83446%)**
Total Pension Liability	$ 22,152,465,178	$184,852,712

2) Pension Expense

For the fiscal year ended June 30, 2023, the Administration recognized pension expense (credit) of $(25,944,415). Pension expense represents the change in the method of benefits payment from "pay-as-you-go" system.

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10. PENSION PLAN (CONTINUED)

3) Deferred Outflows/Inflow of Resources

As of June 30, 2023, the Administration reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Pension Benefits Paid Subsequent to Measurement Date	$ 12,413,582	$ -
Differences Between Actual and Expected Experience	2,318,995	3,919,531
Changes in Assumptions	14,327,494	14,542,200
Change in Employer's Proportion and Differences Between The Employer's Contributions and the Employer's Proportionate Share of Contributions	2,311,960	13,801,029
	$ 31,372,031	$ 32,262,760

Pension benefits paid subsequent to measurement date of $12,413,582 reported as deferred outflows of resources, will be recognized as a reduction of total pension liability in the year ending June 30, 2023.

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

Years Ending June 30,	Amounts
2024	$ (2,660,866)
2025	(2,660,866)
2026	(2,660,866)
2027	(2,660,866)
2028	(2,660,847)
Total	$ (13,304,311)

Actuarial Methods and Assumptions

Actuarial valuations of ERS involves estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future

10. PENSION PLAN (CONTINUED)

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, 2023, 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.

The actuarial valuation used the following actuarial assumptions:

Inflation Rate	Not Applicable
Actuarial Cost Method	Entry Age Normal
Municipal Bond Index	3.54%, based on Bond Buyer General Obligation 20 - Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.
Discount Rate	3.54%
Salary Increases	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 judgment and System input.
Mortality	Pre-Retirement Mortality: For general employees not covered under Act No. 127, PubG-2010 Employee Mortality 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, the 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 the measurement date. 100% of deaths in active service are assumed to be occupational for members covered under Act 127-1958. Post-Retirement Retiree Mortality: Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of 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 the measurement date.

10. PENSION PLAN (CONTINUED)

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

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, 2022, was as follows:

	June 30, 2022
Discount Rate	3.54%
Long-term expected rate of return net of investment expense	N/A
Municipal bond rate *	3.54%

* Bond Buyer General Obligation 20-Bond Municipal Bond 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.

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10. PENSION PLAN (CONTINUED)

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.

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

The following presents the Administration's proportionate share of the Total Pension Liability, calculated using the discount rate of 2.16%, 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 percent-point lower (1.16%) or 1 percent-point higher (3.16%) than the current rate:

	1% Decrease 2.54%	**Current Discount Rate 3.54%**	**1% Increase 4.54%**
Total Pension Liability as of June 30, 2022	$206,855,958	$184,852,712	$166,561,702

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.

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10. PENSION PLAN (CONTINUED)

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

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

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

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

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

11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB")

Program Description and Membership

The Administration provides postemployment benefits other than the pension benefits described in Note 10, 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".

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11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB") (Continued)

Funding Policy

The Administration agreed to provide medical, pharmacy, dental, cancer and death insurance coverage to eligible retirees, its spouses and dependants, for a two-year period after retirement.

The obligations of the Plan members' employer are established by action of the Administration 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 Administration 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 Administration.

Relationship Between Valuation Date, Measurement Date and Reporting Date

The valuation date is July 1, 2021. This is the date as of which the actuarial valuation is performed. The measurement date is June 30, 2022. This is the date as of which total OPEB liability is determined. The reporting date is the Administration's fiscal year ending date. This report is for measurement year July 1, 2021 to June 30, 2022 for reporting periods ending June 30, 2022 through June 30, 2023.

Significant Changes

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

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

As permitted by GASB, the Administration's proportionate share of the total OPEB liability as of June 30, 2022 of approximately $3,757,384 was measured at June 30, 2022 by an actuarial valuation as of that date. An expected total OPEB liability was determined as of June 30, 2022, 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, 2022, adds the expected benefit payments for the year, deducts interest at the measurement date, June 30, 2022 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, 2023, the Administration recognized an OPEB expense (credit) of $(897,470), included as part of other postemployment benefits in the accompanying Statement of Revenues, Expenses and Change in Net Position.

As of June 30, 2023, the Administration reported deferred outflows of resources from OPEB activities as follows:

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

Source	
Other Postemployment Benefits Paid Subsequent to the Measurement Date	$ 379,400
Total Deferred Outflows	$ 379,400

Deferred outflows of resources related to OPEB resulting from the Administration's benefits paid subsequent to the measurement date which amounted to $379,400 as of June 30, 2023 is recognized as a reduction of the total OPEB liability in the year ending June 30, 2024. Therefore, it is presented as current portion of the Total OPEB Liability in the Statement of Net Position.

The Administration’s proportion of the OPEB liability used was as follows:

Proportion - June 30, 2022	0.54016 %
Proportion - June 30, 2021	0.58488 %
Change - Decrease	(0.04472)%

Discount Rate

The discount rate as of June 30, 2022 was as follows:

	June 30, 2022
Discount Rate	3.54%
20 Year Tax-Exempt Municipal Bond Yield	3.54%

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

Actuarial Methods and Assumptions

The actuarial cost method used to measure the total OPEB liability as of June 30, 2023 was the individual entry age normal cost method. The actuarial valuations used the following actuarial method and assumptions:

Measurement Date	June 30, 2022
Valuation Date	July 1, 2021
Actuarial Cost Method	Entry Normal Age
Medical Trend Rate	Not Applicable
Salary Increases	Current General Economy

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

Mortality	Pre-Retirement Mortality: for general employees not covered under Act No. 127-1958, PubG-2010 Employee Mortality 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, the 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 the measurement date. 100% of deaths 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 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 plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females. 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 the retiree's death, beneficiary mortality is assumed to be the same as the post-retirement retiree mortality. For periods after the retiree's death, the PubG-2010(B) contingent survivor rates, adjusted by 110% for males and 120% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

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.

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

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 does 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 3.54%, as well as what it would be if it were calculated using a discount rate of 1 percent-point lower (2.54%) or 1 percent-point higher (4.54%) than the current rate:

	1% Decrease 2.54%	**Current Discount Rate 3.54%**	**1% Increase 4.54%**
Total OPEB Liability as of June 30, 2022	$4,089,727	$3,757,384	$3,471,691

12. 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 Services 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:

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12. VOLUNTARY TERMINATION BENEFITS (CONTINUED)

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%

The Administration 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 Administration 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 Administration has 34 participants in the plan, and termination benefits are measured at the discount present value of expected future benefit payments. Benefits are based on 50% 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%, retirement benefits based on a percentage ranging from 25.5250% to 30.5250% from 2016 to 2028, and $618 of the medical plan through fiscal year 2020. Termination benefits will be completed during fiscal year 2027-2028.

As of June 30, 2023, the present value of future incentive payments reported as a liability amounted to approximately $4,423,164. The noncurrent portion of the early termination obligation amounted to $3,609,246 with a current portion of $813,918. Such amounts are disclosed respectively, as current and noncurrent liabilities in the accompanying Statement of Net Position. The liability under this program was discounted at approximately 2.10%.

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

13. LONG - TERM LIABILITY ACTIVITY

Changes in long - term obligations, for the year ended June 30, 2023, are as follows:

	Balance as of June 30, 2022	Increases	Decreases	Balance as of June 30, 2023	Due Within One Year
Unpaid Claims Liability and Reserve for Future Benefits	$ 59,289,000	$ 39,577,160	$ (37,464,160)	$ 61,402,000	$ 8,433,000
Reserve for Litigations	2,000,000	-	-	2,000,000	-
Total Pension Liability	254,951,187	-	(70,098,475)	184,852,712	12,413,582
Total OPEB Liability	4,668,064	-	(910,680)	3,757,384	379,400
Termination Benefits	5,610,194	-	(1,187,030)	4,423,164	813,918
Lease Liability	2,685,969	845,642	(645,025)	2,886,586	692,154
	$ 329,204,414	$ 40,422,802	$(110,305,370)	$ 259,321,846	$ 22,732,054

Payments for long - term liabilities have been made mainly from operating revenues (insurance premiums earned less service fees) and other income.

14. CONTRIBUTIONS TO OTHER GOVERNMENTAL AGENCIES

Contributions to other governmental agencies during the year ended June 30, 2023, are as follows:

Description	Amount
Puerto Rico Traffic Safety Commission (Act 33-1972)	$ 2,798,146

Act No. 33, "Prevention of Traffic Accidents" of May 25, 1972, as amended, provides that the Administration should contribute to the Puerto Rico Traffic Safety Commission (the Commission) the funds needed for the Commission's operational expenses. For the year ended June 30, 2023, the Administration contributed to the Commission the amount of $1,724,230.

On January 23, 2017, the Legislature of the Commonwealth of Puerto Rico enacted Act No. 3-2017, named "Act to Address the Economic, Fiscal, and Budgetary Crisis in order to Guarantee the Operations of the Government of Puerto Rico". This Act requires that all instrumentalities, entities, agencies and public corporations of the Commonwealth of Puerto Rico reduce their operating expenses, specifically those related to payroll, professional services, contracted services and leases, among others measures that will be in effect until July 1, 2021. Among the measures, Act 3-2017 imposes a hiring freeze for new employees, freezes vacant positions, and orders a 20% reduction in positions of trust (political appointees). Act 3-2017 also orders a 10% reduction of operational expenses, limits and/or prohibits the use of governmental vehicles, credit cards, trips outside Puerto Rico, cellphones and other technological services, limits vacations and sick leave, and requires a review of all lease agreements with a view towards terminating or renegotiating them. The Administration is required to transfer the savings resulting from the enactment of this Act to Department of Education.

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

14. CONTRIBUTIONS TO OTHER GOVERNMENTAL AGENCIES (CONTINUED)

For the fiscal year ended June 30, 2023, the Administration accrued $1,073,916 for such purposes, from budgetary savings.

15. CONTINGENCIES

a. Lawsuits

The Administration acts as defendant in various legal proceedings or claims mainly to insurance companies, from suppliers, employees and others, that arise in the ordinary course of its operations. Management, based on the opinion of its legal advisors, believes that the ultimate liability resulting from these legal proceedings and actions in the aggregate will not have a material effect on the Administration's financial statements.

b. Comptroller's Office of Puerto Rico Reports

The Administration is subject to audits by the Comptroller's Office of Puerto Rico (COPR). Most recent report was issued without any comments or findings.

16. SUBSEQUENT EVENTS

a. Investment in Kinetic Funds I, LLC

On February 20, 2020, the Securities and Exchange Commission (SEC) filed a complaint in the United States Court, Middle District of Florida, against defendants Kinetic Investment Group, LLC (the Group), their management and related entities. The defendant is accused, among other things, of using funds from investors for personal use and to cover operational expenses of their personal businesses.

On February 8, 2021, a Proof of Claim on the Kinetic Investment Group, LLC case number 8:20-cv-394 was submitted in order to comply with the Courts instructions. The Administration claimed that it had invested a total amount of $4,000,000 in the Kinetic Investment Group, LLC.

As of the financial statements date, as part of the SEC case investigation, out of the total $4,000,000 originally invested in Kinetic Funds I, LLC, the Administration received during December 2021 and February 2023 a pro rata partial distribution of $1,600,000 and $423,727 respectively. In addition, a third pro-rata partial settlement payment of $169,490 was received during January 2024. According to the January 11, 2024 letter from Mr. Kornfeld, the "Receiver" appointed by the U.S. District Court, the pro-rata partial settlement payment of $169,490 was received during January 2024.

b. Rent Commitments

The Administration is in the process of renewing a rent contract after June 30, 2023, of one of its Regional Offices in the Municipality of Arecibo. The contract is due on June 30, 2024. Also, an extension to the photocopier equipment lease contract was signed on May 16, 2024, for an additional five years, until March 31, 2029, with monthly payments of $8,620.

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

16. SUBSEQUENT EVENTS (CONTINUED)

The Administration's management evaluated subsequent events until June 27, 2024, date in which the basic financial statements are available to be issued.

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE OF PROPORTIONATE SHARE OF TOTAL PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Last 10 Years (1)	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Proportion of Total Pension Liability	0.83446%	0.93786%	0.94771%	0.94539%	0.93786%	0.90207%
Proportionate Share of Total Pension Liability	$184,852,712	$ 254,951,187	$266,021,546	$234,932,685	$229,676,645	$254,425,628

Benefit Changes: Beginning on July 1, 2017, the pension benefits were paid through pay-as-you-go method. Act No. 106-2017 closed participation in ERS to new members effective July 1, 2017, and moved prospective accruals for all current active members to a separate defined contribution plan outside of ERS. 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 apply the guidance on GASB Statement No. 73.

Date References: Employee's Retirement System of the Government of the Commonwealth of Puerto Rico: Actuarial Valuation Report.

Notes to the Schedule:

(1) Fiscal year 2019 was the first year of implementation. The schedule will be expanded to show 10 years once the information becomes available in the future. Amounts presented have a measurement date of the previous fiscal year end.

(2) 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 auditors' report.

AUTOMOBILE ACCIDENTS COMPENSATION ADMINISTRATION
(A Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE OF PROPORTIONATE SHARE OF TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Last 10 Years (1)	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Proportion of Total OPEB Liability	0.54016%	0.58488%	0.54955%	0.56774%	0.54955%	0.49802%	0.45728%
Proportionate Share of Total OPEB Liability	$ 3,757,384	$ 4,668,064	$ 5,096,496	$ 4,724,880	$ 4,628,083	$ 4,584,332	$ 5,419,328

Notes to the Schedule:

(1) Fiscal year 2018 was the first year of implementation. The schedule will be expanded to show 10 years once the information becomes available in the future. Amounts presented have a measurement date of the previous fiscal year end.

(2) 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 auditors' report.

(A Component Unit of the Commonwealth of Puerto Rico)
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
TEN YEARS CLAIMS DEVELOPMENT INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Health Care Benefits				Financial Benefits					
	Basic Benefits		Extended Benefits							
	Hospital Medical	RX	Hospital Medical	RX	Death	Disability	Funeral	Dismemberment	Total	Net Premiums Collected
2013-14	$48,630,487	$572,344	$2,548,784	$142,682	$1,776,160	$1,103,061	$220,861	$ 87,975	$55,082,354	$78,000,000
2014-15	38,180,025	447,662	1,736,975	149,833	1,558,570	812,784	197,590	80,350	43,163,789	78,000,000
2015-16	35,333,629	457,076	1,377,935	175,050	1,453,972	600,839	223,086	106,000	39,727,587	78,000,000
2016-17	26,679,595	472,227	1,912,464	169,573	1,409,186	583,923	191,608	95,900	31,514,476	78,000,000
2017-18	27,136,397	326,048	1,018,289	154,555	1,172,599	317,225	130,272	89,200	30,344,585	69,492,464
2018-19	25,473,331	351,382	1,017,862	156,835	1,171,570	427,603	183,505	77,250	28,859,338	78,398,389
2019-20	21,720,342	237,472	968,688	141,356	1,013,404	355,544	123,988	60,550	24,621,344	60,573,463
2020-21	22,652,401	88,206	567,213	189,242	936,501	251,388	105,701	51,300	24,841,952	77,257,122
2021-22	25,223,322	184,404	903,465	155,532	966,703	368,615	50,700	100,650	27,953,391	78,241,525
2022-23	25,058,041	232,242	654,420	195,113	960,090	368,769	39,385	74,100	27,582,160	81,648,043
Totals	$296,087,570	$3,369,063	$12,706,095	$1,629,771	$12,418,755	$5,189,751	$1,466,696	$823,275	$333,690,976	$757,611,006

Aquino, De Córdova, LLC
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

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Maritza Rivera Serrano, CPA, CICA

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

To the Board of Directors of
Automobile Accidents Compensation Administration
(A Component Unit of the Commonwealth of Puerto Rico)

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Automobile Accidents Compensation Administration (the Administration), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Administration's basic financial statements, and have issued our report thereon dated June 27, 2024

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control that we reported to Administration's management in a separate letter dated June 27, 2024.

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Report on Compliance and Other Matters

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

Purpose of this Report

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

Carolina, Puerto Rico

June 27, 2024

Aquino, De Córdova, LLC
by Eduardo González-Green
Lic. # 3171

Stamp number E567339
of the Puerto Rico CPA Society
has been affixed to the
original report

AQUINO, DE CORDOVA, LLC
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PUERTO RICO