



Financial Statements and Report of Independent
Certified Public Accountants

Commonwealth of Puerto Rico
Office of the Comptroller

(An Agency of the Commonwealth of Puerto Rico)

June 30, 2025

**Commonwealth of Puerto Rico Office of the Comptroller
(An Agency of the Commonwealth of Puerto Rico)**

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Report of Independent Certified Public Accountants

To the Comptroller of Puerto Rico
Office of the Comptroller:

Opinions

We have audited the financial statements of the governmental activities and the general fund of the **Office of the Comptroller**, as an agency of the Commonwealth of Puerto Rico (the Commonwealth), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the **Office of the Comptroller's** financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the **Office of the Comptroller** as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of 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 **Office of the Comptroller** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1(b), the financial statements of the Office of the Comptroller, are intended to present the financial position and the changes in the financial position of only that portion of the governmental activities and the general fund of the Commonwealth that is attributable to the transactions of the Office of the Comptroller. They do not purport to, and do not, present fairly the financial position of the Commonwealth as of June 30, 2025, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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.

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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 **Office of the Comptroller's** ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 **Office of the Comptroller'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 **Office of the Comptroller'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 on pages 4 through 9, the Schedule of the Office's Proportionate Share of Total Pension Liability and Related Ratios on page 35, the Schedule of the Office's Proportionate Share of OPEB Liability and Related Ratios on page 36 and Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual - Non-GAAP Budgetary Basis on page 37, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a required 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 US GAAS. These limited procedures 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 April 7, 2026, on our consideration of the **Office of the Comptroller'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 **Office of the Comptroller'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 **Office of the Comptroller's** internal control over financial reporting and compliance.

San Juan, Puerto Rico,
April 7, 2026.

Grant Thornton Puerto Rico LLP



DLLP217-1723

Commonwealth of Puerto Rico Office of the
Comptroller

Commonwealth of Puerto Rico Office of the Comptroller (An Agency of the Commonwealth of Puerto Rico)

Management's Discussion and Analysis (Unaudited) June 30, 2025

The Office of the Comptroller (the Office), an agency assigned to the Legislative Branch of the Commonwealth of Puerto Rico (the Commonwealth), offers to the readers of the financial statements this narrative overview and analysis of the financial activities of the Office for the fiscal year ended June 30, 2025. The Office has the constitutional duty to ascertain that all revenues, accounts, and expenditures of the Commonwealth and all operations involving public funds and public property were performed as stated in Article III of the Constitution of the Commonwealth, Act No. 9 of July 24, 1952, as amended. Please read it in conjunction with the Office's financial statements, which follow this section. Numbers included are rounded to facilitate the readers' analysis.

Financial highlights

- Total liabilities of the Office's governmental activities at the close of the fiscal year ended June 30, 2025 amounted to approximately \$140,100,000 comprising primarily of the total pension liability of approximately \$115,336,000 as determined by actuarial valuation as of July 1, 2023, following GASB 73.
- The liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources by approximately \$106,377,000.
- The Office's total assets and deferred outflows of resources increased by approximately \$6,152,000 primarily due to recognition of right-of-use assets additions under GASB Statement No. 87. During the year, the Office recorded approximately \$8,081,000 in right-of-use asset additions, mainly related to building and parking leases, which were partially offset by approximately \$2,063,000 in amortization expense. In addition, deferred outflows of resources were amortized and recognized in pension expense during the year.
- The Office's net position increased by approximately \$3,486,000 in fiscal year 2025 when compared to prior year net deficit position of approximately \$109,863,000, mainly as a result of the increase in right-of-use assets and current assets.
- The Office's net investment in capital assets decreased by approximately \$76,500.
- The Office's net right of use assets increased by approximately \$6,018,000.
- The final budget of the Office for fiscal year 2024-2025 was \$56,170,310.

The Office's budgetary basis revenues and other financing sources exceeded its budgetary basis expenditures by approximately \$6,995,000 for the fiscal year 2024-2025.

Overview of the basic financial statements

This annual report includes, the reports of independent certified public accountants, the basic financial statements and the required supplementary information (including the unaudited management's discussion and analysis) of the Office.

This Management's Discussion and Analysis section is intended to serve as an introduction to the Office's basic financial statements. The Office's basic financial statements comprise three components: 1) government-wide financial statements on all of the activities of the Office, 2) fund financial statements, and 3) notes to basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Office's financial position, in a manner similar to a private-sector business.

The statement of net position presents information of all of the Office's assets and deferred outflows of resources and liabilities and deferred inflow of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Office is improving or deteriorating as a result of the year's operations.

Commonwealth of Puerto Rico Office of the Comptroller (An Agency of the Commonwealth of Puerto Rico)

Management's Discussion and Analysis (Unaudited) June 30, 2025

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

Both of the government-wide financial statements distinguish functions of the Office that are supported by appropriations from the General Fund of the Commonwealth.

Fund financial statements

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both, the General Fund balance sheet and the statement of General Fund revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Office maintains one individual governmental fund and adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

Notes to financial statements

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 to 34 of this report.

Financial analysis of the governmental activities

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

Commonwealth of Puerto Rico Office of the Comptroller
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Management's Discussion and Analysis (Unaudited)
June 30, 2025

Net position

The statement of net position serves as an indicator of the Office's financial position at the end of fiscal year. The Office's net position includes net investment in capital assets of approximately \$1,878,000, net right of use lease asset of approximately \$6,061,000, restricted special appropriation to audit the Commonwealth's debt surplus of \$1,000,000 and an unrestricted deficit of approximately \$115,315,000. The following is condensed summary information for fiscal years ended June 30, 2025 and 2024.

	Condensed Information - Net Position		
	2025	2024	Change
Current assets	\$ 18,982,591	\$ 14,205,341	\$ 4,777,250
Right to use assets, net	6,060,860	42,944	6,017,916
Capital assets, net	1,877,509	1,954,082	(76,573)
Total assets	<u>26,920,960</u>	<u>16,202,367</u>	<u>10,718,593</u>
Deferred outflows of resources	6,802,212	11,369,072	(4,566,860)
Current liabilities	834,111	1,413,192	(579,081)
Long-term liabilities	139,266,153	135,004,605	4,261,548
Total liabilities	<u>140,100,264</u>	<u>136,417,797</u>	<u>3,682,467</u>
Deferred inflows of resources	-	1,016,541	(1,016,541)
Net position:			
Net investment in assets	7,938,369	1,997,027	5,941,342
Restricted	1,000,000	1,000,000	-
Unrestricted – deficit	<u>(115,315,461)</u>	<u>(112,859,926)</u>	<u>(2,455,535)</u>
Total net position (deficit)	<u>\$ (106,377,092)</u>	<u>\$ (109,862,899)</u>	<u>\$ 3,485,807</u>

Total assets of the Office's at June 30, 2025 increased by approximately \$10,719,000 when compared to the total assets as of June 30, 2024 primarily attributable to an increase of right of use assets, net of approximately \$6,018,000.

Deferred outflows of resources, which represents an increase in net position applicable to future reporting periods, decreased by approximately \$4,567,000 when compared to June 30, 2024.

Total liabilities at June 30, 2025 increased by approximately \$3,682,000 when compared to total liabilities at June 30, 2024. This increase is mainly resulted from the increase in lease liability of approximately \$6,208,000 when compared to lease liability at June 30, 2024.

As of June 30, 2025, there were no deferred inflows of resources, which represent a decrease in net position that is applicable to future reporting periods. The decrease of approximately \$1,017,000 when compared to June 30, 2024 resulted from changes in the deferred inflows of resources from pension activities related to differences, between projected and actual earnings on pension plan investments.

**Commonwealth of Puerto Rico Office of the Comptroller
(An Agency of the Commonwealth of Puerto Rico)**

**Management’s Discussion and Analysis (Unaudited)
June 30, 2025**

Capital assets

The capital assets of the Office are those assets that are used in the performance of its functions. The net investment in capital assets for the fiscal year ended June 30, 2025 amounted to approximately \$1,878,000. The Office’s capital assets, net decreased during 2025 by approximately \$76,500.

Capital assets, net decreased primarily due to the net effect of the following:

- Current year’s depreciation and amortization of approximately \$588,000, and
- Capital asset additions of approximately \$552,200.

Changes in Net Position

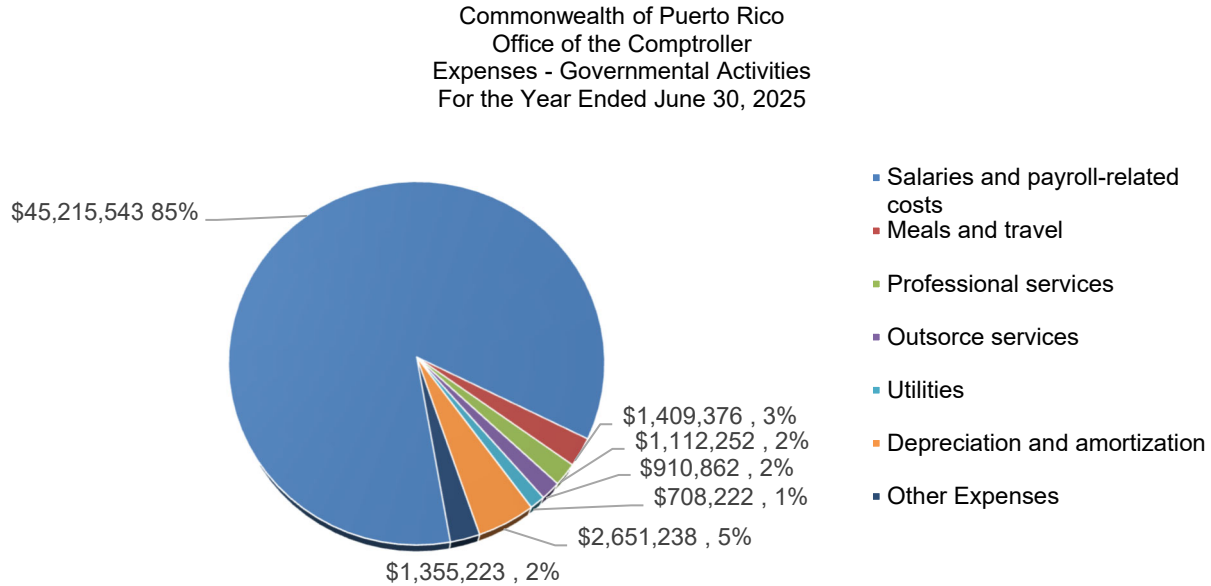
The following condensed summary of activities reflects how the Office’s net position changed during the fiscal year ended June 30, 2025.

	Condensed Information - Statement of Activities		
	2025	2024	Change
Revenues	\$ 678,213	\$ 604,235	\$ 73,978
Transfers	56,170,310	48,171,512	7,998,798
Expenses	<u>(53,362,716)</u>	<u>(46,037,444)</u>	<u>(7,325,272)</u>
Change in net position	<u>3,485,807</u>	<u>2,738,303</u>	<u>747,504</u>
Net position (deficit):			
At beginning of year	<u>(109,862,899)</u>	<u>(112,601,202)</u>	<u>2,738,303</u>
At end of year	<u><u>\$ (106,377,092)</u></u>	<u><u>\$ (109,862,899)</u></u>	<u><u>\$ 3,485,807</u></u>

**Commonwealth of Puerto Rico Office of the Comptroller
(An Agency of the Commonwealth of Puerto Rico)**

**Management’s Discussion and Analysis (Unaudited)
June 30, 2025**

The following chart presents the expenses incurred by the Office during the fiscal year ended June 30, 2025.



The Office’s major expense is related to salaries, benefits, and payroll taxes, which represent 85% of total expenses incurred during the fiscal year ended June 30, 2025. Total expenses also increased by approximately \$7,325,000. The increase in net transfers of approximately \$8,000,000 is mainly due to Commonwealth transfers for the Classification and Remuneration Plan approved by Financial Oversight and Management Board for Puerto Rico ("Oversight Board") on July 1, 2024 when compared to June 30, 2024.

General fund budgetary highlights

The 2024-2025 General Fund Budget was \$56,170,310 and actual expenses in the budgetary basis were approximately \$49,851,000. Total expenditures represented 87.70% of total budget availability for the fiscal year.

The following table summarizes the operational results under the non-GAAP budgetary basis of accounting for the fiscal year ended June 30, 2025.

	<u>Actual</u>
Revenue and other financing sources	\$ 56,845,863
Expenditures	<u>49,851,197</u>
Unexpended balance	<u>\$ 6,994,666</u>
Expenditure rate	<u>87.70%</u>

Commonwealth of Puerto Rico Office of the Comptroller (An Agency of the Commonwealth of Puerto Rico)

Management's Discussion and Analysis (Unaudited) June 30, 2025

The operational results present a saving on the assigned budget amounting to approximately \$6,550,000 for year ended June 30, 2025.

Economic factors and next year's budget

The Office approved budget for the fiscal year 2026 is approximately \$56,408,000. The Office adopted cost reduction measures that resulted in a decrease in certain employee benefits accrued in the government-wide financial statements.

On November 3, 2021, the Oversight Board filed the Eight Amended Plan (the plan). On March 15, 2022, the plan became effective.

Requests for information

This financial report is designed to provide a general overview of the Office's finances for all those with an interest in the government's finances. Question concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance and Budget Division, The Office of the Comptroller of the Commonwealth of Puerto Rico, PO Box 366069, San Juan, Puerto Rico 00936-6069.

**Commonwealth of Puerto Rico Office of the Comptroller
(An Agency of the Commonwealth of Puerto Rico)**

**General Fund Balance Sheet and Statement of Net Position
June 30, 2025**

	<u>Assets and Deferred Outflow of Resources</u>		
	<u>General Fund Balance Sheet</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Current assets:			
Cash in commercial bank	\$ 18,464,376	\$ -	\$ 18,464,376
Accounts receivable – employees and other	11,752	-	11,752
Prepaid Paygo	506,463	-	506,463
Total current assets	<u>18,982,591</u>	<u>-</u>	<u>18,982,591</u>
Right to use lease assets, net	<u>-</u>	<u>6,060,860</u>	<u>6,060,860</u>
Capital assets:			
Non-depreciable	-	129,254	129,254
Depreciable, net	-	1,748,255	1,748,255
Total capital assets, net	<u>-</u>	<u>1,877,509</u>	<u>1,877,509</u>
Total assets	<u>18,982,591</u>	<u>7,938,369</u>	<u>26,920,960</u>
Deferred outflows of resources:			
Pension related	-	6,640,812	6,640,812
Other post - employment benefit related	-	161,400	161,400
Total deferred outflows of resources	<u>-</u>	<u>6,802,212</u>	<u>6,802,212</u>
Total assets and deferred outflows of resources	<u>\$ 18,982,591</u>	<u>\$ 14,740,581</u>	<u>\$ 33,723,172</u>

**Commonwealth of Puerto Rico Office of the Comptroller
(An Agency of the Commonwealth of Puerto Rico)**

**General Fund Balance Sheet and Statement of Net Position
June 30, 2025**

	<u>Liabilities, Deferred Inflow of Resources and Fund Balance/Net Position</u>		
	<u>General Fund Balance Sheet</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Current liabilities --			
Accounts payable and accrued liabilities	\$ 834,111	\$ -	\$ 834,111
Long-term liabilities:			
Accrued long-term liabilities, due within one year	-	15,867,861	15,867,861
Other accrued long-term liabilities, due after one year	-	123,398,292	123,398,292
Total long-term liabilities	-	139,266,153	139,266,153
Total liabilities	834,111	139,266,153	140,100,264
Deferred inflows of resources	-	-	-
Total liabilities and deferred inflows of resources	834,111	139,266,153	140,100,264
Fund balance/net position:			
Fund balance:			
Committed	2,217	(2,217)	-
Assigned	1,036,434	(1,036,434)	-
Restricted	1,000,000	(1,000,000)	-
Unassigned	16,109,829	(16,109,829)	-
Total fund balance	18,148,480	(18,148,480)	-
Total liabilities and fund balance	\$ 18,982,591		
Net position:			
Net investment in capital assets		7,938,369	7,938,369
Restricted		1,000,000	1,000,000
Unrestricted deficit		(115,315,461)	(115,315,461)
Net position (deficit)		\$ (106,377,092)	\$ (106,377,092)

**Commonwealth of Puerto Rico Office of the Comptroller
(An Agency of the Commonwealth of Puerto Rico)**

**Statement of General Fund Revenue, Expenditures, and Changes in Fund Balance
and Statement of Activities
Year Ended June 30, 2025**

	General Fund Revenue, Expenditures, and Changes in Fund Balance	Adjustments	Statement of Activities
Expenditures/expenses:			
General government:			
Salaries and payroll-related costs	\$ 43,611,582	\$ 1,603,961	\$ 45,215,543
Meals and travel	1,409,376	-	1,409,376
Professional services	1,112,252	-	1,112,252
Insurance	103,293	-	103,293
Rent	2,103,001	(1,873,241)	229,760
Utilities	708,222	-	708,222
Noncapitalizable equipment	22,061	-	22,061
Materials and supplies	132,974	-	132,974
Repairs and maintenance	311,708	-	311,708
Depreciation and amortization	-	2,651,238	2,651,238
Loss on disposition of assets	-	662	662
Trainings and continuing professional education	206,374	-	206,374
Subscriptions and memberships	246,918	-	246,918
Outsource services:			
Security	281,655	-	281,655
Maintenance	167,519	-	167,519
Postage	461,688	-	461,688
Printing services	37,134	-	37,134
Postage	6,569	-	6,569
Miscellaneous	57,770	-	57,770
Capital outlays	512,096	(512,096)	-
Total expenditures/expenses	<u>51,492,192</u>	<u>1,870,524</u>	<u>53,362,716</u>
General revenue – Interest income	673,541	-	673,541
Other income	4,672	-	4,672
Other financing sources – Transfers:			
Transfer in Commonwealth of Puerto Rico appropriations	56,170,310	-	56,170,310
Total general revenue and transfers	<u>56,848,523</u>	<u>-</u>	<u>56,848,523</u>
Excess of revenues and transfers in over expenditures	<u>5,356,331</u>	<u>(5,356,331)</u>	<u>-</u>
Change in net position	-	3,485,807	3,485,807
Fund balance/net position (deficit):			
At beginning of year	<u>12,792,149</u>	<u>(122,655,048)</u>	<u>(109,862,899)</u>
At end of year	<u>\$ 18,148,480</u>	<u>\$ (124,525,572)</u>	<u>\$ (106,377,092)</u>

Commonwealth of Puerto Rico Office of the Comptroller (An Agency of the Commonwealth of Puerto Rico)

Notes to Financial Statements June 30, 2025

(1) **Organization and basis of presentation:**

(a) **Organization** -

The Commonwealth of Puerto Rico (the Commonwealth) was constituted on July 25, 1952, under the provisions of its Constitution as approved by the People of Puerto Rico and the Congress of the United States of America. The Commonwealth's Constitution provides for the separation of powers of the executive, legislative, and judicial branches of the government. The Commonwealth assumes responsibility for public safety, public health, public housing, welfare, education, and economic development.

The position of Comptroller of Puerto Rico was created by virtue of Article III, Section 22 of the Constitution of the Commonwealth. The Comptroller of Puerto Rico is appointed by the Governor with the consent of the Legislature of the Commonwealth (the Legislature) for a term of 10 years and until his or her successor has been appointed and qualified.

The function of the Comptroller of Puerto Rico is to audit all the revenues, accounts, and expenditures of the Commonwealth, its agencies and instrumentalities, and its municipalities, in order to determine if they have been made in conformity with the law and to submit the corresponding audit reports. Also, it submits annual reports and all other special reports that are required by the Legislature or the Governor.

The Office of the Comptroller (the Office) was created by Act No. 9 of July 24, 1952, as amended. The Office is an agency of the Commonwealth, assigned to the Legislative Branch of the Commonwealth. The administration of the Office is autonomous and is under the direction of the Comptroller of Puerto Rico.

Effective July 1, 2012, the Office became fiscally autonomous pursuant to the provisions of Act 58 of March 19, 2012. As a result of this Act, the noncommitted cash of the Office that was previously under the custody of the Secretary of Treasury of the Commonwealth was transferred to the Office. Substantially, all expenditures of the Office are disbursed from the Office's bank accounts since that date.

The accompanying basic financial statements of the Office have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

(b) **The financial reporting entity** -

The Office is an agency of the Commonwealth. Its financial statements are intended to present the financial position, and changes in financial position, of only that portion of the governmental activities and the General Fund of the Commonwealth that is attributable to the transactions of the Office.

(c) **Basis of presentation** -

The financial activities of the Office, which consist only of governmental activities, are reported under the general government function in the Commonwealth's basic financial statements. For its reporting purposes, the Office has combined the General Fund and government-wide financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. A brief description of the Office's government-wide and fund financial statements is as follows:

Government-wide Financial Statements: The government-wide statement of net position and statement of activities report the overall financial activity of the Office. The financial activities of the Office consist only of governmental activities, which are primarily supported by Commonwealth appropriations (transfers within the General Fund of the Commonwealth).

**Commonwealth of Puerto Rico Office of the Comptroller
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**Notes to Financial Statements
June 30, 2025**

The statement of activities demonstrates the degree to which the direct expenses of a given function (i.e., general government) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The Office has no program revenues. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Office's General Fund. The General Fund accounts for all financial resources of the Office.

The following is a reconciliation between the General Fund balance sheet and the statement of net position at June 30, 2025:

Fund balance	\$ 18,148,480
Add capital assets, net of accumulated depreciation, as they are not financial resources and, therefore, are not reported in the General Fund	1,877,509
Right of use leased assets, net of accumulated amortization, as they are not financial resources and, therefore, are not reported in the General Fund	6,060,860
Deferred outflows and inflows of resources related to pensions and Other post-employment benefit related (OPEB) are applicable to future reporting periods and therefore, are not reported in the governmental funds: Add deferred outflows of resources	6,802,212
Less Long-term liabilities not due and payable in the current period, including: accrued compensated absences, pension liability, OPEB liability, lease liability, voluntary termination benefits, and Christmas bonus	<u>(139,266,153)</u>
Net position	<u>\$ (106,377,092)</u>

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The following is a reconciliation between the excess of revenues and transfers in over expenditures in the statement of General Fund revenues, expenditures, and changes in fund balance, and the change in net position in the statement of activities for the fiscal year ended June 30, 2025:

Excess of revenues and transfers in over expenditures	\$ 5,356,331
Add current year change in compensated absences that are recorded as a long-term liability in the government-wide financial statements	
Christmas bonus	648,976
Voluntary termination benefits	735,535
Less current year depreciation and amortization, as the cost of assets is allocated over their useful lives in the statement of activities	(2,651,239)
Less loss on disposal of assets that were not capitalized in the General Fund	(662)
Less lease interest expense which are reported as expenditures in the governmental funds when made	(526,618)
Less pension benefit payments which are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported total pension liability is measured a year before the Office's report date. Pension expense, which is the change in the total pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities	(173,594)
Less current year change in compensated absences that are recorded as a long-term liability in the government-wide financial statements	(2,935,689)
Add OPEB benefits paid which are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported OPEB liability is measured a year before the Office's report date. OPEB expense, which is the change in the net OPEB liability adjusted for changes in deferred outflows and inflows of resources related to other postemployment benefits other than pension is reported in the statement of activities	120,811
Add lease payments reported as expenditures in the General Fund that are reclassified in the government-wide financial statements as reductions of lease liabilities and interest expense in accordance with GASB Statement No. 87	2,399,860
Add capital outlays reported as expenditures in the General Fund that are shown as capital assets in the statement of activities	<u>512,096</u>
Change in net position	<u>\$ 3,485,807</u>

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(d) Basis of accounting -

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

The General Fund, as a governmental fund, is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

(2) Commonwealth's plan of adjustment:

On May 3, 2017, the Financial Oversight and Management Board (the Oversight Board) that was created by U.S. Congress Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), at the request of the Governor, commenced a Title III case for the Commonwealth by filing a petition for relief under Title III of PROMESA in Title III Court.

On November 3, 2021, the Oversight Board filed the Eighth Amended Plan (Plan). On March 15, 2022, the Plan became effective.

For further information, refer to the final versions of the Eight Amended Plan, Findings of Fact, and Confirmation Order, which are available at <https://cases.primeclerk.com/puertorico/Home-DocketInfo>.

(3) Summary of significant accounting policies:

(a) Change in accounting principles -

- i. Effective for the fiscal year ended June 30, 2025, the Office implemented the provisions of GASB Statement No. 101, Compensated Absences. GASB 101 establishes a unified model for the recognition, measurement, and disclosure of compensated absences, replacing and superseding prior guidance. The Statement requires that a liability for compensated absences be recognized when (1) the leave is attributable to services already rendered, (2) the leave accumulates, and (3) the leave is more likely than not to be used for time off or otherwise paid or settled. Under the new standard, the Office evaluated all forms of compensated absences, including vacation, sick leave, compensatory time, and other paid leave benefits. The implementation resulted in no changes to the timing and measurement of certain liabilities, where leave types previously did not meet the "probable" threshold for recognition but now meet the "more likely than not" threshold required by GASB 101. There were no adjustments resulting from this implementation and there is no significant impact in the Office's net position.
- ii. For the fiscal year ended June 30, 2025, the Office implemented GASB Statement No. 102, Certain Risks and Uncertainties Disclosures, which requires additional footnote disclosures related to vulnerabilities from concentrations, constraints on resource inflows, and other significant risks or uncertainties. In adopting the standard, the Office evaluated potential exposures such as reliance on major revenue sources, key external providers, operational dependencies, and statutory or regulatory limitations. The implementation did not affect beginning net position and resulted only in enhanced disclosures, which are included in Note 3 (m).

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(b) Capital assets -

Capital assets are reported in the government-wide financial statements of the Office. The Office defines capital assets as assets, which have an initial, individual cost of \$500 or more at the date of acquisition and have a useful life in excess of two years. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated or amortized using the straight-line method over the assets estimated useful lives. No amortization is recorded for computer software being developed. The estimated useful lives of capital assets being depreciated are as follows:

	<u>Years</u>
Electronic equipment	5
Other equipment	5
Furniture	10
Purchased computer software	5
Internally developed software	3-10
Vehicles	5-10

(c) Cash and cash equivalents -

The Office maintains its cash balances in demand deposit accounts with local banking institutions in Puerto Rico. The Office does not hold short-term investments or cash-equivalent instruments.

(d) Receivables and allowance for doubtful accounts -

Accounts receivable consists primarily of amounts due from employees and other minor sources. Based on the nature of these receivables and historical collection experience, management has determined that an allowance for doubtful accounts is not necessary.

(e) Lease liabilities -

Lease liabilities are recognized in accordance with GASB Statement No. 87, Leases, which defines a lease as a contract that conveys control of the right of use another entity's nonfinancial asset for a period of time in an exchange or exchange-like transaction, and requires lessees and lessors to recognize a right-of-use asset and a corresponding lease liability (or lease receivable and deferred inflow) on the statement of net position. The Office recognizes a lease liability equal to the present value of remaining lease payments. The Office's lease arrangements are limited in scope and do not involve significant estimates or complex terms.

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(f) Compensated absences -

Compensated absences are recognized in accordance with Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences.

In the government-wide financial statements, a liability is recognized for leave that is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid or settled. The liability includes unpaid, accumulated vacation and sick leave balances that meet these recognition criteria.

The liability is measured using employees' current salary rates as of the reporting date and includes salary-related payments that are directly and incrementally associated with payments for leave, such as employer contributions for Social Security and Medicare.

In the governmental fund financial statements, expenditures and liabilities related to compensated absences are recognized only when they mature (i.e., when payment is due), such as upon employee resignation or retirement.

Employees of the Office are granted thirty (30) days of vacation leave and eighteen (18) days of sick leave annually. Vacation and sick leave may accumulate subject to policy limitations. Employees have from January through June of each year to use any leave accumulated in excess of the allowable maximum as of December 31 of the previous year. Leave not used within this period is forfeited.

Accumulated vacation leave is paid upon resignation or retirement. Accumulated sick leave is forfeited upon resignation; however, employees with ten (10) or more years of service are entitled to compensation for accumulated sick leave up to the maximum amount allowed by law or policy. These provisions are considered in determining which portions of leave meet the definition of accumulating leave and are more likely than not to be used or paid under GASB Statement No. 101.

(g) Deferred outflows and inflows of resources -

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents an increase in net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Similarly, the Office reports deferred inflows of resources in the statement of net position in a separate section following liabilities. This separate financial statement element, deferred inflows of resources, represents a reduction of net position and resources that apply to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

(h) Accounting for pension costs -

The Office accounts for pension costs under the provisions of GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement No. 67 and 68 (GASB Statement No. 68). GASB Statement No. 73 requires a liability for pension obligations, known as the Total Pension Liability, to be recognized on the balance sheets of participating employers. Changes in Total Pension Liability are immediately recognized as pension expenses.

As Act 106-2017 eliminated all contribution requirements for Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (the Pension Plan) and converted it into a PayGo system, the corresponding actuarial calculation of the total pension liability and related accounts changed to one based on benefit payments rather than contributions. The Office's employees participate in the single-

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employer defined pension plan. Therefore, in accordance with GASB Statement No. 73, the Office reports its proportionate share of the Pension Plan's total pension liability and the related pension amounts.

(i) **Post-employment benefits other than pensions** -

Office follows the guidance in GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB Statement No. 75). Qualified retired employees of the Office participate in the Other Post-employment Plan of the Commonwealth of Puerto Rico for Retired Participants of the Employee's Retirement System (the OPEB Plan). The OPEB Plan is an unfunded, single-employer defined benefit other postemployment healthcare benefit plan. The OPEB Plan is administered on a pay-as-you-go basis. Therefore, in accordance with GASB Statement No. 75, the Office reports its proportionate share of OPEB liability and the related OPEB amounts.

(j) **Fund balance** -

The fund balance for the General Fund is reported in classifications based on the extent to which the Office is bound to honor constraints on the specific purposes for which amounts in the General Fund can be spent.

- Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. There was no nonspendable fund balance as of June 30, 2025.
- Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.
- The Office's highest decision-making level of authority rests with the Commonwealth's Legislature. Fund balance is reported as committed when the Legislature passes a law that places specified constraints on how resources may be used. The law can modify or rescind a commitment of resources through passage of a new law.
- Resources that are constrained by the Office's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by the Comptroller.
- Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the Office for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the Office's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

(k) **Net position** -

Net position represents the difference between assets and liabilities in the government-wide financial statements. Net position is displayed in the following components:

- (i) Net investment in capital assets— This consists of capital assets and right of use assets, less accumulated depreciation and amortization.
- (ii) Restricted – This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Office's policy to use restricted resources first, then unrestricted resources when they are needed.

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(iii) Unrestricted – This consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

(l) Commonwealth appropriations -

The Office’s operations are financed through appropriations from the Commonwealth. These appropriations are recognized as general revenue in the General Fund when received.

(m) Certain risk disclosures -

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 102, Certain Risk Disclosures, the Office evaluated potential concentrations and constraints that could make it vulnerable to the risk of a substantial impact. The Office is primarily funded through appropriations from the Commonwealth of Puerto Rico. For the year ended June 30, 2025, substantially all of the Office’s revenues were derived from Commonwealth appropriations.

Accordingly, the Office is dependent on the fiscal condition and budgetary decisions of the Commonwealth. A significant reduction in Commonwealth funding or delays in appropriations could have a material impact on the Office’s operations and financial position. Management monitors legislative and budgetary developments to assess potential impacts on funding levels. The Office operates under enabling legislation that defines its authority and funding structure. While such legislation governs the Office’s operations, management is not aware of any constraints imposed by enabling legislation that would result in a substantial impact on the Office’s financial position or operations beyond the dependence on Commonwealth appropriations described above.

For the fiscal year ended June 30, 2025, the Office implemented GASB Statement No. 102, Certain Risks and Uncertainties Disclosures, which requires additional footnote disclosures related to vulnerabilities from concentrations, constraints on resource inflows, and other significant risks or uncertainties. In adopting the standard, the Office evaluated potential exposures such as reliance on major revenue sources, key external providers, operational dependencies.

(n) Risk management -

The Commonwealth purchases commercial insurance covering casualty, theft, tort, claims, and other losses for the Office. The Office reimburses the Commonwealth for premium payments made on its behalf. The current Office insurance policies have not been canceled or terminated. For worker’s compensation the State Insurance Fund Corporation, a component unit of the Commonwealth, provides the worker’s compensation to the Office employees.

The Office purchases commercial insurance to provide health benefits to its employees.

(o) Termination benefits -

The Office accounts for termination benefits in accordance with GASB Statement No. 47, Accounting for Termination Benefits (GASB Statement No. 47). Pursuant to the provisions of GASB Statement No. 47, financial statements prepared on the accrual basis of accounting, employers 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. A liability and expense for involuntary termination benefits (for example, severance benefits) should be recognized in the government-wide financial statements when: (i) a plan of termination has been approved, by those with the authority to commit the Office to the plan, (ii) the plan has been communicated to the employees, and (iii) the amount can be estimated. In financial statements prepared on the modified accrual basis of accounting, the liabilities and expenditures for

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termination benefits should be recognized to the extent the liabilities are normally expected to be liquidated with the expendable available financial resources.

(p) Use of estimates -

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

(q) Accounting pronouncements issued but not yet effective -

The GASB has issued the following accounting standards that have effective dates after June 30, 2025:

- i. GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2025. The Office is currently evaluating the impact of this statement.
- ii. GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2025. The Office is currently evaluating the impact of this statement.
- iii. GASB Statement No. 105, *Subsequent Events*. The primary objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2026. The Office is currently evaluating the impact of this statement.

(4) Deposits:

The Office follows the provisions of GASB Statement No. 40 (GASB No. 40), Deposit and Investment Risk Disclosure, an Amendment to GASB Statement No. 3. Accordingly, the following is essential information about the deposits of the Office at June 30, 2025. The bank balance, which includes funds held at local financial institutions before outstanding checks and deposits in transit, was \$18,486,881.

Custodial credit risk is the risk that in the event of a bank failure, the Office's deposits may not be recovered. The Office's cash in commercial banks are deposited in the Banco Popular of Puerto Rico. The Commonwealth requires that the public funds deposited in commercial banks in Puerto Rico must be fully collateralized for the amount deposited in excess of federal depository insurance. All securities pledged as collateral are held by banks in the Commonwealth's name.

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(5) Capital assets and right of use lease assets:

(a) Capital assets -

Capital assets activity for the year ended June 30, 2025 was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets, non-depreciable:				
Computer software being developed	\$ 45,191	\$ 124,201	\$ (40,138)	\$ 129,254
Capital assets depreciable:				
Equipment	770,685	8,961	(42,539)	737,107
Electronic equipment	3,005,626	318,800	(116,504)	3,207,922
Furniture	1,010,348	9,850	(23,142)	997,056
Computer software	2,708,114	54,833	(207,858)	2,555,089
Vehicles	420,673	35,590	-	456,263
Total capital asset, depreciable	<u>7,915,446</u>	<u>428,034</u>	<u>(390,043)</u>	<u>7,953,437</u>
Less accumulated depreciation and amortization for:				
Equipment	523,096	56,659	(42,539)	537,216
Electronic equipment	2,458,756	305,593	(115,842)	2,648,507
Furniture	618,364	20,116	(23,142)	615,338
Computer software	2,084,293	182,055	(207,858)	2,058,490
Vehicles	322,046	23,585	-	345,631
Total accumulated depreciation and amortization	<u>6,006,555</u>	<u>588,008</u>	<u>(389,381)</u>	<u>6,205,182</u>
Total capital asset depreciable	<u>1,908,891</u>	<u>(159,974)</u>	<u>(662)</u>	<u>1,748,255</u>
Total capital assets, net	<u>\$ 1,954,082</u>	<u>\$ (35,773)</u>	<u>\$ (40,800)</u>	<u>\$ 1,877,509</u>

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(b) Right of use lease assets:

The Office has recorded two right of use leased assets. The assets are right to use for leased equipment and leased buildings. The right of use lease assets are amortized on a straight-line basis over the terms of the related leases.

The following is a summary of changes in lease assets during the year ended June 30, 2025:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Ending Balance</u>
Lease asset:				
Right of use - Buildings	\$ 4,096,171	\$ 7,191,107	\$ -	\$ 11,287,278
Right of use - Equipment	128,833	-	-	128,833
Right of use - Parking	593,259	890,039	-	1,483,298
	<u>4,818,263</u>	<u>8,081,146</u>	<u>-</u>	<u>12,899,409</u>
Less accumulated amortization for:				
Right of use - Buildings	(4,096,171)	(1,797,777)	-	(5,893,948)
Right of use - Equipment	(85,889)	(42,944)	-	(128,833)
Right of use - Parking	(593,259)	(222,509)	-	(815,768)
	<u>(4,775,319)</u>	<u>(2,063,230)</u>	<u>-</u>	<u>(6,838,549)</u>
Right of use lease assets, net	<u>\$ 42,944</u>	<u>\$ 6,017,916</u>	<u>\$ -</u>	<u>\$ 6,060,860</u>

Amortization expense related to the lease asset was \$2,063,230 for the year ended June 30, 2025.

(6) Long-term liabilities:

Long-term liability activity for the year ended June 30, 2025 was as follows:

	<u>Beginning balance June 30, 2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance June 30, 2025</u>	<u>Due within one year</u>	<u>Long-term portion</u>
Accrued compensated absences	\$ 11,568,818	\$ 7,792,362	\$ (4,856,673)	\$ 14,504,507	\$ 5,919,518	\$ 8,584,989
Accrued Christmas bonus	1,207,094	558,118	(1,207,094)	558,118	558,118	-
Voluntary termination benefits	1,947,982	-	(735,535)	1,212,447	667,183	545,264
Lease liability	46,102	8,081,147	(1,873,241)	6,254,008	1,920,830	4,333,178
OPEB liability	1,518,112	40,589	(157,700)	1,401,001	161,400	1,239,601
Total pension liability	118,716,497	2,678,109	(6,058,534)	115,336,072	6,640,812	108,695,260
	<u>\$ 135,004,605</u>	<u>\$ 19,150,325</u>	<u>\$ (14,888,777)</u>	<u>\$ 139,266,153</u>	<u>\$ 15,867,861</u>	<u>\$ 123,398,292</u>

(7) Lease liability:

A lease is defined as a contractual agreement that conveys control of the right of use another entity's nonfinancial assets, for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction. The Office has entered into several leases, which expire on various dates, for certain building facilities and parking space. The Office recognizes a lease liability and an intangible right of use lease asset in the government-wide financial statements and statement of net position. As of June 30, 2025, there were no

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leases with variable payments not included in the measurement of the lease liability, and none of the leases contained residual value guarantees. Leased assets are amortized on a straight-line basis over the life of the leases. The discount rate used as the interest rate was 8.00%, which is the Office incremental borrowing rate as of the commencement date of the leases.

Amortization for the remaining leases terms as of June 30, 2025, is shown below:

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ 2,020,287
2027	2,020,287
2028	<u>2,020,286</u>
Total	<u>\$ 6,060,860</u>

At June 30, 2025, the Office had minimum principal and interest payment requirements in its lessee activity as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,920,830	\$ 430,904	\$ 2,351,734
2027	2,080,258	271,476	2,351,734
2028	<u>2,252,920</u>	<u>98,814</u>	<u>2,351,734</u>
Total	<u>\$ 6,254,008</u>	<u>\$ 801,194</u>	<u>\$ 7,055,202</u>

(8) Contingencies:

The Office is defendant in a lawsuit pending in court. Management of the Office believes that the ultimate disposition of this matter will not have a material adverse effect on the Office's financial position or results of operations. The Department of Justice of the Commonwealth may represent the Office in any litigation. As established by law, any unfavorable outcome against the Office will be settled ultimately with appropriations of the Commonwealth of Puerto Rico other than the annual appropriations received by the Office.

(9) Voluntary termination benefits:

On August 9, 2016, the Commonwealth enacted Act No. 170 to amend Act No. 211 of 2015 better known as the "Voluntary Pre-Retirement Program Act" to allow the Office employees to participate in a program that provides early retirement benefits or economic incentives for voluntary employment termination to eligible employees as defined on Act No. 211.

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Act No. 211 established that early retirement benefits (Early retirement program or Program) will be provided to eligible employees that have completed more than 20 years of credited services in the System and consist of the following benefits:

- (a) Sixty percent (60%) of their average compensation as of December 31, 2015, until they attain age sixty-one (61).
- (b) Payout of unused vacation and sick leaves accrued as of the time of enrollment in the Program, in accordance with the limits established in the applicable legislation or regulations, exempt from income taxes.
- (c) While the employee is enrolled in the Program, beneficiary account under the Defined Contribution Hybrid Program shall continue receiving the total amount of the individual contribution that the pre-retiree would have contributed, paid in full by the Office, at a rate of ten percent (10%) of the beneficiary average compensation as of December 31, 2015.
- (d) The Office shall continue to make employer contributions on account of Social Security (6.2%) and Medicare (1.45%) corresponding to sixty percent (60%) of the participant's gross income. However, equal percentages corresponding to individual contributions shall be deducted from the participant's compensation.
- (e) Keep health insurance coverage or medical service program, or employer contribution for health insurance, that the employee enjoyed at the time of making an election to enroll in the Voluntary Pre-Retirement Program up to two (2) years, as of the enrollment date or until beneficiary enters the Retirement System, or until the participant is eligible to receive health insurance coverage in another employment, or by any other source of coverage, whichever comes first.
- (f) May request the Office to deduct and withhold from the sixty percent (60%) of the compensation they will receive, contributions on account of savings, loan payments, insurance premiums, or any other applicable payment at the time, as provided in Act No. 9-2013, as amended known as the "Commonwealth of Puerto Rico Employee Association Act of 2013," but in no case the savings contributions shall be mandatory. Likewise, participants may choose to withdraw their savings from AEELA, insofar as they are not securing any debt with such entity.
- (g) If a pre-retiree dies while participating in the Program, participation in the Program shall automatically end and beneficiaries or heirs, as the case may be, shall receive the same benefits they would have received under Act No. 447 of May 15, 1951, as amended, and any other benefit to which they would have been entitled under any special law if the pre-retiree was an active employee of the Commonwealth of Puerto Rico; and
- (h) Once a pre-retiree attains age sixty-one (61), participants shall enter the Retirement System and receive the benefits to which beneficiary is entitled as a pensioner of the Commonwealth of Puerto Rico, in accordance with Chapter 5 of Act No. 447 of May 15, 1951, as amended; provided, that Program participants shall be guaranteed, at the time of their retirement, a minimum benefit of fifty percent (50%) of their average compensation as of June 30th, 2013, if the combination of annuities of the contributions frozen as of June 30th, 2013, and the contributions made to the Hybrid Program account do not reach such minimum percentage.

The Office Program started on January 2017 and the benefits are expected to be provided until October 2030. The methodology used an alternative method of projecting future cash outlays for benefits and discounting projected benefits to present value and allocating the present value of benefits to periods using a cost method. A

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total of 18 eligible employees are participating in the Program and at June 30, 2025, unpaid long-term benefits granted in Act No.211 were discounted at 3.32% interest rate.

(10) Pension Plan:

(a) Plan description -

General information about the Pension Plan -

The Office's employees participate in the Pension Plan, a defined benefit pension plan, which covers only eligible full-time employees. The Defined Benefit Pension Plan for Participants of the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (the Commonwealth) (the Plan) was created pursuant to Act No. 447 of May 15, 1951, as amended (Act No. 447) to provide pension and other benefits to retired employees of the Commonwealth, its public corporations, and municipalities. Prior to the effect of Act No. 106 of August 23, 2017 (Act No. 106-2017) the Plan was administered by the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (the System). Effective July 1, 2017 all employer contributions were eliminated pursuant to Act No. 106-2017 and the Office implemented a "pay-as-you-go" (PayGo) system for the payment of pensions. Also, pursuant to Act No. 106-2017, the Plan was required to liquidate its assets and transfer the net proceeds to the Department of Treasury of the Commonwealth to pay pension benefits.

As a result of the implementation of the PayGo system, the Plan does not meet the criteria in paragraph 4 of the Governmental Accounting Standards Board (GASB) Statement No 68, Accounting and Financial Reporting for Pensions, to be considered a plan that is administered through a trust or equivalent arrangement and, therefore, is required to apply the guidance in GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Under the guidance of GASB Statement No. 73, the Office is considered to be one employer, and is classified for financial reporting purposes as a single-employer defined benefit pension plan.

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

The Modified Eighth Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al, ("2022 Plan of Adjustment") confirmed by the U.S District Court for the District of Puerto Rico on January 18, 2022, eliminated 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).

Plan participants within the System 2000, includes members hired on or after January 1, 2000 and on or before June 30, 2013 (defined contribution 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, become members of the Contributory Hybrid Program as a condition to their employment. In addition, employees who at June 30, 2013, were participants of previous programs became part of the Contributory Hybrid Program on July 1, 2013. Also, Act No. 3 of April 4, 2013 (Act No. 3 of 2013) froze all retirement benefits accrued through June 30, 2013 under the defined benefit program and, thereafter, all future benefits accrued under the defined contribution formula used for the System 2000 program participants.

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Therefore, plan provision are different for the other two groups of members who entered the Plan prior to July 1, 2013 as described below:

- Members of Act No. 447 are generally those members hired before April 1, 1990. (contributory, defined benefit program)
- Members of Act No. 1 of February 16, 1990 (Act No. 1) are generally those members hired on or after April 1, 1990 and on or before December 31, 1999. (contributory, defined benefit program).

Service retirement eligibility requirements -

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

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

<u>Date of birth</u>	<u>Attained age as of June 30, 2013</u>	<u>Retirement eligibility age</u>
July 1, 1957 or later	55 or less	61
July 1, 1956 to June 30, 1957	56	60
Before July 1, 1956	57 and up	59

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

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

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

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Compulsory retirement -

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

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 and Act No. 1 members, the accrued benefit determined as of June 30, 2013. If the balance in the defined contribution hybrid account is \$10,000 or less, it shall be paid as a lump sum instead of as an annuity.

- i. *Accrued Benefit as of June 30, 2013 for Act No. 447 Members* – The accrued benefit as of June 30, 2013 shall be determined based on the average compensation, as defined, for Act No. 447 members, the years of credited service, and the attained age of the member all as of June 30, 2013.

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

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

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

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

If the Act No. 1 member is a police officer or firefighter with at least 30 years of credited service as of June 30, 2013, the accrued benefit equals 65% of average compensation if the member was under age 55 as of June 30, 2013 or 75% of average compensation if the member was at least age 55 as of June 30, 2013.

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

(b) Change in plan provisions – Act 80-2020 retirement incentive -

On April 1, 2024, a partial implementation of Act 80-2020 was approved, providing an early retirement incentive for eligible government employees in non-essential positions. Eligible participants included Act 447 members with at least 20 years of service as of June 30, 2017, and Act 1 members with at least 15 years of service as of June 30, 2017.

Under this incentive, 1,129 employees of the Commonwealth retired early and began receiving a lifetime annual pension equal to 50% of their highest annual salary in the three years prior to retirement.

The implementation of Act 80-2020 increased the Total Pension Liability by \$207 million as of June 30, 2024.

(c) Total pension liability, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions -

As of June 30, 2024, measurement date, the proportionate share is based on the ratio of the total pension liability determined based on the Office members to the total liability for all Commonwealth members as of measurement day. At June 30, 2024, the Office recorded a liability of approximately \$115,336,000 for its proportionate share of the Commonwealth's collective total pension liability. The collective total pension liability for the plan was measured as of June 30, 2024 and was determined by an actuarial valuation as of July 1, 2023 that was rolled forward to June 30, 2024. The Office's proportionate share for allocation of the Commonwealth's total pension liability was based on the ratio of the Office's actual benefit payments for allocation of approximately \$6,059,000 for the year ended June 30, 2024, relative to the Commonwealth's total benefit payments for allocation of approximately \$1,342,620,000. At June 30, 2024, the Office's proportionate share of the Commonwealth's allocation was 0.58073%, which increased by 0.00917% when compared to the proportionate share as of June 30, 2023 of 0.57156%.

For the year ended June 30, 2025, the Office recognized a pension expense of approximately \$6,814,000.

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At June 30, 2025, the Office reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Balance of deferred outflows and inflows of resources due to:		
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Changes in proportion	-	-
Employer pension benefits paid subsequent to the measurement date	-	-
	<u>6,640,812</u>	<u>-</u>
Total	<u>\$ 6,640,812</u>	<u>\$ -</u>

Approximately \$6,641,000 reported as deferred outflows of resources to pensions resulting from pension benefits paid subsequent to the measurement date will be recognized during the year ended June 30, 2025 as a reduction of the total pension liability.

(d) Actuarial assumptions -

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

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Significant actuarial assumptions and other inputs used to measure the total pension liability include the following:

Measurement Date	June 30, 2024
Actuarial cost method	Entry age normal
Discount rate	3.93%
Total Payroll Growth	
Future Salary Increases	3.00% per year. No compensation increases are assumed until July 1, 2022 as a result of Act No. 3- 2017, four year extension of Act No. 66-2014 and the current general economy.
Cost-of-Living Increases	Not assumed.
Mortality Assumption	<p>Pre-retirement Mortality: For general employees not covered under Act 127-958, PubG-2010 Employee Mortality Rates, adjusted 100% for males and 110% for females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. For members covered under Act No. 127, PubS-2010 Employee Mortality Rates are assumed for males and females, projected to reflect Mortality Improvement Scale MP-2021 on generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.</p> <p>100% of deaths while in active service are assumed to be occupational for members covered under Act 127-958.</p> <p>Post-retirement Mortality: Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after measurement date. This assumption is also used for beneficiaries prior to the member's death.</p> <p>Post-retirement Disabled Mortality: Rates which vary by gender are assumed for disabled retirees based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females. The base rates are projected using Mortality Improvement scale MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after measurement date.</p> <p>Post-retirement Beneficiary Mortality: Prior to retiree's death, beneficiary mortality is assumed to be the same as the post-retirement retiree mortality. For periods after the retiree's death, the PubG-2010(B) contingent survivor rates, adjusted by 110% for males and 120% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.</p>

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(e) Discount rate -

The discount rate for June 30, 2024 was 3.93%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer General Obligation (GO) 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

(f) Sensitivity of total pension liability to changes in the discount rate -

The following presents the total pension liability of the Office as of June 30, 2025, calculated using the discount rate of 3.93%, as well as what the total pension liability would be if it was calculated assuming a discount rate that is 1-percentage point lower (2.93%) or 1-percentage point higher (4.93%) than current rate:

	At 1% decrease (2.93%)	At current discount rate (3.93%)	At 1% increase (4.93%)
Total pension liability	<u>\$ 127,919,020</u>	<u>\$ 115,336,072</u>	<u>\$ 104,761,314</u>

(11) Other postemployment healthcare benefit plan:

(a) General information about the OPEB Plan -

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

The Plan covers a payment up to \$100 per month to the eligible medical insurance plan selected by each member provided that the member retired prior to July 1, 2013. The Plan is financed by the Commonwealth through legislative appropriations. However, the Commonwealth claims reimbursement from the Office on a monthly basis for the corresponding amount of the Plan payments made by the Commonwealth in relation to the Office retirees. There is no contribution requirement from the plan members during active employment. The retirees contribute the amount of healthcare insurance premium not covered by the Office contribution. Plan members were eligible for benefits upon reaching the applicable pension benefits retirement age. Act No. 3 of 2013 eliminated this healthcare benefit to the Plan members that retired after June 30, 2013.

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(b) Actuarial assumptions and methods -

The total OPEB liability as of June 30, 2024 was determined by an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024. The actuarial valuation used the following actuarial assumptions applied to all periods in the measurement period.

Measurement Date	June 30, 2024
Actuarial cost method	Entry age normal
Discount rate	3.93%
Mortality Assumption	<p>Post-retirement Mortality: Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after measurement date.</p> <p>Post-retirement Disabled Mortality: Rates which vary by gender are assumed for disabled retirees based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females. The base rates are projected using Mortality Improvement scale MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after measurement date.</p>

(c) Discount rate -

The discount rate for June 30, 2024 was 3.93%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer General Obligation (GO) 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

(d) Retiree Healthcare OPEB Liability, OPEB Expense, and Deferred Outflow of Resources -

As an employer in the Plan, the Commonwealth is allocated its proportionate share of pension amounts as of the measurement date. The Commonwealth allocates its proportionate share to various internal organizations, including the Office. At June 30, 2025 the Office recorded a liability of approximately \$1,401,000 for its proportionate share of 0.2352% of the Commonwealth's total OPEB liability of approximately \$595,548,000. For the year ended June 30, 2025, the Office recognized OPEB expense of approximately \$40,589. The collective OPEB liability was measured as of June 30, 2024 and was determined by an actuarial valuation as of July 1, 2023 that was rolled forward to June 30, 2024. The Office's proportionate share for allocation of the Commonwealth's OPEB liability was based on the ratio of the Office's members to the total OPEB liability for the Commonwealth members.

At June 30, 2025, the employer reported deferred outflows of resources of \$161,400 resulting from amounts associated with benefits paid subsequent to the measurement date that will be recognized as a reduction of the total OPEB Liability in the fiscal year ending June 30, 2026.

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Because all participants are inactive, there are no deferred outflows or inflows of resources as changes in actuarial assumptions, economic or demographic gains and losses, and changes in proportionate share are recognized immediately during the measurement year.

(e) Sensitivity of the total OPEB liability to changes in the discount rate -

The following presents the proportionate share of the Office's total OPEB liability as of June 30, 2025, calculated using the discount rate of 3.93%, as well as what the total OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower (2.93%) or 1-percentage point higher (4.93%) than current rate:

	At 1% decrease 2.93%	At current discount rate 3.93%	At 1% increase 4.93%
Total OPEB liability	<u>\$ 1,515,738</u>	<u>\$ 1,401,001</u>	<u>\$ 1,301,529</u>

(12) General Fund – Fund balance:

At June 30, 2025, portions of the General Fund balances were committed and assigned for specific amounts as follows:

Fund balance	Amount
Committed:	
Repair of vehicles damaged in a collision	\$ 2,217
Assigned:	
PayGo	936,132
Professional services	<u>100,302</u>
	1,036,434
Restricted - special appropriation	1,000,000
Unassigned	<u>16,109,829</u>
	<u>\$ 18,148,480</u>

(13) Subsequent events:

On February 27, 2026, the Office purchased a building for approximately \$8,300,000.

The Office has evaluated subsequent events through April 7, 2026, the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

**Commonwealth of Puerto Rico Office of the Comptroller
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Required Supplementary Information (Unaudited)

**Schedule of the Office's Proportionate Share of Total Pension Liability and Related Ratios
June 30, 2025**

	2025*	2024*	2023*	2022*	2021*	2020*	2019*
Office's Proportion of the Commonwealth's Total Pension Liability	0.58073%	0.57160%	0.57040%	0.45956%	0.45116%	0.45657%	0.45159%
Office's Proportionate Share of the Commonwealth's Total Pension	\$ 115,336,072	\$ 118,716,497	\$ 126,359,436	\$ 124,927,057	\$ 126,640,984	\$ 113,460,378	\$ 110,591,530
**Office's covered-employee payroll	-	-	-	-	-	-	-
**Office's proportionate share of the Commonwealth's total pension liability as a percentage of the Office's covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Notes:

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

*Currently there are no active participants in this plan. Benefits are not determined based on payroll.

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

See accompanying notes to required supplementary information and independent auditors' report.

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Required Supplementary Information (Unaudited)

**Schedule of the Office's Proportionate Share of Total Pension Liability and Related Ratios
June 30, 2025**

	2025*	2024*	2023*	2022*	2021*	2020*
Office's Proportion of the Commonwealth's total OPEB Liability	0.2352%	0.23480%	0.23820%	0.24462%	0.22999%	0.22763%
Office's Proportion of the Commonwealth's total OPEB Liability	\$ 1,401,001	\$ 1,518,112	\$ 1,656,848	\$ 1,952,394	\$ 2,011,530	\$ 1,894,419

Notes:

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

*Currently there are no active participants in this plan. Benefits are not determined based on payroll.

*Fiscal year 2020 was the first year that the new requirements of GASB Statement No.75 were implemented by the Office. This schedule is required to illustrate 10 years of information. However, until the 10-year period has been completed, information is presented only for the years for which the required supplementary information is available.

See accompanying notes to required supplementary information and independent auditors' report.

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Required Supplementary Information (Unaudited)

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual –
 Non GAAP Budgetary Basis (General Fund)
 June 30, 2025**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual amounts (Budgetary basis)</u>	<u>Variance- favorable (unfavorable)</u>
Revenue:				
Interest income	\$ -	\$ -	\$ 673,541	\$ 673,541
Other income	-	-	2,012	2,012
	<u>-</u>	<u>-</u>	<u>675,553</u>	<u>675,553</u>
Expenditures:				
Salaries and payroll-related expenditures	39,570,862	47,226,310	43,037,756	4,188,554
Facilities and payments of public services	880,000	880,000	708,222	171,778
Purchased services	3,654,800	3,654,800	3,397,520	257,280
Transportation expenditures	1,703,500	1,703,500	1,191,454	512,046
Professional services	1,213,000	1,504,000	846,521	657,479
Other expenditures	354,000	354,000	334,430	19,570
Materials and supplies	518,300	452,300	279,153	173,147
Capital outlays	593,000	368,000	39,971	328,029
Announcements and media communications required by law	27,400	27,400	16,170	11,230
	<u>48,514,862</u>	<u>56,170,310</u>	<u>49,851,197</u>	<u>6,319,113</u>
Other financing sources - transfers in:				
Commonwealth appropriations	48,514,862	56,170,310	56,170,310	-
Excess of revenue and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,994,666</u>	<u>\$ 6,994,666</u>

**Commonwealth of Puerto Rico Office of the Comptroller
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**Notes to Required Supplementary Information (Unaudited)
June 30, 2025**

See accompanying notes to required supplementary information and independent auditors' report.

(1) Changes of benefit terms and assumptions:

On August 23, 2017, the Governor of the Commonwealth signed into law the Act to Guarantee the Payment to Our Pensioners and Establish New Plan Defined Contributions for Public Servants (Act No. 106-2017). Act No 106-2017 established the pay as you go mechanism effective July 1, 2017 for all the Commonwealth's pension plans. Accordingly, no assets are accumulated in a qualifying trust.

(2) Changes in assumptions:

In the revised June 30, 2024 actuarial valuation, there was an increase relating to the discount rate from 3.65% in 2023 to 3.93% in 2024.

In the revised June 30, 2023 actuarial valuation, there was an increase relating to the discount rate from 3.54% in 2022 to 3.65% in 2023.

In the revised June 30, 2022 actuarial valuation, there was an increase relating to the discount rate from 2.16% in 2021 to 3.54% in 2022.

In the revised June 30, 2021 actuarial valuation, there was a decrease relating to the discount rate from 2.21% in 2020 to 2.16% in 2021.

In the revised June 30, 2020 actuarial valuation, there was a decrease relating to the discount rate from 3.50% in 2019 to 2.21% in 2020.

In the revised June 30, 2019 actuarial valuation, there was a decrease relating to the discount rate from 3.87% in 2018 to 3.50% in 2019.

(3) Budgetary Control:

The Office of the Comptroller's (the Office) budgetary system is its primary control over expenditures. The Office conducts the following procedures in order to establish the budgetary information:

- The Office prepares its annual budget and submits it to the Legislature of the Commonwealth of Puerto Rico for its approval.
- The budget is approved on the basis of a global assignment.
- The budget is prepared using the modified accrual basis of accounting, except for encumbrances, as explained below.

The budgeted revenue presented in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Non-GAAP Budgetary Basis, consisted of a Legislative Appropriation, for the year ended June 30, 2025 for operational appropriations of \$56,170,310.

The primary difference between the budgetary basis and the modified accrual basis under U.S. generally accepted accounting principles (GAAP basis) is the encumbrances that are presented as expenditures under the budgetary basis.

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**Notes to Required Supplementary Information
June 30, 2025**

The reconciliation of the expenditures between the budgetary basis and the GAAP basis is as follows:

Change in Fund Balance according to the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Non-GAAP Budgetary Basis – General Fund	\$ 6,994,666
Plus current year encumbrances not recorded as expenditures under the modified-accrual basis	79,525
Less expenditures recorded against unencumbered appropriations carried forward from prior year	(1,717,860)
Less prior year encumbrances recorded as expenditures under the modified accrual basis	<u>-</u>
Change in Fund Balance according to the Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund	<u>\$ 5,356,331</u>

It is the Office's policy that all unencumbered funds at the end of the fiscal year be carried forward to future periods as permitted by Act No. 230 of July 23, 1974. These unencumbered funds are allowed to be partially or totally encumbered for nonrecurrent expenditures.



**Report of Independent Certified Public Accountants
On Internal Control Over Financial Reporting and
On Compliance and Other Matters Required
By Government Auditing Standards**

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**To the Comptroller of Puerto Rico
Office of the Comptroller:**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities and general fund of the **Office of the Comptroller** as an agency of the Commonwealth of Puerto Rico (Commonwealth) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the **Office of the Comptroller's** basic financial statements, and have issued our report thereon dated April 7, 2026.

Report on internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the **Office of the Comptroller's** internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the **Office of the Comptroller's** internal control. Accordingly, we do not express an opinion on the effectiveness of the **Office of the Comptroller'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 **Office of the Comptroller's** financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on compliance and other matters

As part of obtaining reasonable assurance about whether the **Office of the Comptroller'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 **Office of the Comptroller'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 **Office of the Comptroller's** internal control and compliance. Accordingly, this report is not suitable for any other purpose.

San Juan, Puerto Rico,
April 7, 2026.

Grant Thornton Puerto Rico LLP



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Commonwealth of Puerto Rico Office of the
Comptroller