PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

Basic Financial Statements
June 30, 2022

(With Independent Auditors' Report)

PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

Basic Financial Statements and Required Supplementary Information
Year Ended June 30, 2022

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INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of the
Puerto Rico Fiscal Agency and Financial Advisory Authority

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Puerto Rico Fiscal Agency and Financial Advisory Authority, a Component Unit of the Commonwealth of Puerto Rico, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Puerto Rico Fiscal Agency and Financial Advisory Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Puerto Rico Fiscal Agency and Financial Advisory Authority, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Puerto Rico Fiscal Agency and Financial Advisory Authority, 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

Financial Dependency

As referred to in Note 3 to the basic financial statements, the Puerto Rico Fiscal Agency and Financial Advisory Authority's main source of revenue consists of legislative appropriations from the Commonwealth of Puerto Rico. As a result, the Puerto Rico Fiscal Agency and Financial Advisory Authority's operations are dependent on the Commonwealth of Puerto Rico's ability to continue providing funding to the Puerto Rico Fiscal Agency and Financial Advisory Authority through legislative appropriations which are approved by the Financial Oversight and Management Board.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Puerto Rico Fiscal Agency and Financial Advisory Authority'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.

Auditors' 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 auditors' 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 GAAS 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Puerto Rico Fiscal Agency and Financial Advisory Authority'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 Puerto Rico Fiscal Agency and Financial Advisory Authority'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, the Schedule of Proportionate Share of The Collective Total Pension Liability and Related Ratios and Notes to Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

San Juan, Puerto Rico
June 27, 2023.

RSM Puerto Rico

Stamp No. E536067 was affixed
to the original of this report.

This management's discussion and analysis section (MD&A) provides a narrative overview and analysis of the financial activities of the Puerto Rico Fiscal Agency and Financial Advisory Authority (the Authority) as of and for the year ended June 30, 2022. This MD&A is intended to serve as an introduction to the Authority's basic financial statements. The MD&A is designed to (a) assist the reader in focusing on significant matters, (b) provide an overview of the Authority's financial activities as well as fiduciary activities, and (c) identify changes in the Authority's financial position and identify individual issues or concerns. The following presentation is by necessity highly summarized, and in order to gain a thorough understanding of the Authority's financial condition, the basic financial statements, including the notes thereto, and required supplementary information should be reviewed in their entirety.

FINANCIAL HIGHLIGHTS

- The Authority's Total Assets were approximately $140.4 million as of June 30, 2022, an increase of approximately $31.7 million or 29% when compared to prior year.

- The Authority's Deferred Outflows of Resources was $117 thousand as of June 30, 2022, an increase by the same amount or 100% as compared to prior year.

- The Authority's Total Liabilities were approximately $42.4 million as of June 30, 2022, an increase of approximately $6.7 million or 19% when compared to prior year.

- The Authority's Deferred Inflows of Resources was $4 thousand as of June 30, 2022, an increase by the same amount or 100% as compared to prior year.

- The Authority's Net Position was approximately $98.1 million as of June 30, 2022, an increase of approximately $25.1 million or 34% as compared to prior year.

- The Commonwealth of Puerto Rico's (the Commonwealth) appropriations made to the Authority amounted to approximately $93.9 million for the year ended June 30, 2022, an increase of approximately $26.2 million or 39% as compared to prior year.

- The Authority received federal grants of approximately $10.6 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis is required supplementary information to the basic financial statements and is intended to serve as an introduction to the Authority's basic financial statements for the fiscal year ended June 30, 2022. The Authority's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements.

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Government-Wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad view of the Authority's operations in a manner similar to a private-sector business. The statements provide both short and long-term information about the Authority's financial position, which assists in assessing the Authority's economic condition at the end of the fiscal year. These are prepared using the economic resources measurement focus and the full accrual basis of accounting. This means they follow methods that are similar to those used by most private businesses. They take into account all revenue and expenses connected with the fiscal year even if cash involved has not been received or paid.

The government-wide financial statements include two statements:

- ***Statement of Net Position*** – This statement provides information on the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the assets plus deferred outflows of resources less liabilities and deferred inflows of resources reported as the overall net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

- ***Statement of Activities*** – This statement presents information on how the Authority's net position changed during the reporting period. All changes in net position are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for certain items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found immediately following this MD&A.

Governmental Fund Financial Statements

Financial statements prepared at the fund level provide additional details about the Authority's financial position and activities. 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 Authority uses fund accounting to help ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the Authority's operations in more detail than the government-wide financial statements. Information presented in the fund financial statements differs from the information presented in the government-wide financial statements because the perspective and basis of accounting used to prepare the fund financial statements differ from the perspective and basis of accounting used to prepare the government-wide financial statements.

Governmental Funds – Most of the basic services provided by the Authority are financed through 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 that use the full accrual basis of accounting, the governmental funds financial statements use a modified accrual basis of accounting (also known as the current financial resources measurement focus), which focuses on near-term inflows and outflows of expendable resources. This information may be useful in evaluating the government's near-term financing requirements. These statements provide a detailed short-term view of the Authority's finances and assist in determining whether there will be adequate financial resources available to meet the current needs of the Authority. Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for the Governmental Activities in the government-wide financial statements. By comparing the two, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the Authority in a trustee capacity, or as an agent for individuals, private organizations, and other governmental units. The following are the Authority's fiduciary funds:

Early Retirement Obligation Trust (ERO) - The Authority is the trustee, for the benefit of former employees of the Government Development Bank (GDB) receiving payments under the Early Retirement Programs (ERP) to satisfy all its obligations under such programs. The fiduciary activities of the Authority are reported in a separate statement of fiduciary net position and of changes in fiduciary net position. The Authority excludes these activities from its government-wide financial statements because the Authority cannot use these assets to finance its operations. The Authority is responsible for ensuring that the assets reported in this fund is used for their intended purpose.

Improvements to Educational Institutions - This is custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. During fiscal year 2021, the Authority received approximately $277 million which were approved by the Coronavirus Relief Fund Disbursement Oversight Committee (created by the Governor of Puerto Rico with Executive Order EO-202-00040), and assigned by the Puerto Rico Office of Management and Budget in funds from Coronavirus State Fiscal Rescue Fund (CSFRF) which account for funds received from the American Rescue Plan Act of 2021 signed by President Joseph R. Biden on March 11, 2021 (the American Rescue Plan). The funds assigned to the Authority are held in custody capacity because the funds are going to be used by the Puerto Rico Infrastructure Financing Authority (PRIFA) for the purpose of conducting the improvements to Educational Institutions affected by seismic activity and Hurricanes Irma and Maria. The Authority excludes these activities from the Authority's government-wide financial statements because the Authority cannot use these assets to finance its operations. The Authority is responsible for ensuring that the assets reported in this fund to be used for their intended purpose.

Notes to Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements and the fund financial statements. The notes to the basic financial statements can be found immediately following the Statement of Changes in Fiduciary Net Position - ERO Trust Fund.

FIINANCIAL ANALYSIS

The following is an analysis of the financial position and changes in the financial position of the Authority's Governmental Activities for fiscal year 2022.

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Condensed financial information from the statements of net position as of June 30, 2022 and 2021, is as follows (in thousands):

	June 30,		Change	
	2022	2021	Amount	Percent
ASSETS:				
Cash	$ 137,935	$ 107,233	$ 30,702	29%
Accounts receivable	29	178	(149)	-84%
Due from Governmental Entities, net of allowance	1,227	297	930	313%
Prepaid expenses	10	234	(224)	-96%
Capital assets, net	603	786	(183)	-23%
Right-to-use leased assets, net	588	-	588	100%
Total assets	140,392	108,728	31,664	29%
DEFERRED OUTFLOWS OF RESOURCES	117	-	117	100%
LIABILITIES:				
Liabilities payable within one year	40,490	34,155	6,335	19%
Liabilities payable after one year	1,902	1,552	350	23%
Total liabilities	42,392	35,707	6,685	19%
DEFERRED INFLOWS OF RESOURCES	4	-	4	100%
NET POSITION	$ 98,113	$ 73,021	$ 25,092	34%

Net position may serve over time as a useful indicator of a government's financial position. Total assets, deferred outflows of resources, total liabilities and deferred inflows of resources of the Authority as of June 30, 2022, amounted to approximately $140.4 million, $117 thousand, $42.4 million and $4 thousand, respectively, for a net position of approximately $98.1 million.

Total assets increased by approximately $31.7 million, from approximately $108.7 million in fiscal year 2021 to approximately $140.4 million in fiscal year 2022. The increase in total assets is due principally to an increase in cash amounting to approximately $30.7 million which was mainly related to the results of operations and an increase in due from governmental entities of approximately $1 million.

The total assets were composed by approximately $137.9 million of cash, $29 thousand of accounts receivable, $1.2 million of due from governmental entities, $10 thousand of prepaid expenses, $603 thousand of capital assets and $588 thousand of right-to-use leased assets.

Total liabilities increased by approximately $6.7 million, from approximately $35.7 million in fiscal year 2021 to approximately $42.4 million in fiscal year 2022. The increase in total liabilities mainly resulted from an increase in unearned revenues from federal grants amounting to approximately $5.3 million and an increase in due to Commonwealth of Puerto Rico of approximately $1.5 million.

The total liabilities were composed of approximately $31.7 million of accounts payable and accrued liabilities, $1.5 million of due to Commonwealth of Puerto Rico, $6.7 million of unearned revenues, $652 thousand of lease payable, $1 million of compensated absences, $764 thousand of termination benefits and $105 thousand of total pension liability.

Statements of Activities and Results of Operations

Condensed financial information of the statements of activities for the years ended June 30, 2022 and 2021, is shown below (in thousands):

	June 30,		Change	
	2022	**2021**	**Amount**	**Percentage**
REVENUES				
Program Revenues				
Charges for Services	$ 4,126	$ 2,922	$ 1,204	41%
Operating Grants and Contributions	104,587	75,389	29,198	39%
Other	70	172	(102)	-59%
Total Revenues	$ 108,783	$ 78,483	$ 30,300	39%
EXPENSES				
Economic Development	(83,691)	(85,963)	2,272	-3%
CHANGE IN NET POSITION	25,092	(7,480)	32,572	-435%
NET POSITION-BEGINNING	73,021	80,501	(7,480)	-9%
NET POSITION-ENDING	$ 98,113	$ 73,021	$ 25,092	34%

The change in net position increased by approximately $32.6 million, from approximately negative $7.5 million in fiscal year 2021 to approximately $25.1 million in fiscal year 2022. The net increase in change in net position was mainly due to: (1) an increase in the Commonwealth's appropriations of approximately $26.2 million, (2) an increase in federal grants of approximately $3 million, related to federal funds awarded received from the CARES Act, Coronavirus Relief Fund and the ARP Coronavirus State and Local Fiscal Recovery Funds, to continue with the implementation of the initiatives included in the Strategic Disbursement Plan and to cover administrative expenses related to the technical assistance and oversight of federal funds received by the Government of Puerto Rico, (3) an increase in charges for services and other revenues of approximately $1.2 million, (4) a decrease in contribution to Commonwealth of approximately $16.5 million, (5) increases in contribution to nongovernmental entity of approximately $1 million, salaries and fringe benefits of approximately $1.6 million and office and administrative expense of approximately $980 thousand, respectively, (6) a decrease in occupancy and equipment costs of approximately $583 thousand, and (7) an increase in legal and professional fees of approximately $10.9 million.

The Authority's most significant revenues correspond to contributions from Commonwealth. Contributions from Commonwealth increased by approximately $26.2 million, from approximately $67.7 million in fiscal year 2021 to approximately $93.9 million in fiscal year 2022.

CURRENTLY KNOWN FACTS AND EVENTS

The following is a summary description of currently known facts, decisions, and conditions that have had, or are expected to have, an impact on the Authority's financial position and results of operations.

Authority's Budget

The Financial Oversight and Management Board approved for the Authority a budget amounting to approximately $51.7 million for the fiscal year ending on June 30, 2023, for its operations.

Hurricane Fiona

On September 17, 2022, Puerto Rico was directly impacted by Hurricane Fiona, leaving in its path the destruction of homes, knocking out power across the entire island and flooding many streets and roads. The Governor of Puerto Rico submitted to the Government of the United States a request of a declaration of major disaster and the activation of funds from the Public Assistance program of FEMA. On September 21, 2022, President Joseph R. Biden, Jr. approved Puerto Rico's governor Pedro Pierluisi's request for an expedited major disaster declaration.

Federal Funds - American Rescue Plan Act (ARP)

During fiscal year 2023, the Puerto Rico Office of Management and Budget (OMB) assigned to the Authority approximately $32.5 million to cover: (1) administrative expenses related to the technical assistance and oversight of American Rescue Plan Act funds received by Commonwealth of Puerto Rico, and (2) administrative and support services for the Project Management Program created to assist agencies and other governmental entities in planning key initiatives and the execution of key projects and payroll expense reimbursement.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances. This financial report seeks to demonstrate the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Executive Director, Puerto Rico Fiscal Agency and Financial Advisory Authority, P.O. Box 42001, San Juan, Puerto Rico, 00940-2001.

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PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF NET POSITION
June 30, 2022

ASSETS	
Cash	$ 129,149,080
Accounts receivable	29,465
Due from Governmental Entities, net of allowance	1,226,680
Cash - Restricted	8,785,910
Prepaid expenses	10,108
Capital assets, net	602,677
Right-to-use leased assets, net	587,559
Total assets	140,391,479
DEFERRED OUTFLOWS OF RESOURCES-Pension related	116,743
LIABILITIES	
Accounts payable and accrued liabilities	31,715,329
Due to Commonwealth of Puerto Rico	1,457,613
Unearned revenues	6,663,673
Liabilities payable within one year	
Lease payable	151,847
Compensated absences	297,745
Termination benefits	203,528
Liabilities payable after one year	
Lease payable	499,691
Compensated absences	735,564
Termination benefits	560,722
Total pension liability	104,782
Total liabilities	42,390,494
DEFERRED INFLOWS OF RESOURCES	
Pension related	4,360
Total deferred inflows of resources	4,360
NET POSITION	
Net investment in capital assets	602,677
Unrestricted	97,510,691
Total net position	$ 98,113,368

The accompanying notes are an integral part of this basic financial statement.

PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF ACTIVITIES
For the year ended on June 30, 2022

Functions/Programs	Expenses	Charges for services	Program revenues contributions	Net revenues (expenses) and changes in net position
GOVERNMENTAL ACTIVITIES				
Economic Development	$ 83,653,494	$ 4,126,032	$ 104,586,969	$ 25,059,507
Interest expense	37,139	-	-	(37,139)
Total governmental activities	$ 83,690,633	$ 4,126,032	$ 104,586,969	25,022,368
GENERAL REVENUES				
Interest income				66,171
Other income				3,534
Total general revenues				69,705
CHANGE IN NET POSITION				25,092,073
NET POSITION – Beginning of year				73,021,295
NET POSITION – End of year				$ 98,113,368

The accompanying notes are an integral part of this basic financial statement.

PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

BALANCE SHEET – GOVERNMENTAL FUND
June 30, 2022

	General Fund
ASSETS	
Cash	$ 129,149,080
Accounts receivable	29,465
Due from Governmental Entities, net of allowance	1,226,680
Cash - Restricted	8,785,910
Total assets	$ 139,191,135
LIABILITIES	
Accounts payable and accrued liabilities	$ 31,715,329
Due to Commonwealth of Puerto Rico	1,457,613
Unearned revenues	6,663,673
Total liabilities	39,836,615
FUND BALANCE	
Unassigned	99,354,520
Total fund balance	99,354,520
Total liabilities and fund balance	$ 139,191,135

The accompanying notes are an integral part of this basic financial statement.

PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
June 30, 2022

Fund balance of governmental fund		$ 99,354,520
Amounts reported for governmental activities in the statement of net position are different than the amounts reported in the governmental fund because:		
Deferred outflows of resources pension related reported in govermental activities but not in the govermental fund.		116,743
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund		602,677
Right-to-use leased assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund		
Right-to-use assets at historical cost	$ 705,071	
Less: accumulated amortization	(117,512)	587,559
Prepaid expenses that are not reported in governmental fund and are reported in the statement of net position		10,108
Compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental fund		(1,033,309)
Long-term lease liability is not due and payable in the current period, and therefore, is not reported in the governmental fund		(651,538)
Termination benefits are not due and payable in the current period and, therefore, are not reported in the governmental fund		(764,250)
Deferred inflows of resources pension related reported in govermental activities but not in the govermental fund.		(4,360)
Net pension liability not due and payable in the current period and therefore, is not reported in the governmental fund.		(104,782)
Net position of governmental activities		$ 98,113,368

The accompanying notes are an integral part of this basic financial statement.

PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
For the year ended June 30, 2022

REVENUES	
Contributions from Commonwealth of Puerto Rico	$ 93,930,624
Federal grants	10,656,345
Fiscal agency and administrative fees	4,126,032
Interest income	66,171
Other income	3,534
Total revenues	108,782,706
EXPENDITURES	
Economic development	83,203,036
Debt service	
Principal	53,533
Interest	37,139
Capital outlays	894,116
Total expenditures	84,187,824
Excess of revenues over expenditures	24,594,882
OTHER FINANCING SOURCES	
Proceeds of long term debt - Lease related	705,071
NET CHANGE IN FUND BALANCE	25,299,953
FUND BALANCE – Beginning of year	74,054,567
FUND BALANCE – End of year	$ 99,354,520

The accompanying notes are an integral part of this basic financial statement.

PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

RECONCILIATION OF THE STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2022

Net change in fund balance – Governmental fund		$ 25,299,953
Amount reported for governmental activities in the statement of activities are different because:		
Some expenses not reported in the statement of activities require the use of current financial resources and, therefore, are reported as expenditures in governmental fund		263,689
Governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:		
Capital outlays	$ 894,116	
Less: depreciation expense	(490,105)	404,011
Generally, prepaid expenses are recorded as expenditures in the governmental fund when paid rather than capitalized as an asset. However, this asset is amortized in the statement of net position		(224,042)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt consumes the current financial resources of governmental funds. Neither transactions has any effect on net position. This amount is the net effect of these difference in the treatment of long-term debt and related items.		
Lease liability issued	$ (705,071)	
Principal payments on lease liability	53,533	(651,538)
Change in net position of governmental activities		$ 25,092,073

The accompanying notes are an integral part of this basic financial statement.

PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
June 30, 2022

	ERO Trust Fund	Improvements to Educational Institutions
ASSETS		
Cash	$ 737,918	$ 156,251,267
Accrued interest and dividends	632	-
Investments at fair value	9,940,513	-
Total assets	$ 10,679,063	$ 156,251,267
LIABILITIES		
Liabilities payable within one year		
Accounts payable	$ 5,225	$ 156,251,267
Termination benefits	1,038,155	-
Liabilities payable after one year		
Termination benefits	3,144,259	-
Total liabilities	4,187,639	156,251,267
NET POSITION	$ 6,491,424	$ -

The accompanying notes are an integral part of this basic financial statement.

PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – ERO TRUST FUND
For the year ended June 30, 2022

ADDITIONS	
Investment income:	
Interest and dividends	$ 92,792
Net investment income	92,792
Other	1,132,195
Total additions	1,224,987
DEDUCTIONS	
Net change in fair value of investments	658,387
Trust fees	21,398
Total deductions	679,785
Net increase in net position	545,202
NET POSITION – Beginning of year	5,946,222
NET POSITION – End of year	$ 6,491,424

The accompanying notes are an integral part of this basic financial statement.

1. REPORTING ENTITY

Puerto Rico Fiscal Agency and Financial Advisory Authority (the Authority) is a component unit of the Commonwealth of Puerto Rico (the Commonwealth). The Authority was originally created by Act No. 21 of April 6, 2016, which was superseded by Act No. 2 of January 19, 2017. The Authority began operations on July 18, 2016. The Authority's responsibilities include, among other things: (i) overseeing compliance with the certified budget and fiscal plan approved by the Oversight Board pursuant to Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA); (ii) revising matters including, but not limited to, agreements, transactions, and regulations of the agencies and instrumentalities of the Government of Puerto Rico (the Government); (iii) entering into agreements with creditors and/or renegotiating or restructuring the public debt, in whole or in part, or any other debt issued by any Government body including, but not limited to, agencies, boards, commissions, instrumentalities, public corporations or applicable political subdivisions.

The Early Retirement Obligation Trust (ERO)

The ERO was created by Act No. 109 of August 24, 2017, as amended, best known as Government Development Bank (GDB) Restructuring Act and the execution of the GDB Qualifying Modification on November 29, 2018, but was not until August 6, 2019, that the deed for the constitution of the ERO was created. The Trust Deed named the Authority as the Trustee of the ERO.

The GDB Restructuring Act authorized GDB to establish an irrevocable trust for the benefit of former employees of GDB receiving payments under the Early Retirement Programs (ERP) to satisfy all its obligations under such programs.

During fiscal year 2020, the Authority entered into a contract with a financial institution to delegate various of its trustee responsibilities in the ERO to a third party. As of June 30, 2022, the ERO had total assets of approximately $10.7 million and is making payments to around 184 active participants for aggregated monthly payments of approximately $109,000 to former employees of GDB as the major portion of the employees have already transitioned to the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (the ERS). Termination of the trust is expected by year 2030 when the last participant will become part of the ERS.

Improvements to Educational Institutions

During fiscal year 2021, the Authority entered into a Memorandum of Understanding with the Puerto Rico Infrastructure Financing Authority (PRIFA) in which the Authority will received in custody capacity state and federal grants for the improvements to educational institutions which are going to be made by PRIFA in subsequent years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Authority are presented in conformity with U.S. Generally Accepted Accounting Principles (U.S. GAAP) for governments as prescribed by the Governmental Accounting Standard Board (GASB).

The accompanying basic financial statements present the financial position and the results of operations of the Authority as a whole.

Following is a description of the Authority's most significant accounting policies:

Government-Wide Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information of all the activities of the Authority. Governmental activities are financed mainly through contributions from the Commonwealth. The statement of net position presents the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual measure reported as net position. Net position is reported in three categories:

- *Net investment in capital assets* consists of capital assets net of accumulated depreciation and amortization and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are directly attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

- *Restricted component of the net position* consists of restricted assets and deferred outflows of resources reduced by related liabilities and deferred inflows of resources. Restricted net assets result when constraints are placed on the use of net assets, either, externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted component of net position* consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of the two preceding categories.

When both, restricted and unrestricted components of net position are available for use, generally, it is the Authority's policy to use restricted components of net position first, then the unrestricted components of net position as they are needed and available.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include: (1) contributions received from the Federal government and from the Commonwealth and charges for services made to other governmental entities, and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function. Other items not meeting the definition of program revenues are presented as general revenues.

Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

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

Governmental Funds

Governmental funds focus on the sources and uses of funds and provide information on near term inflows, outflows, and balances of available resources. The Authority reports the following governmental fund:

General Fund – The General Fund is the primary operating fund of the Authority. It is used to account for and report all financial resources including federal funds received and used for those services traditionally provided by a government, except those required to be accounted for and reported in another fund. The General Fund includes transactions for services such as economic development.

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* the classification of fund balance is based on the extent to which the Authority is bound to observe constraints imposed upon the use of resources in the governmental funds. The classifications are as follows:

- *Nonspendable* – amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

- *Restricted* – amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for a specific purpose.

- *Committed* – amounts that can be spent only for specific purposes determined by a formal action of the governments' highest level of decision-making authority.

- *Assigned* – intent to spend resources on specific purposes expressed by the governing body.

- *Unassigned* – amounts that do not fall into any other category above. Negative unassigned amounts are reported, if any, and represent expenditures for specific purposes exceeding the aggregate amounts of the restricted, committed, or assigned classification.

The Authority has only an unassigned fund balance.

The Authority does not have a formal minimum fund balance policy.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Authority in a trustee capacity, or as an agent for individuals, private organizations, and other governmental units. The following are the Authority's fiduciary funds:

Early Retirement Obligation Trust (ERO) - The Authority is the trustee, for the benefit of former employees of GDB receiving payments under the Early Retirement Programs (ERP) to satisfy all its obligations under such programs. The fiduciary activities of the Authority are reported in a separate statement of fiduciary net position and of changes in fiduciary net position. The Authority excludes these activities from the Authority's government-wide financial statements because the Authority cannot use these assets to finance its operations. The Authority is responsible for ensuring that the assets reported in this fund is used for their intended purpose.

Improvements to Educational Institutions - This is custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. During fiscal year 2021, the Authority received approximately $277 million, which were approved by the Coronavirus Relief Fund Disbursement Oversight Committee (created by the Governor of Puerto Rico with Executive Order EO-202-00040) and assigned by the Puerto Rico Office of Management and Budget in funds from Coronavirus State Fiscal Rescue Fund (CSFRF), which account for funds received from the American Rescue Plan Act of 2021 signed by President Joseph R. Biden on March 11, 2021 (the American Rescue Plan). The funds are pass through grants assigned to the Authority, in which the Authority does not have administrative involvement. Funds received by the Authority are held in custody capacity because the funds are going to be used by Puerto Rico Infrastructure Financing Authority (PRIFA) for the purpose of conducting the improvements to Educational Institutions affected by seismic activity and Hurricanes Irma and Maria. The Authority excludes these activities from the Authority's government-wide financial statements because the Authority cannot use these assets to finance its operations.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. Other revenues are measurable and available only when cash is received. Federal Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Expenditures are generally recorded when a liability is incurred, as under accrual basis of accounting. However, compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Right-to-use leased assets are reported as other financing sources.

A summary reconciliation of the difference between total fund balances as reflected in the governmental funds balance sheet and net position of governmental activities as shown on the government-wide statement of net position is presented in the reconciliation of the balance sheet of governmental fund to the statement of net position.

A summary reconciliation of the difference between net change in fund balance as reflected in the governmental funds statement of revenues, expenditures, and change in fund balance and change in net position in the statement of activities of the government-wide financial statements, is presented in the reconciliation of statement of revenues, expenditures, and change in fund balance of governmental fund to the statement of activities.

Fiduciary Funds Financial Statements

Fiduciary funds are used to account for assets held by the Authority in a trustee capacity, or as an agent for individuals, private organizations, and other governmental units. The fiduciary funds financial statements are reported using the accrual basis of accounting. The Authority's fiduciary funds are: (1) the Early Retirement Obligation Trust Fund, and (2) the Improvements to Educational Institutions Fund.

Restricted Cash

Restricted cash is related to federal funds received by the Authority to cover administrative expenses related to the technical assistance and oversight of CARES Act and the American Rescue Plan Act funds, respectively, assigned to the Government of Puerto Rico.

Investments

Governmental Accounting Standard Board (GASB) Statement No. 72, *Fair Value Measurement and Application* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 Investments whose values are based on quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 Investments with inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 Investments have unobservable inputs for an asset or liability and may require a degree of professional judgment.

Realized gains and losses from the sale of investments and unrealized changes in fair values are recorded as investment income.

Fiduciary Funds - Investments mainly include U.S. government and agencies' obligations. Investments are carried at fair value. Fair value is determined based on quoted market prices and quotations received from independent broker/dealers or pricing service organization.

Accounts Receivable/ Due from Governmental Entities

Accounts receivable/Due from governmental entities are stated net of estimated allowance for uncollectible accounts. The allowance is based on the evaluation of the risk characteristics of the receivable, including past collection experience and current economic conditions. Write-offs are recorded against the allowance when management believes that collectability is unlikely. Recoveries of amounts previously charged off are credited to the allowance. Because of uncertainties inherent in the estimation process, management's estimate may change in the future.

Prepaid Expenses

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

Capital Assets

Capital assets are stated at cost less accumulated depreciation. Capital assets are defined by the Authority as assets that have a cost of $500 or more at the date of acquisition and have an expected useful life of three or more years. Contributed assets are recorded at estimated fair value at the time received. Depreciation is charged to operations and included within expenses and is computed on the straight-line basis over the estimated useful lives of the depreciable assets. In governmental funds financial statements, capital assets are recorded as expenditures, and no depreciation is recognized. Costs of maintenance and repairs which do not improve or extend the lives of the respective assets are charged to expense as incurred. Estimated useful lives are as follows:

Capital assets	Years
Information systems	3-5 years
Furniture and equipment	5 years
Vehicles	5 years

The Authority follows the provisions of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, an amendment to GASB Statement No.34. This statement establishes guidance for accounting and reporting for the impairment of capital assets and for insurance recoveries. In accordance with these provisions, governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage, among others. The Authority evaluated its capital assets as required by GASB Statement No. 42 and no impairment was identified during the fiscal year ended June 30, 2022.

Leases

The Authority assesses whether a contract is or contains a lease, at inception of the contract. The Authority recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee. Lease liabilities include the net present value of fixed payments. The lease payments are discounted using the interest implicit rate in the lease which is 5.60%.

Lease payments are allocated between principal and interest or finance cost. The interest or finance cost is charged to statement of activities over the lease period. Right-of-use assets are measured at cost and are comprised of the following: 1) the amount of the initial measurement of lease liability; 2) any lease payments made at or before the commencement date less any lease incentives received; 3) any initial direct costs; and 4) restoration costs.

Right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The depreciation starts at the commencement date of the lease. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

Deferred Outflows/Inflows of Resources

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

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

Compensated Absences

The vacation policy of the Authority provides for the accumulation of 1.25 days per month up to an annual amount of 15 days. Vacation time accumulated is fully vested by the employees from the first day of work up to a maximum of 60 days. Employees generally accumulate sick leave at a rate of 1.5 days per month up to an annual maximum of 18 days and a maximum accumulation of 90 days.

Accrued vacation leave, up to 60 days, is paid upon employment termination. In order to be eligible to receive compensation, an employee must have been employed for at least three months.

Accumulated unpaid sick days are no longer liquidated upon employment termination as a result no accrual is necessary at year end.

Termination Benefits

The Authority accounts for termination benefits in accordance with GASB Statement No. 47, *Accounting for Termination Benefits*. Pursuant to the provisions of GASB Statement No. 47, in 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 government 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, liabilities and expenditures for termination benefits should be recognized to the extent the liabilities are normally expected to be liquidated with expendable available financial resources.

Unearned Revenues

Unearned revenues represent resources received by the Authority before related services are rendered.

Accounting for Pensions Cost

As further disclosed in Note 11, effective July 1, 2017, a new “pay-as-you-go” (PayGo) system was enacted into law by Act No. 106 of 2017 (Act 106-2017), significantly reforming the defined benefit plan (the Plan) of the Employees’ Retirement System of the Government of the Commonwealth of Puerto Rico (ERS). Under the PayGo system, employers’ contributions and other contributions ordered by special laws were all eliminated and substantially all the assets of the Plan were liquidated, and its proceeds transferred to the Commonwealth’s General Fund for payment of pension benefits; therefore, since the enactment of Act 106-2017, the Commonwealth’s General Fund makes direct payments to the pensioners and is then reimbursed for those payments by the participating employers.

Upon the implementation of the PayGo system, the Authority started, during fiscal year 2022, applying the guidance 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, an amendment of Certain Provisions of GASB Statements No. 67 and 68* (GASB Statement No. 73). Statement No. 73 maintains the "accrual basis" model under Statement No. 68, where the Total Pension Liability is actuarially determined. 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 the Plan and converted it into a PayGo system, the corresponding actuarial calculation of the Total Pension Liability and related accounts became one based on benefit payments rather than contributions. As a result, the Authority recognizes a Total Pension Liability, pension expenses and related accounts. Further details on the accounting for pension costs are disclosed in Note 11.

The Central Government and its component units are considered to be one employer and are classified for financial reporting purposes as a single employer defined benefit pension plan. Other employers also participate in the Plan. Because certain employers that are component units of the Commonwealth, such as the Authority, prepare individual financial statements, a proportionate share of pension related amounts is determined for these employers. Such proportionate share should be consistent with the manner in which amounts that are paid as benefits come due are determined. The proportionate share as of each measurement date is based on the ratio of each agency and component unit's actual benefit payments to the total actual benefit payments paid during the year ending on the measurement date.

ERS elected to use July 1 of each fiscal year as the measurement date for financial information. Based on this election, the June 30, 2021, actuarial measurement data was used for the pension benefits financial reporting recognition as of and for the fiscal year ended June 30, 2022.

The Authority's Total Pension Liability amounted to approximately $104,782. See Note 11 for more information.

Risk Management

To minimize the risk of loss, the Authority purchases insurance coverage for public liability, hazard, automobile, crime, and bonding as well as workmen's compensation insurance for employees. The selection of the insurer has to be approved by the Public Insurance Office of the Department of Treasury of the Commonwealth. Insurance coverage is updated annually to account for changes in operating risk.

Use of Estimates

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

New Accounting Standards Adopted

- **GASB Statement No. 87, *Leases*.** The objective of this Statement is to better meet the informational needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use leased asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Authority adopted GASB Statement No. 87, Leases, as of July 1, 2021. Refer to Notes 8 and 14 to the basic financial statements for further information regarding adoption of GASB Statement No. 87, Leases.

Accounting Pronouncements Issued But Not Yet Effective

The following new accounting standards have been issued but are not yet effective:

- **GASB Statement No. 91, *Conduit Debt Obligations***. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (i) commitments extended by issuers, (ii) arrangements associated with conduit debt obligations, and (iii) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. The requirements of the Statement are effective for reporting periods after December 15, 2021.

- **GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payments Arrangements***. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This Statement requires that PPPs that meet the definition of a lease apply the guidance in Statement No. 87, *Leases,* as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of a service concession arrangement (SCA). This Statement also provides specific guidance in financial statements prepared using the economic resources measurement focus for a government that is an operator in a PPP that either (1) meets the definition of an SCA or (2) is not within the scope of Statement No. 87, as amended (as clarified in this Statement). This Statement also requires a government to account for PPP and non-PPP components of a PPP as separate contracts. This Statement also requires an amendment to a PPP to be considered a PPP modification, unless the operator's right to use the underlying PPP asset decreases, in which case it should be considered a partial or full PPP termination. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

- **GASB Statement No. 96**, ***Subscription-Based Information Technology Arrangements***. The primary objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

- **GASB Statement No. 99, *Omnibus 2022*.** The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023.

- **GASB Statement No. 100, *Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62***. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023. Earlier application is encouraged.

- **GASB Statement No. 101, *Compensated Absences***. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. Earlier application is encouraged.

Management is evaluating the impact that these Statements may have on the Authority's basic financial statements upon adoption.

3. FINANCIAL DEPENDENCY

The Authority's main source of revenue consists of legislative appropriations from the Commonwealth. As a result, the Authority's operations are dependent on the Commonwealth's ability to continue providing funding to the Authority through legislative appropriations which are approved by the Financial Oversight and Management Board.

4. CASH

Custodial credit risk is the risk that, in the event of a financial institution failure, the Authority's deposits may not be returned to it. The Commonwealth requires that public funds deposited in commercial banks in Puerto Rico be fully collateralized for the amount deposited in excess of Federal Depository Insurance.

The table presented below discloses the level of custodial credit risk assumed by the Authority as of June 30, 2022. As of June 30, 2022, none of the Authority's depository balance was uninsured and uncollateralized (in thousands):

Governmental Activities

Cash as of June 30, 2022, consisted of the following (in thousands):

Description	Carrying amount	Bank balance	Amount uninsured and uncollateralized
Unrestricted	$ 129,149	$ 131,538	$ -
Restricted	8,786	9,002	-
	$ 137,935	$ 140,540	$ -

Fiduciary Funds

Cash as of June 30, 2022, consisted of the following (in thousands):

Description	Carrying amount	Bank balance	Amount uninsured and uncollateralized
Cash	$ 156,989	$ 165,373	$ -

5. INVESTMENTS

FIDUCIARY FUNDS

As of June 30, 2022, the fair value of the ERO Trust Funds' investments based on the hierarchy of inputs is as follows (in thousands):

Investment type	Level 1	Level 2	Level 3	Total
U.S. government securities	$ 9,941	$ -	$ -	$ 9,941

The following table summarizes the type and maturities of investments held by the ERO Trust Funds as of June 30, 2022 (in thousands):

	Maturity (in years)			
Investment type	Within one year	After one to five years	After five to ten years	Total
U.S. government securities	$ 1,661	$ 6,152	$ 2,128	$ 9,941

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ERO Trust's investment policies provide that investment transactions could only be entered into with counterparties that are rated BBB+/A-1 or better by Standard & Poor's or its equivalent rating by Moody's Investors Service or Fitch Ratings (Fitch), depending on the type and maturity of the investment and the counterparty to the transaction.

As of June 30, 2022, the credit ratings of the investment securities are Aaa.

6. ACCOUNTS RECEIVABLE

As of June 30, 2022, the Authority's accounts receivable is composed of the following (in thousands):

Description	Amount
Municipalities	$ 23
Accrued interest	6
Total accounts receivable	$ 29

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7. RELATED PARTY TRANSACTIONS

As of June 30, 2022, the Authority's due from governmental entities, net of allowance is composed of the following (in thousands):

Description	Amount
Central Recovery Office of Puerto Rico	$ 968
University of Puerto Rico	52
Puerto Rico Sales Tax Financing Corporation	18
Puerto Rico Public-Private Partnership Authority	11
The Children's Trust	47
Government Development Bank for Puerto Rico	39
Puerto Rico Municipal Finance Agency	54
Governor's Office	35
Puerto Rico Health Department	3
Puerto Rico Office of Management and Budget	7
Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority	4
Puerto Rico Infrastructure Financing Authority	12
Total due from governmental entities	1,250
Less: allowance for uncollectible account	(23)
Due from governmental entities, net of allowance	$ 1,227

Due from governmental entities are mainly related to an intra-agency agreement signed by the Authority with each governmental entity for services rendered by the Authority.

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8. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2022, was as follows (in thousands):

Description	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets:				
Furniture and equipment	$ 800	$ 19	$ -	$ 819
Vehicles	83	77	-	160
Information systems	571	94	-	665
Right-to-use leased office equipment	-	705	-	705
Total capital assets	1,454	895	-	2,349
Less accumulated depreciation and amortization for:				
Furniture and equipment	(381)	(163)	-	(544)
Vehicles	(60)	(31)	-	(91)
Information systems	(227)	(178)	-	(405)
Right-to-use leased office equipment	-	(118)	-	(118)
Total accumulated depreciation and amortization	(668)	(490)	-	(1,158)
Total capital assets - net	$ 786	$ 405	$ -	$ 1,191

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As of June 30, 2022, the Authority's accounts payable and accrued liabilities are composed of the following (in thousands):

Description	Amount
Debt restructuring and Title III bankruptcy cases	$ 19,200
Other services	4,749
Accrued expenses	7,766
	$ 31,715

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10. COMPENSATED ABSENCES

The activity for compensated absences during the year ended June 30, 2022, is as follows (in thousands):

Description	Beginning balance	Provision	Reductions	Ending balance	Due within one year
Accrued vacations	$ 1,091	$ 75	$ (133)	$ 1,033	$ 298

11. RETIREMENT BENEFITS SYSTEMS

Plan Description

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 on 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 enactment of Act No. 106 of August 23, 2017 (Act No. 106-2017), the Plan was administered by the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (the System). Effective July 1, 2017, all employer contributions were eliminated pursuant to Act No. 106-2017 and the Commonwealth implemented a pay-as-you-go (pay Go) system for the payment of pensions. Also, pursuant to Act No. 106-2017, the System was required to liquidate its assets and transfer the net proceeds to the Department of Treasury of the Commonwealth to pay pension benefits.

On January 18, 2022, the Title III Court entered an order confirming the Commonwealth Plan of Adjustment. The Commonwealth Plan of Adjustment preserves all accrued pension benefits for current retirees and employees at ERS, TRS, and JRS. However, upon the Effective Date of the Commonwealth Plan of Adjustment, pension benefits at TRS and JRS were frozen and cost-of-living adjustments eliminated, among other things. For further information on the Commonwealth Plan of Adjustment's impact on pension benefits, refer to the final version of the Commonwealth Plan of Adjustment, Findings of Fact, and Confirmation Order, which are available at https://cases.ra.kroll.com/puertorico/Home-DocketInfo.

Pension Benefits

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

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

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

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

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

Pursuant to a settlement incorporated into the Commonwealth Plan of Adjustment, on the effective date of the Commonwealth Plan of Adjustment (which occurred on March 15, 2022), all participants in the System 2000 Program received a one-time payment in the amount of their contributions (plus accrued interest) as of the Commonwealth's petition date in their defined contribution accounts established under Act No. 106-2017. Upon the payment of these refunds, all claims related to the System 2000 Program were discharged.

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

(a) Service Retirement Eligibility Requirements

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

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

Date of birth	Attained age as of June 30, 2013	Retirement eligibility age
July 1, 1957 or later	55 or less	61
July 1, 1956 to June 30, 1957	56	60
Before 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.

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

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

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

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

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

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

(b) Compulsory Retirement

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

(c) Service Retirement Annuity Benefits

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

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

If the Act No. 447 member had at least 30 years of credited service as of June 30, 2013, the accrued benefit equals 65% of average compensation if the member was under age 55 as of June 30, 2013, or 75% of average compensation if the member was at least age 55 as of June 30, 2013. For participants selecting to coordinate with social security (the Coordination Plan), the benefit is 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 Defined Contribution 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 the 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.

For Act No. 447 Mayors with at least 8 years of credited service as a mayor, the accrued benefit will not be less than 5% of highest compensation, as defined, as a Mayor for each year of credited service as a Mayor up to 10 years, plus 1.5% of highest compensation as Mayor for each year of non-Mayoral credited service up to 20 years, plus 2.0% of highest compensation as Mayor for each year of non-Mayoral credited service in excess of 20 years. Non-Mayoral credited service includes service earned as a Mayor in excess of 10 years. Maximum benefit is 90% of highest compensation as a Mayor.

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

For Act No. 1, Mayors with at least 8 years of credited service as a Mayor, the accrued benefit will not be less than 5% of highest compensation as a Mayor for each year of credited service as a Mayor up to 10 years, plus 1.5% of highest compensation as Mayor for each year of non-Mayoral credited service up to 20 years, plus 2.0% of highest compensation as Mayor for each year of non-Mayoral credited service in excess of 20 years. Non-Mayoral credited service includes service earned as a Mayor in excess of 10 years. Maximum benefit is 90% of highest compensation as a Mayor.

(d) Special Benefits

(1) Minimum Benefits

— Past Ad hoc Increases

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

— Minimum Benefits for Members who retired before July 1, 2013 (Act No. 156 of 2004, Act No. 35 of 2007, and Act No. 3 of 2013)

The minimum monthly lifetime income for members who retied or become disabled before July 1, 2013, is $500 per month effective July 1, 2013 ($400 per month effective July 1, 2007, and $300 per month up to June 30, 2007).

— Coordination Plan Minimum Benefit

A minimum monthly benefit is payable upon attainment of SSRA such that the benefit, when added to the Social Security Benefit, is not less than the benefit payable prior to SSRA.

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

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

Under the Commonwealth Plan of Adjustment, these COLAs were eliminated from and after the Effective Date. For further information on the Commonwealth Plan of Adjustment's impact on pension benefits, refer to the final version of the Commonwealth Plan of Adjustment, which is available at https://cases.ra.kroll.com/puertorico/Home-DocketInfo.

(3) Special “Bonus” Benefits

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

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

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

An annual bonus of $100 for each retiree, beneficiary, and disabled member to cover health costs paid in July provided the member retired prior to July 1, 2013. Evidence of coverage is not required. The amount is prorated if there are multiple beneficiaries.

Total Pension Liability

The total pension liability as of June 30, 2021 was determined by an actuarial valuation as of July 1, 2020 that was rolled forward to June 30, 2021 (the measurement date used for financial reporting for fiscal year 2022).

(a) **Actuarial Methods and Assumptions**

The actuarial valuation used the following actuarial methods and assumptions applied to all periods in the measurement period.

Actuarial cost method	Entry age normal
Actuarial assumptions:	
Inflation rate	Not applicable
Salary increases	3.00% per year. No compensation increases are assumed until July 1, 2021 as a result of Act No. 03-2017, four-year extension of Act No. 66-2014, and the current general economy

Mortality

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

— *Pre-retirement Mortality*

For general employees not covered under Act No. 127-1958, PubG-2010 employee rates, adjusted by 100% for males and 110% for females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. For members covered under Act No. 127-158, the PubS-2010 Employee Mortality Rates are assumed for males and females, projected to reflect MP-2021 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.

100% of deaths while in active service are assumed to be occupational for members covered under Act 127-1958.

— *Post-retirement Retiree Mortality*

Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date. This assumption is also used for beneficiaries prior to the member's death.

— *Post-retirement Disabled Mortality*

Rates which vary by gender are assumed for disabled retirees based on a study of the Plan'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 MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

— *Post-retirement Beneficiary Mortality*

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

Discount Rate

The discount rate for June 30, 2021, was 2.16%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer General Obligation (GO) 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

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

	1% Decrease or (1.16%)	Current discount rate of (2.16%)	1% Increase or (3.16%)
Total pension liability	$ 121,131	$ 104,782	$ 93,773

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Deferred Outflows of Resources and Deferred Inflows of Resources

The following presents a summary of changes in the deferred outflows of resources and deferred inflows of resources for the year ended June 30, 2021.

Source	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience in measuring total pension liability	$ 167	$ 3,122
Changes in assumptions	10,726	1,238
Changes in proportion	74,011	-
Employer pension payment made subsequent to the measurement date	31,839	-
Total	$ 116,743	$ 4,360

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pension at June 30, 2021, will be recognized in pension expense (benefit) in future years as follows:

Year ending June 30:	Amount
2023	$ 2,178
2024	2,178
2025	2,177
Total	$ 6,533

The previous amounts do not include employer specific deferred outflows and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 4 years for 2021. The deferred outflows of resources related to benefit payments made by the Authority subsequent to the measurement date, which amounted to $31,839, is also not included in the table above.

12. TERMINATION BENEFITS

GOVERNMENTAL ACTIVITIES

During the fiscal year ended June 30, 2017, the Authority extended to its employees a new voluntary early retirement program. This program was approved by the Authority's Board of Directors based on the provisions established in Act No. 211, which was enacted on December 8, 2015. Act No. 211 provided that eligible employees may retire from employment with the Authority in exchange for an early pension and other benefits. Act No. 211 only applied to employees with twenty years or more participation in ERS who have not reached 61 years of age.

Act No. 211 provided that the employee would receive an annuity equivalent to 60% of the average compensation, as defined, as of December 31, 2015, and until the participating member attained 61 years of age, which is the age at which the employee will become part of ERS. The Authority is responsible for the payment of the employer contribution to Social Security and Medicare, based on the 60% of the average compensation as of December 31, 2015. The Authority is also responsible for the payment of the related employee and employer contributions to ERS based on the 100% of average salary as of December 31, 2015, for amounts which guarantee a 50% minimum compensation to an eligible employee of his or her average compensation as of June 30, 2013. The participating employee will also receive the benefits of health insurance for a period not more than two years, and until he or she reaches 61 years old.

As of June 30, 2022, the total liability related to these early termination benefits was approximately $764 thousand. This liability is measured at the discounted present value of expected future benefit payments using a discount rate of 1.15%.

The activity of the termination benefits as of June 30, 2022, is as follows (in thousands):

Description	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Termination benefits	$ 963	$ 5	$ (204)	$ 764	$ 204

FIDUCIARY FUNDS

As discussed in Note 1, pursuant to the GDB Restructuring Act, a Trust was created to secure to manage and pay the benefits of former GDB employees related to early termination programs. On August 6, 2019, the ERO Trust was created to managed different early termination programs that were approved by GDB board of directors on fiscal years 1994, 2000, 2007 and 2011 to GDB employees.

The activity of the termination benefits as of June 30, 2022, is as follows (in thousands):

Description	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Termination benefits	$ 6,628	$ 3	$ (2,449)	$ 4,182	$ 1,038

14. LEASE PAYABLE

The Authority entered into an office equipment lease rental agreement which required monthly installments amounting to $11,644. The contract shall end on June 30, 2022 (the “Termination Date”) and can be renewable annually for one (1) year at the end of each fiscal year for a total maximum period of sixty (60) months.

The Authority has entered into a lease agreement of certain office equipment. The lease agreement qualifies as other than short-term leases under GASB Statement No. 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of their inception.

The present value of the lease agreement was discounted using the rate of the lease agreement which amounts to 5.60%.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows (in thousands):

Year Ending June 30	Principal Payments	Interest Payments	Total
2023	$ 152	$ 46	$ 198
2024	115	25	140
2025	121	18	139
2026	128	12	140
2027	136	4	140
Total	$ 652	$ 105	$ 757

Amortization and finance costs applicable to right-to-use leased assets amounted to approximately $117,000 for the year ended June 30, 2022.

15. COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Authority leases office space in what is known as “Minillas” from the governmental sector. The office space was leased under an operating lease agreement that expired on July 1, 2018 and is currently on a month-to-month basis. Rent charged to operations in fiscal year 2022 amounted to approximately $526 thousand.

Contingencies

Governmental Activities

Legal contingencies were evaluated through June 27, 2023, the date the basic financial statements were available to be issued, to determine if any such events should either be recognized or disclosed in the basic financial statements for fiscal year 2022. Management, with the advice of external counsel, has evaluated all legal claims and concluded that an accrual for monetary damages is not necessary for these litigation contingencies.

Federal Awards

The Authority participates in federal financial assistance programs funded by the federal government. Expenditures financed by these programs are subject to financial and compliance audits by the appropriate grantors. If expenditures are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse funds received to the grantors.

16. SUBSEQUENT EVENTS

Subsequent events were evaluated through June 27, 2023, to determine if any such events should either be recognized or disclosed in the 2022 basic financial statements. The subsequent events disclosed below are principally those related to the Authority’s operations.

Authority's Budget

The Financial Oversight and Management Board approved a budget amounting to $51.7 million for the Authority's operations for the fiscal year ended on June 30, 2023.

On March 27, 2023, the Puerto Rico Office of Management and Budget (OMB) approved $8 million to the Authority, in order to pay the employer contribution to Puerto Rico Electric Power Authority Employee Retirement System, for the employees that were moved or transferred to the Commonwealth's Agencies or Public Corporations.

FEDERAL FUNDS

American Rescue Plan Act

During fiscal year 2023, OMB assigned to the Authority approximately $32.5 million to provide, among others: (1) oversight of American Rescue Plan Act funds received by the Commonwealth, and (2) support services for the Project Management Program created to assist agencies and other governmental entities in planning key initiatives and the execution of key projects and payroll expense reimbursement.

Puerto Rico Trust Fund

On March 10, 2023, OMB assigned to the Authority $1 million for vehicle purchase and other related matters related to Commonwealth's economic development.

HURRICANE FIONA

On September 17, 2022, Puerto Rico was directly impacted by Hurricane Fiona, leaving in its path the destruction of homes, knocking out power across the entire island and flooding many streets and roads. The Governor of Puerto Rico submitted to the Government of the United States of America a request of a declaration of major disaster and the activation of funds from the Public Assistance program of FEMA. On September 21, 2022, President Joseph R. Biden, Jr. approved Puerto Rico's governor Pedro Pierluisi's request for an expedited major disaster declaration.

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REQUIRED SUPPLEMENTARY INFORMATION

PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

Schedule of Proportionate Share of Collective Total Pension Liability and Related Ratios (Unaudited)

June 30, 2022

Description	2022*
Proportion of the Collective Total Pension Liability	0.00039%
Proportionate Share of the Collective Total Pension Liability	$ 104,782
Covered- Employee Payroll	n/a
Proportionate Share of Collective Total Pension Liability as Percentage of Covered-Employee Payroll	n/a

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

* Covered payroll is no longer applicable since contributions are not longer based on payroll and were eliminated pursuant to Act No. 106-2017

Note: Fiscal year 2022 was the first year of the Authority with Total Pension Liability. This schedule is required to illustrate 10 years of information. However, until 10 year trend has been completed, information is presented only for the years for which required

There are no assets accumulated in a Trust to pay related benefits.

See accompanying independent auditors' report.

Notes to Required Supplementary Information -Schedule of Proportionate Share of Collective Total Pension Liability and related ratios (Unaudited)

June 30, 2022

1. The schedules are intended to show information for ten years. Additional years will be displayed as they become available. The information presented relates solely to the Authority and not Employee's Retirement System of the Government of the Government of Puerto Rico as a whole.

2. The data provided in the schedules is based on the measurement date of the total pension liability, which is as of the prior fiscal year ended June 30th.

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

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