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

Basic Financial Statements
June 30, 2025

(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
June 30, 2025

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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, each major fund and fiduciary activities 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, 2025, 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, each major fund and fiduciary activities of the Puerto Rico Fiscal Agency and Financial Advisory Authority, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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 – Adoption of New Accounting Standard

As discussed in Note 3 to the accompanying basic financial statements, the Puerto Rico Fiscal Agency and Financial Advisory Authority, has restated its net position as of June 30, 2024, to implement GASB Statement No. 101, Compensated Absences. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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 Collective Total Pension Liability and Related Ratios, and the Schedule of Proportionate Share of Collective Total Other Postemployment Benefit Liability and Related Ratios 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
March 25, 2026.

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Puerto Rico Fiscal Agency and Financial
Advisory Authority (AAFAF) BASIC

RSM Puerto Rico

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, 2025. 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 $178.9 million as of June 30, 2025, an increase of approximately $14.2 million or 9% when compared to prior year.

- The Authority's Deferred Outflows of Resources was approximately $311 thousand as of June 30, 2025, an increase of approximately $55 thousand or 21% when compared to prior year.

- The Authority's Total Liabilities were approximately $30.2 million as of June 30, 2025, a decrease of approximately $6.7 million or 18% when compared to prior year.

- The Authority's Net Position was approximately $149 million as of June 30, 2025, an increase of approximately $21 million or 16% when compared to prior year.

- The Commonwealth of Puerto Rico's (the Commonwealth) appropriations made to the Authority amounted to approximately $42.1 million for the year ended June 30, 2025, a decrease of approximately $10.4 million or 20% when compared to prior year.

- The Authority expenditure in federal grants amounted to approximately $13.5 million for the year ended June 30, 2025, a decrease of approximately $2.8 million or 17% when compared to prior year.

- Contribution from Public Finance Corporation amounted to approximately $2.2 million for the year ended June 30, 2025, an increase of approximately $2.2 million or 100% when compared to prior year.

- Interest income amounted to approximately $5.5 million for the year ended June 30, 2025, a decrease of approximately $840 thousand or 13% when compared to prior year.

- The Authority adopted Governmental Accounting Standard Statement No.101 Compensated Absences during the fiscal year ended June 30, 2025 and as a result the beginning net position was restated by approximately $1.2 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, 2025. 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.

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.

FINANCIAL 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 2025.

Condensed financial information from the statements of net position as of June 30, 2025 and 2024, is as follows (in thousands):

	June 30,		Change	
	2025	2024 (As restated)	Amount	Percent
ASSETS:				
Cash	$ 176,866	$ 162,721	$ 14,145	9%
Due from Municipalities	170	57	113	198%
Due from Governmental Entities, net of allowance	577	267	310	116%
Prepaid expenses	185	218	(33)	-15%
Capital assets, net	642	950	(308)	-32%
Other	451	515	(64)	-12%
Total assets	178,891	164,728	14,163	9%
DEFERRED OUTFLOWS OF RESOURCES	311	256	55	21%
LIABILITIES:				
Liabilities payable within one year	21,264	30,333	(9,069)	-30%
Liabilities payable after one year	8,954	6,593	2,361	36%
Total liabilities	30,218	36,926	(6,708)	-18%
DEFERRED INFLOWS OF RESOURCES	-	32	(32)	-100%
NET POSITION	$ 148,984	$ 128,026	$ 20,958	16%

Net position may serve over time as a useful indicator of a government's financial position. Total assets, deferred outflows of resources and total liabilities of the Authority as of June 30, 2025, amounted to approximately $178.9 million, $311 thousand and $30.2 million, respectively, for a net position of approximately $149 million.

Total assets increased by approximately $14.2 million, from approximately $164.7 million in fiscal year 2024 to approximately $178.9 million in fiscal year 2025. The increase in total assets is mainly due to the net effect of an increase in cash of approximately $21.9 million related to the results of the operations and a decrease in restricted cash of $7.7 million due to a decrease in federal grants in comparison with prior year.

The deferred outflows of resources increased by approximately $55 thousand, from approximately $256 thousand in fiscal year 2024 to approximately $311 thousand in fiscal year 2025.

Total liabilities decreased by approximately $6.7 million, from approximately $36.9 million in fiscal year 2024 to approximately $30.2 million in fiscal year 2025. The decrease in total liabilities mainly resulted from a decrease in accounts payable and accrued liabilities amounting to approximately $3.1 million, a decrease in unearned revenues from federal grants amounting to approximately $6 million, a decrease in lease payable amounting to approximately $121 thousand, a decrease in accrued compensated absences amounting to approximately $462 thousand, a decrease in termination benefits amounting to approximately $191 thousand and an increase in total pension liability amounting to approximately $3.1 million.

The deferred inflows of resources decreased by approximately $32 thousand, from $32 thousand in fiscal year 2024 to zero in fiscal year 2025 related to changes in assumptions in the actuarial reports of the total pension liability.

Statements of Activities and Results of Operations

Condensed financial information of the statements of activities for the years ended June 30, 2025 and 2024, is shown below (in thousands):

	June 30,		Change	
	2025	2024 (As restated)	Amount	Percentage
REVENUES				
Program Revenues				
Charges for Services	$ 2,305	$ 2,177	$ 128	6%
Operating Grants and Contributions	57,793	73,631	(15,838)	-22%
Other	5,571	6,882	(1,311)	-19%
Total Revenues	65,669	82,690	(17,021)	-21%
EXPENSES				
Economic Development	(44,711)	(62,630)	17,919	-29%
CHANGE IN NET POSITION	20,958	20,060	898	4%
NET POSITION-BEGINNING AS RESTATED	128,026	107,966	20,060	19%
NET POSITION-ENDING	$ 148,984	$ 128,026	$ 20,958	16%

The change in net position increased by approximately $900 thousand, from approximately $20.1 million in fiscal year 2024 to approximately $21 million in fiscal year 2025.

The Authority revenues decreased by approximately $17 million mainly related to a decrease in contribution from Commonwealth amounting to approximately $10.4 million, federal grants decreased by approximately $2.8 million, contribution from other governmental entities decreased by approximately $2.6 million, a decrease in interest income amounting to approximately $840 thousand, a decrease in other income amounting to approximately $470 thousand. Such decreases were offset by an increase in fiscal agency and administrative fees amounting to approximately $127 thousand.

The Authority's most significant revenues correspond to contributions from the Commonwealth.

Authority expenses decreased by approximately $18 million mainly related to a decrease in legal and professional fees amounting to approximately $15 million, a decrease in salaries and fringe benefits amounting to approximately $2.7 million and a decrease in administrative expenses amounting to approximately $213 thousand.

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.

Federal Funds - American Rescue Plan Act (ARPA)

On August 1, 2025, the Puerto Rico Office of Management and Budget (OMB) assigned to the Authority approximately $4.2 million 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 American Rescue Plan Act funds received by the Commonwealth of Puerto Rico.

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.

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

STATEMENT OF NET POSITION
June 30, 2025

ASSETS	
Cash	$ 165,750,976
Accrued interest receivable	451,153
Due from municipalities	169,601
Due from governmental entities, net	577,322
Restricted cash	11,115,061
Prepaid expenses	185,034
Capital assets, net	641,590
Total assets	178,890,737
DEFERRED OUTFLOWS OF RESOURCES:	
Pension related	307,494
Other postemployment benefits	3,800
Total deferred outflows of resources	311,294
LIABILITIES	
Accounts payable and accrued liabilities	10,250,574
Due to Commonwealth of Puerto Rico	122,014
Unearned revenues	9,417,588
Liabilities payable within one year	
Lease payable	128,212
Compensated absences	911,778
Termination benefits	122,636
Total other postemployment benefits	3,800
Total pension liability	307,494
Liabilities payable after one year	
Lease payable	135,578
Compensated absences	871,529
Termination benefits	45,984
Total other postemployment benefits	20,527
Total pension liability	7,880,478
Total liabilities	30,218,192
NET POSITION	
Net investment in capital assets	377,800
Unrestricted	148,606,039
Total net position	$ 148,983,839

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 June 30, 2025

Functions/Programs	Expenses	Charges for services	Program revenues contributions	Net revenues (expenses) and changes in net position
GOVERNMENTAL ACTIVITIES				
Economic development	$ 44,693,058	$ 2,305,222	$ 57,792,553	$ 15,404,717
Interest expense	18,481	-	-	(18,481
Total governmental activities	$ 44,711,539	$ 2,305,222	$ 57,792,553	15,386,236
GENERAL REVENUES				
Interest income				5,526,450
Other income				44,831
Total general revenues				5,571,281
CHANGE IN NET POSITION				20,957,517
NET POSITION – Beginning of year, as previously reported				129,215,243
Adoption of Governmental Accounting Standard Board No. 101				(1,188,921
NET POSITION – Beginning of the year, as restated				128,026,322
NET POSITION - End of Year				$ 148,983,839

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 - GOVERMENTAL FUND
June 30, 2025

		General Fund
ASSETS		
Cash	$	165,750,976
Accrued interest receivable		451,153
Due from municipalities		169,601
Due from governmental entities, net		577,322
Restricted cash		11,115,061
Total assets	$	178,064,113
LIABILITIES		
Accounts payable and accrued liabilities	$	10,250,574
Due to Commonwealth of Puerto Rico		122,014
Unearned revenues		9,417,588
Total liabilities		19,790,176
FUND BALANCE		
Unassigned		158,273,937
Total fund balance		158,273,937
Total liabilities and fund balance	$	178,064,113

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, 2025

Fund balance of governmental fund	$ 158,273,937
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 governmental activities but not in the governmental fund.	307,494
Deferred outflows of resources of other postemployment benefits reported in governmental activities but not in the governmental fund.	3,800
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.	641,590
Prepaid expenses that are not reported in governmental fund and are reported in the statement of net position.	185,034
Compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental fund.	(1,783,307)
Long-term lease liability is not due and payable in the current period and, therefore, is not reported in the governmental fund.	(263,790)
Termination benefits are not due and payable in the current period and, therefore, are not reported in the governmental fund.	(168,620)
Total other postemployment benefits not due and payable in the current period therefore, is not reported in the governmental fund.	(24,327)
Total pension liability not due and payable in the current period and, therefore, is not reported in the governmental fund.	(8,187,972)
Net position of governmental activities	$ 148,983,839

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, EXPENDITURES AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUND
For the year ended June 30, 2025

REVENUES	
Contributions from the Commonwealth of Puerto Rico	$ 42,083,294
Contributions from Public Finance Corporation	2,248,959
Federal grants	13,460,300
Fiscal agency and administrative fees	2,305,222
Interest income	5,526,450
Other income	44,831
Total revenues	65,669,056
EXPENDITURES	
Economic development	41,891,795
Debt service	
Principal	121,244
Interest	18,481
Capital outlays	116,393
Total expenditures	42,147,913
NET CHANGE IN FUND BALANCE	23,521,143
FUND BALANCE – Beginning of year	134,752,794
FUND BALANCE – End of year	$ 158,273,937

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, EXPENDITURES AND CHANGE IN FUND BALANCE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2025

Net change in fund balance – Governmental fund		$ 23,521,143
Amount reported for governmental activities in the statement of activities are different because:		
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental fund		(2,997,852)
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		653,857
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	$ 116,393	
Less depreciation and amortization expense	(424,117)	(307,724)
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		(33,151)
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 differences in the treatment of long-term debt and related items;		
Principal payments on lease liability		121,244
Change in net position of governmental activities		$ 20,957,517

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, 2025

	ERO Trust Fund	Improvements to Educational Institutions
ASSETS		
Cash	$ 3,451,491	$ 1,908,623
Accrued interest and dividends	10,188	-
Investments at fair value	5,526,252	-
Total assets	8,987,931	1,908,623
LIABILITIES		
Liabilities payable within one year		
Accounts payable	-	1,908,623
Termination benefits	324,653	-
Liabilities payable after one year		
Termination benefits	956,786	-
Total liabilities	1,281,439	1,908,623
NET POSITION	$ 7,706,492	$ -

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 – FIDUCIARY FUNDS
For the year ended June 30, 2025

ADDITIONS		**ERO Trust Fund**
Investment income:		
Interest and dividends	$	254,360
Net change in fair value of investments		210,646
Net investment income		465,006
Other		467,170
Total additions		932,176
DEDUCTIONS		
Trust fees		15,385
Total deductions		15,385
Net increase in net position		916,791
NET POSITION – Beginning of year		6,789,701
NET POSITION – End of year	$	7,706,492

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, 2025, the ERO had total assets of approximately $9 million and is making payments to around 164 active participants for aggregated monthly payments of approximately $49 thousand 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 the 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 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. As of June 30, 2025, this fund has approximately $1.9 million in total assets and liabilities.

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 Standards 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* results when constraints are placed on the use of net position, 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 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. Revenues include: contributions received from the federal government, the Commonwealth and its component units and charges for services made to other governmental entities. 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 are 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). Funds received by 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.

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 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 ERO 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 the American Rescue Plan Act funds 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.

Due from Governmental Entities and Municipalities

Due from governmental entities and municipalities 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, 2025.

Leases

During fiscal year 2022, the Authority adopted GASB Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. 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.

Lease payments are allocated between principal and interest or finance cost. The interest or finance cost is charged to the 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 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 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.

During the fiscal year 2025, the Authority adopted GASB Statement No.101, *Compensated Absences* which required to recognize a liability for sick leave. As result, a sick leave liability was recognized based on the 90 day maximum permissible accumulation. For more information, please refer to note 3.

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). 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

Pursuant to Act No. 106 of 2017 (Act 106-2017), the Commonwealth adopted a “pay-as-you-go” (PayGo) system, significantly reforming the defined benefit plan (the Plan) of the Employees’ Retirement System of the Government of the Commonwealth (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.

Under the PayGo system, the Authority applies 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). GASB Statement No.73 maintains the “accrual basis” model under GASB 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 12.

The Commonwealth 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.

The ERS elected to use July 1 of each fiscal year as the measurement date for financial information. Based on this election, the June 30, 2024, actuarial measurement data was used for the pension benefits financial reporting recognition as of and for the fiscal year ended June 30, 2025.

The Authority’s pension activity for the year ending June 30, 2025, amounted to a pension expense of approximately $3.3 million and the Total Pension Liability as of June 30, 2025, amounted to approximately $8.2 million. Disclosures required are described in Note 12.

Accounting for Postemployment Benefits Other than Pensions

Other postemployment benefits (OPEB) expense is recognized and disclosed using the accrual basis of accounting. The Authority recognizes the total OPEB liability since the Authority’s OPEB program is funded on a pay-as-you-go basis, measured as of the Authority’s prior year-end. Changes in the total OPEB liability during the period are recorded as OPEB expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in total OPEB liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the average of the remaining service life of all participants including retirees and recorded as a component of OPEB expense beginning with the period in which they arose. Employer’s contributions made after the measurement date of the total OPEB liability are recorded as a deferred outflow of resources.

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. 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 Authority adopted GASB Statement No. 101, *Compensation Absences*, as of July 1, 2024. Refer to Note 3 for more information.

Accounting Pronouncements Issued but Not Yet Effective

- **GASB Statement No. 103, *Financial Reporting Model improvements*-** The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

  This Statement requires that the information presented in the Management's Discussion and Analysis (MD&A) be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Assets and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions.

  This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence.

  This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses.

  This Statement required governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements.

  This Statement requires governments to present budgetary comparison information using a single method of communication-RSI.

  The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

- **GASB Statement No. 104, *Disclosure of Certain Capital Assets*-** The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by GASB Statement No. 34. Lease assets recognized in accordance with GASB Statement No. 87, and intangible right-to-use assets recognized in accordance with GASB Statement No. 94, should be disclosed separately by major class of underlying assets in the capital asset note disclosures. Subscription assets recognized in accordance with GASB Statement No. 96, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

This Statement also requires additional disclosures for capital assets held for sale.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

- **GASB Statement No. 105, *Subsequent Events*-** The primary objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statements users.

  This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained.

  This Statement also requires the date through which subsequent events have been evaluated to be disclosed.

  This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events.

  The requirements of this Statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. Earlier application is encouraged.

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

3. RESTATEMENT OF NET POSITION

During the fiscal year 2025 the Authority adopted GASB Statement No. 101 *Compensated Absences* which provide guidance regarding the recognition of compensated absences including vacation and sick leave. The cumulative effect of the adoption of GASB Statement No.101 is explained as follows:

Description	Amount
Net Position at the beginning of year as previously reported	$129,215,243
Cumulative effect of adoption of GASB Statement No. 101:	
recognition of sick leave liability	(1,188,921)
Net Position at beginning of the year, as restated	$128,026,322

4. FINANCIAL DEPENDENCY AND CONSTRAINTS

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.

Funds received from the Commonwealth are to execute Authority's responsibilities which includes, among other things: (i) overseeing compliance with the certified budget and fiscal plan approved by the Financial Oversight and Management 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.

5. 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, 2025, none of the Authority's depository balance was uninsured and uncollateralized (in thousands):

Governmental Activities

Cash as of June 30, 2025, consisted of the following (in thousands):

Description	Carrying amount	Bank balance	Amount uninsured and uncollateralized
Unrestricted	$ 165,751	$ 165,751	$ -
Restricted	11,115	11,115	-
	$ 176,866	$ 176,866	$ -

As of June 30, 2025, bank accounts accrued $451,153 in interest receivable which were collected during the month of July 2025.

Fiduciary Funds

Cash as of June 30, 2025, consisted of the following (in thousands):

Description	Carrying amount	Bank balance	Amount uninsured and uncollateralized
Cash	$ 5,360	$ 5,360	$ -

6. INVESTMENTS

Fiduciary Funds

As of June 30, 2025, 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	$ 5,526	$ -	$ -	$ 5,526

The following table summarizes the type and maturities of investments held by the ERO Trust Funds as of June 30, 2025 (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	$ 1,648	$ 3,878	$ -	$ 5,526

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, 2025, the credit ratings of the investment securities are Aaa.

7. RELATED PARTY TRANSACTIONS

As of June 30, 2025, the Authority's due from governmental entities, net of allowance is composed of the following (in thousands):

Description		Amount
Puerto Rico Public-Private Partnership Authority	$	297
Housing Finance Authority		187
University of Puerto Rico		52
Puerto Rico Sales Tax Financing Corporation		15
The Children's Trust		68
Government Development Bank for Puerto Rico		33
Puerto Rico Municipal Finance Agency		87
Government's Executive Offices		13
Puerto Rico Health Department		15
Government's Executive Departments		26
Puerto Rico Infrastructure Financing Authority		11
AFICA		8
Puerto Rico Electric Power Authority		4
Others		71
Total due from governmental entities		887
Less: allowance for uncollectible account		(310)
Due from governmental entities, net of allowance	$	577

Due from governmental entities are mainly related to an intra-entity 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, 2025, was as follows (in thousands):

Description	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets:				
Furniture and equipment	$ 975	$ 33	$ (3)	$ 1,005
Vehicles	369	-	(18)	351
Information systems	1,063	83	-	1,146
Right-to-use leased office equipment	705	-	-	705
Total capital assets	3,112	116	(21)	3,207
Less accumulated depreciation and amortization for:				
Furniture and equipment	(818)	(78)	3	(893)
Vehicles	(154)	(57)	18	(193)
Information systems	(837)	(171)	-	(1,008)
Right-to-use leased office equipment	(354)	(117)	-	(471)
Total accumulated depreciation and amortization	(2,163)	(423)	21	(2,565)
Total capital assets - net	$ 949	$ (307)	$ -	$ 642

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As of June 30, 2025, the Authority's accounts payable and accrued liabilities are composed of the following (in thousands):

Description	Amount
Debt restructuring and Title III bankruptcy cases	$ 826
Other services	8,586
Accrued expenses	839
	$ 10,251

10. LEASE PAYABLE

The Authority leases office equipment from Ricoh Puerto Rico, Inc., under a lease agreement from July 1, 2024 to June 30, 2025, 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. Under GASB Statement No. 87, the Authority, as a lessee, is required to recognize a lease liability and an intangible right-to-use lease asset at the present value of its future minimum lease payments as of the inception date. 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, 2025, were as follows (in thousands):

Year Ending June 30	Principal Payments	Interest Payments	Total
2026	$ 128	$ 12	$ 140
2027	136	4	140
Total	$ 264	$ 16	$ 280

11. COMPENSATED ABSENCES

The activity for compensated absences during the year ended June 30, 2025, is as follows (in thousands):

Description	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Accrued vacations	$ 1,057	$ 153	$ (332)	$ 878	$ 392
Accrued sick leave	1,189	421	(705)	905	520
	$ 2,246	$ 574	$ (1,037)	$ 1,783	$ 912

12. RETIREMENT BENEFITS SYSTEMS

Structure of ERS and Accounting for Pension Costs

The ERS was a trust created by the Legislature under Act No. 447 of May 15, 1951, as amended (Act No. 447), to provide pension and other benefits to retired employees of the Commonwealth, its public corporations and municipalities. Prior to the effect of Act No. 106 of August 23, 2017 (Act No. 106-2017), ERS administered different benefit structures under Act No. 447, as amended, including a cost-sharing, multiple-employer, defined benefit program, a defined contribution program and a contributory hybrid program. Act No. 106-2017 approved a substantial pension reform for all of the Commonwealth's retirement systems, including the ERS. This reform modified most of the ERS's activities, eliminated the employer contributions, created the legal framework to implement a PayGo system, and required the ERS to liquidate substantially all of its assets and to transfer the proceeds from such liquidation to the Commonwealth for the payment of pension benefits.

Under the PayGo system, the Commonwealth's General Fund makes direct payments to the pensioners and then is reimbursed for those payments by the participating employer, including the Authority. Future benefits will not be paid by the ERS.

Under Act No. 106-2017, the ERS's board of trustees was eliminated, and a new Retirement Board was created. Act No. 106-2017 also ordered a suspension of ERS's loan programs and ordered a merger of the administrative structures of the Retirement Systems. At the Retirement Board's discretion, the administration of ERS benefits may be externalized. The Retirement Board is currently responsible for governing both ERS, the Judiciary Retirement System (JRS), and Teachers Retirement System (TRS).

Act No. 106-2017 also created a Defined Contributions Plan, similar to a 401(k) plan, which is managed by a private entity. Act No. 106-2017 terminated the previously existing pension programs for ERS participants as of June 30, 2017. The members of the prior programs and new system members hired on and after July 1, 2017, have been enrolled into this new Defined Contributions Plan program. The accumulated balance on the accounts of the prior program was transferred to the member accounts in the new Defined Contributions Plan, effective as of June 22, 2020.

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.

The Modified Eighth Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al, ("2022 Plan of Adjustment") confirmed by the U.S. District Court for the District of Puerto Rico on January 18, 2022, eliminated several benefits to certain Plan participants. In summary, participants within benefits for System 2000 and Act 3 members, as previously defined, who were not in payment status as of March 15, 2022 were transferred out from Plan benefits. Also, eliminated future cost of living adjustments, and benefits to active members under the Act 127-1958 (members in high risk positions).

Plan participants within the System 2000, includes members hired on or after January 1, 2000 and on or before June 30, 2013 (defined contribution program). All regular employees hired for the first time on or after July 1, 2013, and former employees who participated in the defined benefit program and the System 2000 program, and were rehired on or after July 1, 2013, become members of the Contributory Hybrid Program as a condition to their employment. In addition, employees who at June 30, 2013, were participants of previous programs became part of the Contributory Hybrid Program on July 1, 2013. Also, Act No. 3 of April 4, 2013 (Act No. 3 of 2013) froze all retirements 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.

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

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

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

A summary of benefits and eligibility requirements is presented below:

(a) Service Retirement Eligibility Requirements

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

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

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

(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 members 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.

(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 attained 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 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 retired or became 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) Special “Bonus” Benefits

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

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

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

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

(e) Change in Plan Provisions- Act 80-2020 Retirement Incentive

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

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

Allocation Methodology

GASB Statement No. 73 requires that the primary government and its component units that provide pension benefits through the same defined benefit pension plan to recognize their proportionate share of the total pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense (benefit). The proportionate share is based on the ratio of the total pension liability determined directly for each agency based on each agency's members to the total pension liability for all Central Government members as of the measurement date.

Total Pension Liability and Actuarial Information

The total pension liability was approximately $8.2 million as of June 30, 2024. The total pension liability as of June 30, 2024 (the measurement date used for financial reporting for fiscal year 2025) was determined by an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024. The proportion of the Collective Total Pension Liability of the Authority was 0.04123%.

(a) Actuarial Methods and Assumptions

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

Discount Rate

The discount rate used to measure the total pension liability was 3.93% as of June 30, 2024 (the measurement date). This rate 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.

Mortality

The mortality tables used in the June 30, 2024 actuarial valuation were as follows:

— *Pre-retirement Mortality*

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

100% of deaths 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 were adjusted by 100% for males and 110% for females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. As 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 were adjusted by 80% for males and 100% for females. The base rates are projected using Mortality Improvement Scale MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

— *Post-retirement Beneficiary Mortality*

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

Other Assumptions as of June 30, 2024:

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, 2022 as a result of Act No. 03-2017, four-year extension of Act No. 66-2014, and the current general economy

(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 3.93%, as well as what it would be if it were calculated using the discount rate of 1-percentage point lower (2.93%) or 1-percentage-point higher (4.93%) than the current rate:

	1% Decrease or (2.93%)	Current discount rate of (3.93%)	1% Increase or (4.93%)
Total pension liability	$ 9,081,776	$ 8,187,972	$ 7,437,665

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, 2025:

Source	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience in measuring total pension liability	$ -	$ -
Changes in assumptions	-	-
Changes in proportion	-	-
Employer pension payment made subsequent to the measurement date	307,494	-
Total	$ 307,494	$ -

13. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

The Plan covers a payment of up to $100 per month to the eligible medical insurance plan selected by each member provided that the member retired prior to July 1, 2013 (Act No. 483, as amended by Act No. 3). The Plan is financed by the Commonwealth through legislative appropriations. There is no contribution requirement from the plan members during active employment. The retirees contribute the amount of the healthcare insurance premium not covered by the Commonwealth contribution. Plan members were eligible for benefits upon reaching the applicable retirement age. Act No. 3 of 2013 eliminated this healthcare benefit to the Plan members that retired after June 30, 2013.

Allocation Methodology

GASB Statement No. 75 requires that the primary government and its component units that provide OPEB benefits through the same defined benefit OPEB plan to recognize their proportionate share of the total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense (benefit). The proportionate share is based on the ratio of the total OPEB liability determined directly for each agency based on each agency's members to the total OPEB liability for all Central Government members as of the measurement date.

Total OPEB Liability and Actuarial Information

The total OPEB liability was $24,327 as of June 30, 2025. The total OPEB liability as of June 30, 2025, was determined by an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024 (measurement date). The proportion of the Collective Total OPEB Liability of the Authority was 0.00408%.

Actuarial Assumptions

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

Discount Rate

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

Mortality

- *Post-retirement Mortality-* Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using Mortality Improvement Scale MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.
- *Post-retirement Disabled Mortality-* Rates which vary by gender are assumed for disabled retirees based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females. The base rates are projected using Mortality Improvement Scale MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

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

	1% decrease or 2.93%	Current discount rate of 3.93%	1% increase or 4.93%
Authority's Proportionate share of the total OPEB liability	$ 26,288	$ 24,327	$ 22,573

The following presents the total OPEB liability calculated using the discount rate of 3.93%, as well as what it would be if it were calculated using the discount rate of 1-percentage point lower (2.93%) or 1-percentage point higher (4.93%) than the current rate:

Change in Plan Provisions- Act 80-2020 Retirement Incentive

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

Under this incentive, 1,129 employees retired early and, in addition to pension benefits, became eligible for a $100 per month reimbursement for health care coverage until age 62.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

OPEB Expense

The OPEB expense for the year ended June 30, 2025, amounted to $24,327.

14. 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, 2025, the total liability related to these early termination benefits was approximately $168 thousand. This liability is measured at the discounted present value of expected future benefit payments using a discount rate of 3.85%.

The activity of the termination benefits as of June 30, 2025, is as follows (in thousands):

Description	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Termination benefits	$ 360	$ 9	$ (201)	$ 168	$ 123

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 manage 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, 2025, is as follows (in thousands):

Description	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Termination benefits	$ 2,337	$ 36	$ (1,092)	$ 1,281	$ 325

15. COMMITMENTS AND CONTINGENCIES

Contingencies

Governmental Activities

Legal contingencies were evaluated through March 25, 2026, 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 2025. 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 March 25, 2026, to determine if any such events should either be recognized or disclosed in the 2025 basic financial statements. The subsequent events disclosed below are principally those related to the Authority's operations.

Authority's Budget

The Fiscal Oversight and Management Board approved a budget amounting to $47.4 million for the Authority for the fiscal year ended on June 30, 2026, for its operation.

Federal Funds - American Rescue Plan Act (ARPA)

On August 1, 2025, the Puerto Rico Office of Management and Budget (OMB) assigned to the Authority approximately $4.2 million 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 American Rescue Plan Act funds received by the Commonwealth of Puerto Rico.

REQUIRED SUPPLEMENTARY INFORMATION

(UNAUDITED)

Schedule of Proportionate Share of Collective Total Pension Liability and Related Ratios (Unaudited)
June 30, 2025

Description	2025	2024	2023	2022*
Proportion of the Collective Total Pension Liability	0.04123%	0.02468%	0.02520%	0.00039%
Proportionate Share of the Collective Total Pension Liability	$8,187,972	$5,127,027	$5,582,664	$ 104,782
Covered- Employee Payroll*	n/a	n/a	n/a	n/a
Proportionate Share of Collective Total Pension Liability as Percentage of Covered-Employee Payroll	n/a	n/a	n/a	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 the 10-year trend has been completed, information is presented only for the years for which required information is available.

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, 2025

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 the ERS 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 30, 2024.

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.

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

Schedule of Proportionate Share of Collective Total Other Postemployment Benefits Liability and Related Ratios (Unaudited)
June 30, 2025

Description	2025
Proportion of Total Other Postemployment Benefit Liability	.00408%
Proportionate Share of Total Other Postemployment Benefit Liability	$ 24,327
Covered - Employee Payroll	N/A
Proportionate Share of Total Other Postemployment Benefit Liability as Percentage of Covered-Employee Payroll	N/A

**Covered payroll is no longer applicable since contributions are no longer based on payroll and were eliminated pursuant to Act No. 106-2017.

Note: Fiscal year 2025 was the first year of the Authority with Total Other Postemployment Benefit Liability. This schedule is required to illustrate 10 years of information. However, until the 10-year trend has been completed, information is presented only for the years for which required information is available.

See accompanying independent auditors' report.

Notes to the Schedule of Proportionate Share of Collective Total Other Postemployment Benefits Liability and Related Ratios (Unaudited)
June 30, 2025

1. The Authority's total other postemployment benefit liability as of June 30, 2024, was determined by an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024 (measurement date as of June 30, 2024). As a result of the implementation of the PayGo system, as provided by Act No. 106 of 2017 (Act 106), the Pension Plan no longer met the criteria to be considered a plan that is administered through a trust or equivalent arrangement under GASB 68 and, therefore, was required to apply the guidance in GASB 73 effective July 1, 2018. Act 106 eliminated all employer contributions and required ERS to liquidate its assets and to transfer the proceeds to the Commonwealth for the payment of pension benefits.

2. The Authority's proportion of the total postemployment benefits liability was actuarially determined based on the ratio of the Authority's benefit payments to the total benefit payments made by all participating employers under the Pension Plan for the year ending on the measurement date.

3. The schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

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