Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Uniform Guidance Report
June 30, 2023
With Independent Auditors' Report

Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Uniform Guidance Report
Year Ended June 30, 2023

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INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of the
Puerto Rico Infrastructure Financing Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Puerto Rico Infrastructure Financing Authority, a Component Unit of the Commonwealth of Puerto Rico, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Puerto Rico Infrastructure Financing Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Puerto Rico Infrastructure Financing Authority, as of June 30, 2023, 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) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Infrastructure Financing Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Financial Dependency

As referred to in the Note 4 to the basic financial statement, the Puerto Rico Infrastructure Financing Authority's main source of revenue consists of legislative appropriations from the Commonwealth of Puerto Rico. As a result, the Puerto Rico Infrastructure Financing Authority's operations are dependent on the Commonwealth of Puerto Rico's ability to continue providing funding to the Puerto Rico Infrastructure Financing

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Puerto Rico Infrastructure Financing 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 Infrastructure Financing Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Proportionate Share of The Collective Total Pension Liability and Related Ratios be presented to supplement the basic financial statements. Such information 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Puerto Rico Infrastructure Financing Authority's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2024 on our consideration of the Puerto Rico Infrastructure Financing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Puerto Rico Infrastructure Financing Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Puerto Rico Infrastructure Financing Authority's internal control over financial reporting and compliance.

San Juan, Puerto Rico
March 28, 2024.

Stamp No. E564596 was affixed
to the original of this report.

RSM Puerto Rico

This section presents a narrative overview and analysis of the financial performance of the Puerto Rico Infrastructure Financing Authority (the Authority). It is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position, and identify individual issues or concerns. The information presented here should be read in conjunction with the basic financial statements, including the notes thereto.

1. FINANCIAL HIGHLIGHTS

- Total assets increased by approximately $77.3 million, or 40.7% while deferred outflow of resources increased by approximately $1.2 million, or 228.8% when compared to the fiscal year ended June 30, 2022, respectively.
- Capital assets reflected a net decrease of approximately $390 thousand, or 1.8% when compared to the fiscal year ended June 30, 2022.
- Total liabilities increased by approximately $85.9 million or 63.8% while deferred inflow of resources increased by $330 thousand or 259.6% when compared to fiscal year ended June 30, 2022.
- The net position of the Authority decreased by approximately $7.7 million, or 13.8% when compared to fiscal year ended on June 30, 2022.
- Revenues decreased by approximately $169.5 million, or 55.4% when compared to the fiscal year ended June 30, 2022.
- Expenses decreased by $14 million, or 9.2% when compared to the fiscal year ended June 30, 2022.
- Management made a correction of an error to prior year figures amounting to approximately $10.2 million.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This management discussion and analysis is required supplementary information to the basic financial statements and is intended to serve as an introduction to the basic financial statements of the Authority. The basic financial statements comprise 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 provide readers with a broad overview of the Authority's finances, 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 statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This basically means that the statements follow methods that are similar to those used by private non-governmental organizations. They take into account all revenue and expenses connected with the fiscal year even if the cash involved has not been received or paid.

The government-wide financial statements include two statements:

- ***Statement of Net Position*** – This statement presents all of the government's assets, liabilities and deferred outflows and inflows of resources. Net position is the difference between (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources. Over time, increases or decreases in the Authority's 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 showing how the Authority's net position (deficit) changed during the most recent fiscal year. All changes in net position (deficit) are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The government-wide financial statements present the following column segregated by activities:

- ***Governmental Activities*** – These activities are mostly supported by intergovernmental revenue (Contributions from the Commonwealth of Puerto Rico). Most services normally associated with the Authority fall into general government, economic development, education, aqueduct and sewers, transportation, recreation and sports, edifications, arts and entertainment, and public safety.

The government-wide financial statements can be found immediately following this Management's Discussion and Analysis.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority has one type of fund, which is governmental funds. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Authority's near-term financing requirements. Because 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 governmental activities in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of financial decisions related to the Authority's governmental activities. Both, the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Governmental Funds Financial Statements – The Authority has two major governmental funds. Each major fund is presented in a separate column in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The Authority's major governmental funds are:

- General Fund
- Debt Service Fund

Proprietary Funds Financial Statements – These funds are used to account for activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers, including local governments, they are known as enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements. The basic proprietary funds financial statements can be found immediately following the governmental funds financial statements.

Notes to the Basic Financial Statements – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide financial statements and the fund financial statements.

3. GOVERNMENT-WIDE FINANCIAL ANALYSIS

Governmental entities are required by accounting principles generally accepted in the United States of America (US GAAP), as prescribed by the Government Accounting Standard Board (GASB), to report on their net position. The Statement of Net Position presents the value of all of the Authority's assets and deferred outflow of resources, liabilities and deferred inflow of resources, with the difference between them reported as net position.

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The following was derived from the Statement of Net Position as of June 30, 2023, and 2022:

	Governmental Activities			
		As Restated		
	2023	2022	Change	Percentage
Assets:				
Current assets	$ 51,791,451	$ 12,879,888	$ 38,911,563	302.1%
Capital assets, net	21,644,259	22,034,112	(389,853)	-1.8%
Noncurrent assets	193,754,257	154,936,335	38,817,922	25.1%
Total assets	267,189,967	189,850,335	77,339,632	40.7%
Deferred outflows of resources	1,748,930	531,966	1,216,964	228.8%
Liabilities:				
Liabilities due within one year	214,169,078	126,669,221	87,499,857	69.1%
Liabilities due after one year	6,291,760	7,888,959	(1,597,199)	-20.2%
Total liabilities	220,460,838	134,558,180	85,902,658	63.8%
Deferred inflow of resources	457,254	127,165	330,089	259.6%
Net position / deficit:				
Net investment in capital assets	21,644,259	22,034,112	(389,853)	-1.8%
Restricted for:				
Other purposes	81,749,361	63,520,070	18,229,291	28.7%
Unrestricted / (Deficit)	(55,372,815)	(29,857,226)	(25,515,589)	85.5%
Total net position (deficit)	$ 48,020,805	$ 55,696,956	$ (7,676,151)	-13.8%

Overall, the Authority's net position for governmental activities decreased by approximately $7.7 million, or 13.8% during the fiscal year ended June 30, 2023.

Total assets for governmental activities increased by approximately $77.3 million, or 40.7%, during the fiscal year ended June 30, 2023.

Deferred outflows of resources decreased by approximately $1.2 million, or 228.8% for the fiscal year ended June 30, 2023.

Total liabilities for government activities increased by approximately $85.9 million, or 63.8%.

Condensed program net revenues or expenses and changes in net position are presented below:

	Governmental Activities			
		As Restated		
	2023	2022	Change	Percentage
Revenues:				
Program revenues:				
Operating grants and contributions	$ 131,833,159	$ 309,009,931	$ (177,176,772)	-57.3%
Charges for services	132,449	158,361	(25,912)	-16.4%
General revenues (expenses):				
Change in fair value in investments	(1,346,889)	(3,724,799)	2,377,910	-63.8%
Investments earnings	6,168,619	828,931	5,339,688	644.2%
Total revenues	136,787,338	306,272,424	(169,485,086)	-55.3%
Expenses:				
Functions/Programs:				
General government	132,041,331	118,622,408	13,418,923	11.3%
Education, aqueduct and sewers, and transportation	4,213,225	3,825,305	387,920	10.1%
Recreation and sports	-	2,355	(2,355)	-100.0%
Edifications	2,678,007	1,539,245	1,138,762	74.0%
Interest on long-term debt	-	28,970,815	(28,970,815)	-100.0%
World Plaza Building	-	-	-	0.0%
Total expenses	138,932,563	152,960,128	(14,027,565)	-9.2%
Special item:				
Contribution to the Puerto Rico Ports	10,428,453	-	10,428,453	100.0%
Extraordinary gain or loss:				
Extraordinary gain	4,897,527	2,221,056,215	(2,216,158,688)	100.0%
Increase (decrease) in net position before transfers	(7,676,151)	2,374,368,511	(2,382,044,662)	-100.3%
Other financing sources:				
Transfer In/Out	-	7,735,641	(7,735,641)	100.0%
Beginning balance (deficit), as restated	55,696,956	(2,326,407,196)	2,382,104,152	-102.4%
Ending balance	$ 48,020,805	$ 55,696,956	$ (7,676,151)	-13.8%

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Revenues – Total revenues decreased by approximately $169.5 million, or 55.3% during the fiscal year ended June 30, 2023, mainly related to the following: a non-recurring transaction amounting to $193.5 million received from the Commonwealth in order to settle all rum tax claims during the fiscal year 2022, offset by an increase in federal grants received amounting to approximately $16.8 million in contrast to the fiscal year 2022, related to a Memo of Understanding (MOU) signed between the Department of Education (DOE), the Authority and the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF), an increase in investment earnings for $5.3 million, and a decrease in fair value on investment amounting to approximately $2.4 million.

Expenses – Total expenses decreased by approximately $13.2 million, or 8.6% during the fiscal year ended June 30, 2023, mainly related to a decrease on interest in long term debt amounting to $29 million and an increase in expenditures related to general government amounting to approximately $14.2 million, and an increase in education, aqueduct and sewers and transportation expenses amounting to $1.5 million.

On January 12, 2023, the PFC Qualifying Modification became effective, resulting in the discharge of the PFC Bonds and the Note by approximately $3.6 million in principal and $1.3 million in due interest, which resulted in an Extraordinary Gain amounting to $4.9 million.

4. GOVERNMENTAL FUNDS RESULTS

General Fund – Total assets in the general fund increased from approximately $167.8 million in fiscal year 2022 to approximately $243.7 million in fiscal year 2023, as a result of funds received from other governmental entities for the construction of projects and operations in the amount of approximately $73.3 million and a decrease in investment amounting to approximately $1.3 million as a result of the fair market value.

Total liabilities increased from approximately $124 million in fiscal year 2022 to approximately $211.6 million in fiscal year 2023 as a result of an increase in accounts payable and accrued liabilities amounting to approximately $57 million, and a increase in funds received from other governmental entities in the amount of approximately $30.6 million.

Revenues in the general fund increased from approximately $112.8 million in fiscal year 2022 to approximately $136.7 million in fiscal year 2023, mainly due to an increase in contribution of federal grants received amounting to approximately to $16.8 million. Expenses in the general fund increased from $123.9 million in fiscal year 2022 to approximately 138.8 million in fiscal year 2023, mainly due to the contribution of federal funds been expended amounting to approximately $129.1 million related to the MOU signed between the Authority, DOE and AAFAF for public schools improvements to be made.

Debt Service Fund – Total assets decreased from approximately $4,000 in fiscal year 2022 to approximately $0 in fiscal year 2023, due to the transfer of assets to the general fund amounting to $4 thousand.

Total liabilities decreased from approximately $2 million in fiscal year 2022 to $0 in fiscal year 2023 as a result of the execution of the PFC bond restructuring which eliminated $2 million of bonds which were due and payable.

5. CAPITAL ASSETS

Capital Assets

Non-depreciable capital assets represent construction work in progress, including land in which infrastructure projects are or will be developed. Depreciable assets include furniture and equipment, vehicles, buildings, and right to use lease assets. The following is a schedule of the Authority's capital assets balances:

	Total	
	2023	As Restated 2022
Land	$ 10,126,943	$ 10,126,943
Building	13,562,885	13,562,885
Right to use lease assets	208,595	208,595
Furniture and equipment	1,188,705	1,188,703
Vehicles	57,692	57,692
Total capital assets	25,144,820	25,144,818
Less accumulated depreciation and amortization	3,500,561	3,110,706
Capital assets - net	$ 21,644,259	$ 22,034,112

Governmental activities capital assets net decreased from approximately $22 million in fiscal year 2022 to approximately $21.6 million in fiscal year 2023. The decrease amounting to approximately $390 thousand is mainly related to the depreciation of assets during the fiscal year 2023.

6. CURRENTLY KNOWN FACTS

Authority Budget

The Commonwealth of Puerto Rico and the Financial Oversight and Management Board approved a budget amounting to approximately $3.1 million and $2.9 million for the fiscal year ended on June 30, 2023 and 2024.

7. REQUEST FOR INFORMATION

This financial report is designed to provide all interested with a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Puerto Rico Infrastructure Financing Authority, PO Box 41207, Minillas Station, San Juan, PR 00940.

Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Net Position
June 30, 2023

		Total
ASSETS:		
Cash and cash equivalents in commercial banks	$	47,263,025
Due from other governmental entities		4,363,327
Due from Commonwealth of Puerto Rico		165,099
Prepaid expenses and other assets		1,829,585
Other		2,612
Restricted assets:		
Cash and cash equivalents in commercial banks		178,502,933
Accrued interest receivable		382,495
Investments in debt securities		13,036,632
Capital assets, net:		
Non-depreciable:		
Land		10,126,943
Depreciable assets, net		11,517,316
Total assets		267,189,967
DEFERRED OUTFLOWS OF RESOURCES:		
Pension related		1,748,930
Total deferred outflows of resources		1,748,930
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION:		
LIABILITIES:		
Accounts payable and accrued expenses		114,795,837
Advances received from other governmental entities		96,753,572
Liabilities due in one year:		
Lease liability		41,507
Accrued legal expenses		2,334,802
Compensated absences		68,578
Total pension liability		174,782
Liabilities due in more than one year:		
Lease liability		88,289
Accrued legal expenses		1,646,975
Compensated absences		152,910
Total pension liability		4,403,586
Total liabilities		220,460,838
DEFERRED INFLOW OF RESOURCES:		
Pension related		457,254
Total deferred inflow of resources		457,254
NET POSITION:		
Net investment in capital assets		21,644,259
Restricted for:		
Capital Project		81,749,361
Unrestricted		(55,372,815)
TOTAL NET POSITION	$	48,020,805

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

Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Activities
For the Fiscal Year Ended June 30, 2023

Functions / Programs	Expenses	Program Revenues: Operating Grants and Contributions	Program Revenues: Charges for Services	Net (expense) / revenue and changes in net position: Governmental Activities
GOVERNMENTAL ACTIVITIES:				
General government	$ 132,041,331	$ 131,833,159	$ 132,449	$ (75,723)
Education, aqueduct and sewers and transportation	4,213,225	-	-	(4,213,225)
Edifications	2,678,007	-	-	(2,678,007)
Total governmental activities	$ 138,932,563	$ 131,833,159	$ 132,449	$ (6,966,955)
GENERAL REVENUES (EXPENSES):				
Change in fair value in investments				(1,346,889)
Investment earnings				6,168,618
Total general revenues				4,821,729
SPECIAL ITEM:				
Contribution to the Puerto Rico Ports Authority				(10,428,453)
EXTRAORDINARY GAIN:				
Extraordinary gain - Extinguishment of Debt				4,897,527
CHANGE IN NET POSITION				(7,676,152)
NET POSITION - Beginning of year, as restated				55,696,957
NET POSITION - End of year				$ 48,020,805

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

Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Balance Sheet-Governmental Funds
June 30, 2023

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents in commercial banks	$ 47,263,025	$ -	$ 47,263,025
Due from other governmental entities	4,363,327	-	4,363,327
Due from Commonwealth of Puerto Rico	165,099	-	165,099
Due from other fund	-	-	-
Other	2,614	-	2,614
Restricted assets:			
Cash and cash equivalents in commercial banks	178,502,933	-	178,502,933
Accrued interest receivable	382,495	-	382,495
Investments	13,036,633	-	13,036,633
	$ 243,716,126	$ -	$ 243,716,126
LIABILITIES:			
Accounts payable and accrued liabilities	$ 114,795,839	$ -	$ 114,795,839
Advances received	96,753,572	-	96,753,572
Due to other funds	-	-	-
Total liabilities	211,549,411	-	211,549,411
FUND BALANCES:			
Restricted for Capital Projects	81,749,361	-	81,749,361
Unassigned	(49,582,646)	-	(49,582,646)
Total fund balances	32,166,715	-	32,166,715
	$ 243,716,126	$ -	$ 243,716,126

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

Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Reconciliation of the Balance Sheet to the Statement of Net Position
Fiscal Year Ended June 30, 2023

FUND BALANCES - GOVERNMENTAL FUNDS		$ 32,166,715
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These amounts are:		
Non-depreciable capital assets	$ 10,126,942	
Depreciable capital assets, net	11,517,316	21,644,258
Prepaid expenses are not available to pay current period expenditures and, therefore, are not deferred in the funds		1,829,585
Deferred outflows of resources are not available to pay current period expenditures and, therefore, are not deferred in the funds		
Pension related		1,748,930
Deferred inflows of resources are not reported in the funds		
Pension related		(457,254)
Liabilities, including bonds payable, loans payable, net pension liability, and accrued interest payable are not due and payable currently and, therefore, are not reported in the funds		
Lease liability	(129,796)	
Total pension liability	(4,578,368)	
Accrued legal expenses	(3,981,777)	
Compensated absences	(221,488)	(8,911,429)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 48,020,805

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

Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2023

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES:			
Intergovernmental revenues:			
Contributions from Commonwealth of Puerto Rico	$ 2,670,697	$ 54,336	$ 2,725,033
Contributions from Federal Funds	129,108,126	-	129,108,126
Interest and investment income:			
Interest bearing demand deposits	6,168,601	17	6,168,618
Change in fair value in investments	(1,346,889)	-	(1,346,889)
Other	132,449	-	132,449
Total revenues	136,732,984	54,353	136,787,337
EXPENDITURES:			
Current:			
General government	131,084,883	-	131,084,883
Education, aqueduct and sewers and transportation	4,213,225	-	4,213,225
Edifications	2,678,007	-	2,678,007
Total expenditures	137,976,115	-	137,976,115
REVENUES OVER (UNDER) EXPENDITURES	(1,243,131)	54,353	(1,188,778)
OTHER FINANCING SOURCES:			
Transfers in	4,348	-	4,348
Transfers out	-	(4,348)	(4,348)
Total other financing sources	4,348	(4,348)	-
BEFORE SPECIAL AND EXTRAORDINARY ITEMS	(1,238,783)	50,005	(1,188,778)
SPECIAL ITEM:			
Contribution to Puerto Rico Ports Authority	(10,428,453)	-	(10,428,453)
EXTRAORDINARY GAIN OR LOSS:			
Extraordinary gain - Extinguishment of Debt	-	1,937,507	1,937,507
NET CHANGES IN FUND BALANCES	(11,667,236)	1,987,512	(9,679,724)
FUND BALANCES - beginning of year	43,833,951	(1,987,512)	41,846,439
FUND BALANCES - end of year	$ 32,166,715	$ -	$ 32,166,715

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

Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance – Governmental Funds to the Statement of Activities
Fiscal Year Ended June 30, 2023

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS			$	(9,679,724)
Amounts reported for governmental activities in the statement of activities are different because:				
Governmental funds report 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. This is the amount by which capital outlays exceeded depreciation in the current period. For the year these amounts are:				
Depreciation expense	$	(389,854)		(389,854)
Governmental funds report intangible right-to-use leased asset as expenditures and other financing sources but as they do not require the use or provide current financial resources, they are not reported as expenses or revenues in the statement of activities. However, in the statement of activities, this intangible asset is required to be amortized over its estimated useful life and reported as amortization expense, and consistent with the lease liability treatment				39,843
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 funds. These amounts include:				
Long term debt	$	2,960,020		
Insurance expense		1,829,585		
Total pension liability		(1,522,157)		
Accrued expenses		(3,445)		
Pension expense		886,875		
Legal reserve expense		(1,797,295)		2,353,583
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES			$	(7,676,152)

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

1. REPORTING ENTITY

The Puerto Rico Infrastructure Financing Authority (the Authority or PRIFA) is a Component Unit of the Commonwealth of Puerto Rico (the Commonwealth) created by Act No. 44 of June 21, 1988, as amended (Act No. 44), and an affiliate of the Government Development Bank for Puerto Rico (GDB), another Component Unit of the Commonwealth. On March 23, 2018, GDB ceased its operations, and it is currently winding down its operations in an orderly fashion under Title VI of PROMESA. The Authority was organized to provide financial, administrative, and other types of assistance to public corporations, municipalities, and other governmental instrumentalities or political subdivisions of the Commonwealth that develop and operate infrastructure facilities. The accompanying financial statements present the net position and results of operations of the entity as a whole and by major funds that are governed by the Authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Authority conform to accounting principles generally accepted in the United States of America (US GAAP) for governments, as prescribed by the Governmental Accounting Standard Board (GASB).

The preparation of financial statements in conformity with US 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 financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

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

Government-Wide Financial Statements – The statement of net position and the statement of activities report information on all activities of the Authority. The effect of interfund balances has been removed from the government-wide statement of net position. Interfund charges for services among functions of the government-wide statement of activities have not been eliminated. Governmental activities generally are financed through intergovernmental revenue.

The statement of net position presents the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

- *Net Investment in Capital Assets* – This component of net position consists of capital assets, net of accumulated depreciation and amortization and is reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets, if any. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at year end, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of this component of net position. Rather, that portion of the debt or deferred inflows of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.

- *Restricted* – This component of net position consists of restricted assets and deferred outflows of resources reduced by related liabilities and deferred inflows of resources. Generally, a liability relates to restricted assets if the assets result from a resource flow that also results in the recognition of a liability or if a liability will be liquidated with the restricted assets reported. Restricted net assets result when constraints are placed on the use of net assets, either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted* – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. When both restricted and unrestricted resources are available for use, it is the Company's policy to use restricted resources first and the unrestricted resources when they are needed.

The statement of activities demonstrates the degree to which the expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Certain indirect costs have been allocated and are reported as direct program expenses of individual functions or programs. Program revenues include: (1) interest and investment income, including the changes in the fair value of investments; (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function; and (3) certain charges for services to customers that purchase, use or directly benefit from services given by a particular function. Other items not meeting the definition of program revenues are instead reported as general revenue.

Governmental Funds Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All funds of the Authority are considered major funds.

Governmental Funds

Governmental funds focusses 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 funds:

- ***General Fund*** – The General Fund is the general operating fund of the Authority that is used to account for all financial resources, except those required to be accounted for in another fund.

- ***Debt Service Fund*** – The Debt Service Fund accounts for the accumulation of resources for payment of interest and principal on long-term obligations.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

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

Governmental Funds Financial Statements – The governmental funds' financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues available if they are collected within 60 days after the end of the current fiscal year. Other revenues are considered measurable and available only when cash is received by the Authority. Expenditures generally are recorded when a liability is incurred. However, principal and interest on long term debt, loans and notes payable are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt, notes and loans and acquisitions under capital leases are reported as other financing sources.

Cash Equivalents – Cash equivalents are defined as highly liquid investments with original maturities at the date of purchase of 90 days or less.

Investments – To the extent available, the Authority's investments, except for money market investments, which use a cost base measure, are recorded at fair value as of June 30, 2023, following 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.

Accounts Receivable – Accounts receivable are stated net of estimated allowances 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 and revenue is recognized when received. 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.

Restricted Assets – Certain resources are set aside for construction of capital projects and other purposes. All of these assets are classified as restricted assets on the accompanying statement of net position and governmental funds balance sheet because these resources are limited for these purposes by applicable agreements.

Capital Assets – Capital assets include land, construction in progress, buildings, furniture and equipment, vehicles, and building improvements. The threshold for capitalizing furniture and equipment, vehicles, and building improvements is $750. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are recorded at cost or estimated historical cost. Contributed assets are recorded at estimated fair value at the time received. Capital assets and related depreciation are recognized in the government-wide financial statements. Depreciation is determined using the straight-line method over the related asset's estimated useful lives. There is no depreciation recorded for land and construction in progress. In governmental funds financial statements, capital assets are recorded as expenditures, and no depreciation is recognized.

The ranges of the useful lives are as follows:

Description	Years
Building	40
Building improvements	15
Furniture and equipment	3-5
Vehicles	3-5

The costs of normal maintenance and repairs that do not add value to the asset or materially extend assets' lives are expensed.

Capital assets are evaluated for impairment, using the guidance provided by GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. Under this statement, governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of capital assets 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 capital assets, and construction stoppage, among others. The Authority's management determined that there were no impairment losses for the year ended June 30, 2023.

Leases

The Authority follows Governmental Accounting Standard Board Statement (GASB) 87, which required an assessment of all lease contracts. The Authority assesses whether a contract is or contains a lease, at inception of the contract. The Authority recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee. Lease liabilities include the net present value of fixed payments. The lease payments are discounted using the interest implicit rate in the lease which is 4.10%.

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

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

Deferred Outflows/Inflows of Resources – In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses) until then. The Authority has two items that qualify for reporting in this category in the government-wide Statement of Net Position: (i) the deferred amount on refunding debt, and (ii) certain pension-related items. In relation to the pension related items, which are related with the GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68,* the changes in proportional share of contributions and differences between expected and actual experience are capitalized and recognized over a period equal to the expected remaining working lifetime of active and inactive participants. Net differences between projected and actual earnings on pension plan investments are deferred and recognized over a five-year period. Pension contributions made subsequent to the measurement date will be recognized as a reduction of the total pension liability after the next measurement date according to the requirements of GASB Statement No. 71. There were no deferred outflows of resources at the governmental funds level.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category in the government-wide Statement of Net Position, which is related to certain pension-related items (GASB Statement No. 73).

Changes in proportional share of contributions, differences between expected and actual experience, and changes in actuarial assumptions, are deferred and recognized over a period equal to the expected remaining working lifetime of active and inactive participants. Net differences between projected and actual earnings on pension plan investments is deferred and recognized over a five-year period. There were no deferred inflows of resources at the governmental funds level.

Compensated Absences – Based on the provisions of Act No. 26 of April 29, 2017, known as the Fiscal Plan Compliance Act (Act No. 26-2017), employees earn vacation benefits at a rate of 15 days per year, with 60 days as the maximum permissible accumulation at the end of any natural year. The Authority records as a liability and as expense the vested accumulated vacation benefits accrued to employees, as provided by Act No. 26-2017. No accrual is recognized as related to sick leave.

Interfund Transactions – The Authority has the following types of interfund transactions:

- **Loans** – Represent amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e., due from other funds) in lender fund and interfund payables (i.e., due to other funds) in borrower funds. Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by the non-spendable fund balance, which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.
- **Reimbursements** – Represent repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

- **Transfers** – Represent flow of assets (such as cash or goods) without equivalent flow of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the fund making transfers and as other financing sources in the funds receiving transfers.

Fund Balance – Fund balances for each governmental fund are displayed into the following classifications, when applicable, depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- **Non-spendable** – Amounts that cannot be spent because they are legally or contractually required to be maintained intact.
- **Restricted** – Amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation. Effectively, restrictions may be changed or lifted only with the consent of the resource providers.
- **Committed** – Amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority.
- **Assigned** – Amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
- **Unassigned** – Represent the residual classification for the general funds, and includes all spendable amounts not contained in the other classifications. In the other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which the amounts have been restricted.

For classification of governmental fund balances, the Authority considers expenditures to be made from restricted resources first, then in the following order: committed, assigned, and unassigned resources.

The Authority has no non-spendable, committed or fund balances assigned.

Risk Management – The Authority is responsible for assuring that the Authority's property is properly insured. Annually, the Authority evaluates the information regarding all property owned and the respective replacement values, and purchases property and casualty insurance policies. Insurance coverage for fiscal year 2023 remained similar to those of prior years. For the last five years, insurance settlements have not exceeded the amount of coverage.

Accounting for Pension Cost - As further disclosed in Note 17 effective July 1, 2017, a new "pay-as-you-go" (PayGo) system was enacted into law by Act No. 106 of 2017 (Act 106-2017), significantly reforming the defined benefit plan (the Plan) of the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (ERS). Under the PayGo system, employers' contributions and other contributions ordered by special laws were all eliminated and substantially all the assets of the Plan were liquidated, and its proceeds transferred to the Commonwealth's General Fund for payment of pension benefits; therefore, since the enactment of Act 106-2017, the Commonwealth's General Fund makes direct payments to the pensioners and is then reimbursed for those payments by the participating employers.

As a result of the implementation of the PayGo system, the Plan no longer met the criteria of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27 (*GASB Statement 68) to be considered a plan that is administered through a trust or equivalent arrangement, and therefore, it was necessary to start applying the guidance of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No 68, and amendments of Certain Provisions of GASB Statements No. 67 and 68* (GASB Statement 73). Statement No. 73 maintains the "accrual basis" model under Statement 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, accordingly. Further details on the accounting for pension costs are disclosed in Note 17.

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

ERS elected to use July 1 of each fiscal year as the measurement date for financial information. Based on this election, the June 30, 2022 actuarial measurement data was used for the pension benefits financial reporting recognition as of and for the fiscal year ended June 30, 2023.

The Authority's pension activity for the fiscal year ended June 30, 2023 amounted to a pension expense of approximately $635 thousand and the Total Pension Liability as of June 30, 2023 amounted to approximately $4.6 million. See Note 17 for further required disclosures related to the Authority's pension obligations.

Accounting for Postemployment Benefit Costs other than Pensions - The Authority accounts for postemployment benefit costs other than pensions (OPEB) under the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, as amended by GASB Statement No. 85, Omnibus 2017, which also requires additional reporting and disclosures for OPEB benefits provided through the ERS sponsored Medical Insurance Plan Contribution (ERS MIPC). GASB Statement No. 75 requires a liability for OPEB obligations, known as the Net OPEB Liability (Total OPEB Liability for unfunded plans), to be recognized on the balance sheets of participating employers. Changes in the Net OPEB Liability (Total OPEB Liability for unfunded plans) are immediately recognized as OPEB expenses.

GASB Statement No. 75 employs an "accrual basis" model, where the total OPEB obligation (actuarially determined) is compared to the plan net position and the difference represents the Net OPEB Liability (Total OPEB Liability for unfunded plans). Further details on the accounting for OPEB costs are disclosed in Note 17.

The Central Government and its component units are considered to be one employer. Other employers also participate in the ERS OPEB Plan. Because certain employers that are component units of the Commonwealth, such as the Authority, prepare individual financial statements, a proportionate share or OPEB expense is determined for these employers. Statement No. 75 requires that 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.

Because all participants in the ERS OPEB plan are inactive, there are no deferred inflows and outflows as any changes due to changes in actuarial assumptions or economic or demographic gains and losses are recognized immediately during the measurement year.

Termination Benefits – The Authority accounts for termination benefits in accordance with GASB Statement No. 47, *Accounting for Termination Benefits*. Pursuant to the provisions of GASB Statement No. 47, in financial statements prepared on the accrual basis of accounting, employers should recognize a liability and expense for voluntary termination benefits (for example, early retirement incentives) when the offer is accepted, and the amount can be estimated. A liability and expense for involuntary termination benefits (for example, severance benefits) should be recognized in the government-wide financial statements when: (i) a plan of termination has been approved by those with the authority to commit the government to the plan, (ii) the plan has been communicated to the employees, and (iii) the amount can be estimated. In financial statements prepared on the modified accrual basis of accounting, liabilities and expenditures for termination benefits should be recognized to the extent the liabilities are normally expected to be liquidated with expendable available financial resources.

***Recently Adopted accounting pronouncements* -** Governmental Accounting Standard Board (GASB) issued the following accounting pronouncement which was adopted by the Authority during the fiscal year ended on June 30, 2023:

- **GASB Statement No. 91, *Conduit Debt Obligations*.** The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (i) commitments extended by issuers, (ii) arrangements associated with conduit debt obligations, and (iii) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

  This Statement also addresses arrangements - often characterized as leases - that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021, as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance,* which allowed for a one-year postponement of its effective date. Management evaluated this accounting pronouncement and concluded that is not applicable to the Authority.

- **GASB Statement No. 94**, ***Public Private and Public-Public Partnership and Availability Payment Arrangement***. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

  Some PPPs meet the definition of a service concession arrangement (SCA): (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Management evaluated this accounting pronouncement and concluded that is not applicable to the Authority.

- **GASB Statement No. 96**, ***Subscription-Based Information Technology Arrangements***. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended.

  Management the SBITA agreements of the Authority and have determined that due to the short term nature of the agreements, GASB 96 is not applicable.

- **GASB Statement No. 99, *Omnibus 2022***. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

  The requirements of this Statement are effective as follows:

  - The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.

  - The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

  - The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

- Management evaluated this accounting pronouncement and concluded that is not applicable to the Authority.

Future accounting pronouncements – GASB has issued the following accounting pronouncements that have effective dates after June 30, 2023:

- **GASB Statement No. 100, *Accounting Changes and Error Corrections***. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

  This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change.

  That preference should be based on the qualitative characteristics of financial reporting understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

  This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period.

The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

- **GASB Statement No 101, *Compensated Absences*.** The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

  The 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. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

  With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

  The requirements of this Statement are effective for fiscal years beginning after December 15, 2023 (FY 2024-2025), and all reporting periods thereafter. Earlier application is encouraged.

- **GASB Statement No. 102, Certain Risk Disclosures.** State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

  This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending.

  This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:

  The concentration or constraint:

  Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements.

  Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

  The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

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

3. PUERTO RICO OVERSIGHT, MANAGEMENT, AND ECONOMIC STABILITY ACT (PROMESA)

On June 30, 2016, the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) was signed into law to address the economic and fiscal crisis facing the Commonwealth and many of its component units. During the fiscal years subsequent to June 30, 2016, the Commonwealth and eight other governmental entities have initiated proceedings at the request of the Governor under either Title III or Title VI of PROMESA to restructure or adjust their existing debt. On March 15, 2022, the Commonwealth Plan of Adjustment became effective, thereby significantly reducing the Commonwealth's debt levels and ending the Island's fiscal crisis.
(i) PROMESA

In general terms, PROMESA seeks to provide the Commonwealth and its instrumentalities with fiscal and economic discipline through, among other things: (i) the establishment of the Financial Oversight and Management Board for Puerto Rico (the Oversight Board), whose responsibilities include the certification of fiscal plans and budgets for the Commonwealth and other instrumentalities and its related entities; (ii) a temporary stay of all creditor lawsuits under Title IV of PROMESA; and (iii) two alternative methods to adjust unsustainable debt: (a) a voluntary debt modification process under Title VI of PROMESA, which establishes a largely out-of-court debt restructuring process through which modifications to financial debt can be accepted by a supermajority of creditors; and (b) a quasi-bankruptcy proceeding under Title III of PROMESA, which establishes an in-court debt restructuring process substantially based upon incorporated provisions of Title 11 of the United States Code (the U.S. Bankruptcy Code). Each of these elements are divided among PROMESA's seven titles, as briefly discussed below.

(a) Title I – Establishment of Oversight Board and Administrative Matters

Upon PROMESA's enactment, the Oversight Board was established for Puerto Rico. As stated in PROMESA, "the purpose of the Oversight Board is to provide a method for a covered territory to achieve fiscal responsibility and access to the capital markets." On August 31, 2016, the President of the United States announced the appointment of the Oversight Board members (some of whom have been replaced with new members in the interim).

Each Oversight Board member is required to have "knowledge and expertise in finance, municipal bond markets, management, law, or the organization or operation of business or government."

The Oversight Board was "created as an entity within the territorial government for which it was established" and is expressly not an entity of the federal government, but it was also established to act independently from the Commonwealth government, such that neither the Governor nor the Legislature may "(1) exercise any control, supervision, oversight, or review over the Oversight Board or its activities; or (2) enact, implement, or enforce any statute, resolution, policy, or rule that would impair or defeat the purposes of PROMESA, as determined by the Oversight Board."

(b) *Title II – Fiscal Plan and Budget Certification Process and Compliance*

Title II sets forth the requirements for proposing and certifying fiscal plans and budgets for the Commonwealth and its instrumentalities. "Each fiscal plan serves as the cornerstone for structural reforms the Oversight Board deems necessary to ensure the territory, or instrumentality, will be on a path towards fiscal responsibility and access to capital markets."

Only after the Oversight Board has certified a fiscal plan may the Governor submit a fiscal year Commonwealth budget and fiscal year budgets for certain Commonwealth instrumentalities (as approved by the Oversight Board) to the Legislature.

In furtherance of the foregoing duties, PROMESA contains a provision that grants the Oversight Board powers to monitor compliance with certified fiscal plans and budgets and undertake certain actions, including spending reductions and the submission of recommended actions to the Governor that promote budgetary compliance. Please refer to the language of PROMESA for a complete description of the Oversight Board's powers related to fiscal plan and budgetary compliance. In addition, the United States Court of Appeals for the First Circuit has issued certain rulings regarding the interpretation of the Oversight Board's powers under PROMESA sections 204(a) and 108(a) that apply administrative law principles to statutes passed by the Commonwealth and certified as not significantly inconsistent with a Board-certified fiscal plan.

(c) Title III – In-Court Restructuring Process

Title III of PROMESA establishes an in-court process for restructuring the debts of Puerto Rico and other United States territories that is modeled after the process under Chapter 9 of the U.S. Bankruptcy Code.

The Oversight Board has sole authority to file a voluntary petition seeking protection under Title III of PROMESA, subject to the prerequisites therein.

In a Title III case, the Oversight Board acts as the debtor's representative and is authorized to take any actions necessary to prosecute the Title III case. Immediately upon filing the Title III petition, Bankruptcy Code section 362 (which is incorporated into Title III cases under PROMESA) applies to automatically stay substantially all litigation against the debtor (the Title III Stay). A Title III case culminates in the confirmation of a plan of adjustment of the debts of the debtor. The Oversight Board has the exclusive authority to file and modify a plan of adjustment prior to confirmation. Title III plans of adjustment have been confirmed and are currently effective for the Commonwealth, ERS, PBA, and COFINA, and a Title III plan of adjustment for HTA has been confirmed and is expected to become effective in December 2022.

(d) Title IV – Temporary Stay of Litigation, Government Reporting, and Other Miscellaneous Provisions

Title IV of PROMESA contains several miscellaneous provisions, including a temporary stay of litigation related to "Liability Claims," relief from certain wage and hour laws, the establishment of a Congressional Task Force on Economic Growth in Puerto Rico (the Task Force), the requirement that the Comptroller General of the United States submit two reports to Congress regarding the public debt levels of the U.S. territories, and expansion of the federal government's small business HUBZone program in Puerto Rico.

Pursuant to PROMESA section 405, the enactment of PROMESA immediately and automatically imposed a temporary stay (the Title IV Stay) from June 30, 2016 (the date of PROMESA's enactment), through February 15, 2017, of all "Liability Claim" litigation commenced against the Commonwealth and its instrumentalities after December 18, 2015.

A "Liability Claim" is defined as any right to payment or equitable remedy for breach of performance related to "a bond, loan, letter of credit, other borrowing title, obligation of insurance, or other financial indebtedness for borrowed money, including rights, entitlements, or obligations whether such rights entitlements, or obligations arise from contract, statute, or any other source of law related [thereto]" for which the Commonwealth or one of its instrumentalities was the issuer, obligor, or guarantor and such liabilities were incurred prior to June 30, 2016. The Title IV Stay was subject to a one-time 75-day extension by the Oversight Board or a one-time 60-day extension by the United States District Court. On January 28, 2017, the Oversight Board extended the Title IV Stay by 75 days to May 1, 2017, at which time the Title IV Stay expired.

Title IV of PROMESA also required several federal government reports. First, PROMESA established the Task Force within the legislative branch of the U.S. federal government. The Task Force submitted its report to Congress on December 20, 2016.

Second, PROMESA required the U.S. Comptroller General, through the Government Accountability Office (GAO), to submit a report to the House and Senate by December 30, 2017, regarding: (i) the conditions that led to Puerto Rico's current level of debt; (ii) how government actions improved or impaired its financial condition; and (iii) recommendations on new fiscal actions or policies that the Commonwealth could adopt. The GAO published this report on May 9, 2018.

Third, PROMESA required the U.S. Comptroller General, through the GAO, to submit to Congress by June 30, 2017, a report on public debt of the U.S. territories. In addition to its initial report, the GAO must submit to Congress updated reports on the public debt at least once every two years. The GAO published its initial report on October 2, 2017. On June 30, 2022, the GAO published its latest biannual report on the public debt of the U.S. territories.

(e) Title V – Infrastructure Revitalization

Title V of PROMESA establishes the position of Revitalization Coordinator under the Oversight Board and provides a framework for infrastructure revitalization through an expedited permitting process for "critical projects" as identified by the Revitalization Coordinator.

(f) Title VI – Consensual, Out-of-Court Debt Modification Process

Title VI of PROMESA establishes an out-of-court process for modifying Puerto Rico's debts. Under PROMESA section 601(d), the Oversight Board is authorized to establish "pools" of bonds issued by each Puerto Rico government related issuer based upon relative priorities. After establishing the pools, the government issuer or any bondholder or bondholder group may propose a modification to one or more series of the government issuer's bonds. If a voluntary agreement exists, the Oversight Board must issue a certification and execute a number of additional processes in order to qualify the modification.

The United States District Court for the District of Puerto Rico must enter an order approving the Qualifying Modification and vesting in the issuer all property free and clear of claims in respect of any bonds.

The Title VI process was successfully implemented to restructure the debts of Government Development Bank, the Authority and Puerto Rico Convention Center District Authority, as discussed further below.

(g) Title VII – Sense of Congress

Title VII of PROMESA sets forth the sense of Congress that "any durable solution for Puerto Rico's fiscal and economic crisis should include permanent, pro-growth fiscal reforms that feature, among other elements, a free flow of capital between territories of the United States and the rest of the United States".

Public Finance Corporation (PFC) Qualifying Modification

On January 20, 2022, the Fiscal Agency and Financial Advisory Authority (FAFAA), on behalf of PFC, entered into a Restructuring Support Agreement (the PFC RSA) with holders of a majority of those certain Series 2011A, Series 2011B, and Series 2012A Commonwealth Appropriation Bonds (the PFC Bonds). The PFC RSA provides for a restructuring and discharge of the PFC Bonds under a Title VI Qualifying Modification (the PFC Qualifying Modification). The PFC Qualifying Modification further provides that those promissory notes that were issued to the order of PFC by certain Commonwealth instrumentalities for the repayment of the PFC Bonds will be cancelled and extinguished and such entities will be discharged from any liability arising from or related to such promissory notes.

On October 25, 2022, FAFAA, on behalf of PFC, filed a first amendment to the PFC RSA. The amendment contemplates that upon consummation of the Qualifying Modification participating bondholders would receive the PFC distribution made up of $13.8 million in cash ($12.5 million from the Commonwealth and $1.3 million from PFC) and $47.7 million in face amount of GDB Debt Recovery Authority's Bonds (DRA bonds), to the extent issued, minus the PFC bond trustee's fees. The issuance of the DRA bonds is uncertain and may or may not occur in whole, in part, or at all.

On December 30, 2022, the District Court entered an order approving the PFC Qualifying Modification. The PFC Qualifying Modification became effective on January 12, 2023. As a result of the PFC Qualifying Modification, the PFC Bonds were discharged and extinguished for the payment of $13.8 million in cash ($12.3 million from the Commonwealth and $1.5 from PFC). Litigation remains ongoing as to whether the bondholders are also entitled to the $47.7 million in DRA Bonds. Oral argument on that issue took place on May 10, 2022 and the Court's decision remains pending at this time. The outcome of that litigation does not otherwise impact the effectiveness of the Qualifying Modification and the discharge of the PFC Bonds.

4. FINANCIAL DEPENDENCY

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

5. Correction of an Error

During 2023, the Authority identified projects that were capitalized as part of the construction work in progress, but the ownership of the capital assets belongs to other entities of the Commonwealth of Puerto Rico. As a result, such projects were erroneously capitalized.

The following tables summarize these changes to net position at the beginning of the year, as previously reported:

Government-Wide Financial Statements

Description	Governmental Activities
Net position - July 1 2022, as previously reported	$ 65,947,894
Overstatement of Capital Assets	(10,250,937)
Net position - July 1, 2022, as restated	$ 55,696,957

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6. CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that, in the event of bank failure, the Authority's deposits might not be recovered. However, the Commonwealth requires that public funds deposited in commercial banks in Puerto Rico must be fully collateralized for the amount deposited in excess of federal depository insurance.

As of June 30, 2023, the Authority's cash and cash equivalents are as follows:

	Cash and Cash Equivalents as of June 30, 2023	
Description	Book Balance	Bank Balance
Unrestricted:		
Cash in commercial banks	$ 47,263,025	$ 47,233,486
Restricted:		
Cash in commercial banks	178,502,933	178,725,104
	$ 225,765,958	$ 225,958,590

Restricted Funds amounting to approximately $178.5 million relate to construction of projects for governmental agencies or municipalities.

7. PUBLIC ENTITY TRUST CLAIM RECEIVABLE

On November 29, 2018, GDB completed a restructuring of certain of its indebtedness pursuant to a Qualifying Modification under Title VI of PROMESA (the GDB Qualifying Modification). Under the GDB Qualifying Modification, holders of certain bond and deposit claims exchanged their claims for bonds issued by a newly created public instrumentality, the GDB Debt Recovery Authority, and GDB transferred to such entity its municipal loan portfolio, a portion of its public entity loan portfolio, its real estate assets, and its unencumbered cash. In addition, pursuant to Act No. 109 of 2017, also known as the Government Development Bank for Puerto Rico Debt Restructuring Act (the GDB Restructuring Act), the balance of liabilities owed between the Commonwealth and its agents, instrumentalities and affiliates, including the Agency (each a Non-Municipal Government Entity) and GDB were determined by applying the outstanding balance of any deposits held at GDB in a Non-Municipal Government Entity's name against the outstanding balance of any loan of such Non-Municipal Government Entity owed to GDB or of any bond or note of such Non-municipal Government Entity held by GDB as of such date.

Those Non-Municipal Government Entities having net claims against GDB after giving effect to the foregoing adjustment, including the Authority, received their pro rata share of interests in a newly formed trust created by the GDB Restructuring Act, the Public Entity Trust (the PET). The interest received against the PET was deemed to be in full satisfaction of any and all claims the Authority may have against GDB.

As a result of the execution of the GDB Qualifying Modification, the Authority received beneficial units of the PET amounting to $19 million in exchange for the deposits held at GDB.

The assets of the PET (the PET Assets) consist of, among other items, an unsecured claim of $578 million against the Commonwealth, which is the subject of a proof of claim filed in the Commonwealth's Title III case (the PET Claim). The Oversight Board objected to the PET Claim and the claim objection remains outstanding at this time. Non-municipal government Entities' recoveries on account of their interests in the PET will depend upon the recovery ultimately received by the PET on account of the PET Assets. As of the date hereof, the Court has not determined if the PET Claim is an allowed claim that will be entitled to a distribution. As a result, units received from the PET were accounted for with a carrying value of zero:

Description	Balance as of June 30, 2023	Allowance of Doubtful Accounts	Book Balance
PET Claim balance	$ 19,010,794	$ (19,010,794)	$ -

8. INVESTMENTS

In accordance with investment guidelines promulgated under Act No. 113 of August 3,1995, and Executive Order 1995-50A (the Investment Guidelines), the Authority is authorized to purchase or enter into the following investment instruments:

- U.S. Government and agencies obligations
- Certificates of deposit
- Bankers' acceptances
- Commercial paper
- Participations in the Puerto Rico Government Investment Trust Fund
- Obligations of the Commonwealth of Puerto Rico, its agencies, municipalities, public corporations, and instrumentalities
- Obligations of state and local governments of the United States of America
- Mortgage and asset-backed securities
- Corporate debt

The Investment Guidelines also establish other limitations and guidelines. Investments related to bond issuances are purchased in accordance with the related bond indenture.

Fair value of investments based on the hierarchy of inputs are determined as follows:

Description	Fair Value
Investments by Fair Value Level	
Debt Securities:	
Puerto Rico Sales Tax Financing Corporation Revenue Bonds	$ 13,036,633

Based on concentrations of credit risk, investment by type in any one issuer representing 5% or more of total investments have been separately disclosed. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

The credit quality ratings for investments as of June 30, 2023, are as follows:

	Credit Risk Rating	
Counterparty	Standard & Poor's	Moody's
Puerto Rico Sales Tax Financing Corporations Revenue's Bonds	N/R	N/R

9. MEPSI CENTER

On April 6, 2006, the Authority entered into a direct financing lease transaction resulting from the acquisition of certain medical facilities known as the MEPSI Center located in the Municipality of Bayamón. Concurrent with the transaction, the Authority assumed a loan payable to GDB for $34,225,725 and entered into a lease agreement (the Lease Agreement) with the Mental Health and Anti-Addiction Services Administration (MHAASA).
On October 24, 2007, the Authority issued $39,800,000 in Revenue Bonds, Series 2007 A, and $3,530,000 in Series 2007 B (collectively, the Series 2007 Bonds). The Series 2007 A Bonds were issued for the purpose of providing funds, together with other available funds, to repay the GDB loan related to the acquisition of the MEPSI Center. The Series 2007 B Bonds were issued for the purpose of providing funds to pay interest accrued on a loan due to GDB amounting to $3,305,780.

As part of the transaction, the Authority entered into a trust agreement with Banco Popular de Puerto Rico (the Trustee), pursuant to which the Lease Agreement was assigned to the Trustee and payments by MHAASA under the Lease Agreement were to be made directly to GDB to cover the principal and interest required on the Series 2007 Bonds. The Lease Agreement provides that payments will be for 30 years after the commencement of the Series 2007 Bond's term and the lease payments will be equal to the annual principal and interest required to repay the Series 2007 Bonds. MHAASA's annual budget appropriations from the Commonwealth of Puerto Rico and the payments by the sub lessors of MHAASA were assigned to the Trustee as security interest for the lease payments. MHAASA has the option to purchase the leased premises for $1 at the end of the lease term.

On November 16, 2021, the Authority completed an exchange of the Series 2007 A Bonds and such Bonds are no longer outstanding. Notwithstanding the discharge of the bonds, the lease agreement remains in effect. However, there are no rental payments due under the lease, as the lease payments were tied to principal and interest on the bonds. The Authority is in negotiations with MHAASA in order to enter into a new lease agreement for the fiscal year 2025.

10. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023, was as follows:

	As restated Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets:				
Nondepreciable:				
Land	$ 10,126,943	$ -	$ -	$ 10,126,943
Depreciable:				
Building	13,562,885	-	-	13,562,885
Furniture and equipment	1,188,705	-	-	1,188,705
Right-to-use lease asset	208,595	-	-	208,595
Vehicles	57,692	-	-	57,692
Total capital assets	25,144,820	-	-	25,144,820
Less: Accumulated depreciation				
Building	1,937,555	322,926	-	2,260,481
Furniture and equipment	1,073,741	25,209	-	1,098,950
Right-to-use lease asset	41,719	41,719	-	83,438
Vehicles	57,692	-	-	57,692
Total accumulated depreciation	3,110,707	389,854	-	3,500,561
Governmental activities capital assets, net	$ 22,034,113	$ (389,854)	$ -	$ 21,644,259
Total capital assets, net	$ 22,034,113	$ (389,854)	$ -	$ 21,644,259

The Authority issued certain bonds and notes, from which unspent proceeds were used to finance the construction of certain capital projects for the benefit of the Puerto Rico Aqueduct and Sewer Authority (PRASA), various municipalities of Puerto Rico, and other agencies and instrumentalities of the Commonwealth. These capital projects, including land acquired, are included as part of the Authority's capital assets until construction is completed and the conditions for transfers to the ultimate beneficiaries are met, at which time they are recorded as an expense in the statement of activities.

The general fund received legislative appropriations for the construction of various projects for other governmental entities which are presented as an advance from other governmental entities.

During the year ended June 30, 2023, the Authority used unspent proceeds for construction cost incurred for the benefit of other instrumentalities, which are presented as current expenditures in the accompanying statement of revenues, expenditures, and changes in fund balances — governmental funds, as follows:

Function/Programs	Amount
Education, aqueduct and sewers and transportation	$ 4,213,225
Edifications	2,678,007
General Government	3,724,959
	$ 10,616,191

11. INTANGIBLE RIGHT-TO-USE LEASED ASSET AND LEASE LIABILITY

PRIFA entered into an agreement with AAFAF for the rent of approximately 8,633 rentable square feet of office space, and 15 parking spaces in certain building identified as the Roberto Sánchez Vilella Government Center (Minillas Government Center). The agreement has a termination date of June 30, 2026, and either party can terminate the agreement upon 30 days advance notice. Other terms and conditions for maintenance, operation of office building, insurance, and other miscellaneous items apply and are covered under several articles of the contract. As of July 1, 2021, PRIFA 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. Under this GASB Statement, PRIFA, 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 adoption date. The right-to-use leased asset as of June 30, 2023, amounted to $125,157, net of accumulated amortization of $83,438.

The future minimum right-to-use lease obligations and the net present value of these minimum right-to-use lease payments as of June 30, 2023, were as follows:

Years Ending June 30,	Principal	Interest	Total Amount
2024	$ 41,507	$ 4,547	$ 46,054
2025	43,242	2,813	46,055
2026	45,048	1,007	46,055
Total	$ 129,797	$ 8,367	$ 138,164

Amortization and finance costs applicable to right-to-use leased asset and included within rent expense amounted to approximately $41,700 and $39,800, respectively, for the year ended June 30, 2023.

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12. DUE FROM COMMONWEALTH AND ADVANCES RECEIVED FROM OTHER GOVERNMENTAL ENTITIES

The following table presents a summary of the total amount due from Commonwealth and advances received from other governmental entities made by the Authority as of June 30, 2023:

Due from Commonwealth	Amount
Puerto Rico Department of Transportation and Public Works	$ 2,067,928
Puerto Rico Department of Health	984,367
Other Agencies	255,376
Total	3,307,671
Allowance for Doubtful Accounts	(3,307,671)
Net Value	$ -
Advances from Other Governmental Entities	
Commonwealth of Puerto Rico	$ 38,795,827
Puerto Rico Public Building Authority	4,290,938
Puerto Rico Public Private Partnership Authority	7,073,245
Municipalitiy of Vieques	2,000,000
Federal Emergency Management Agency	10,000,000
University of Puerto Rico Comprehensive Cancer Center	34,593,566
	$ 96,753,576

Due from the Puerto Rico Department of Transportation and Public Works amounting to approximately $2 million, is related to work performed in fiscal year 2008 to prevent floods.

Due from the Puerto Rico Department of Health amounting to $984,367 is related to improvements made to hospitals.

Due from other agencies is related to minor's projects performed to these agencies.

Management decided to make an allowance for doubtful accounts because the Commonwealth has not appropriated funds to those agencies to pay the Authority. However, the Authority will continue collections efforts to each agency.

ADVANCES

Advances received from the Commonwealth of Puerto Rico are related to $15.6 million of unspent funds for improvement to be made to schools. As of June 30, 2023, unspent funds amounted to approximately $15.6 million. Also, there are $23.2 million on unspent funds for the construction of a Hospital in the Municipality of Vieques for which additional funds were received from the Municipality amounting to $2 million and from the Federal Emergency Management Agency amounting to $10 million.

Advances received from the Puerto Rico Public Building Authority (PBA) are related to funds received in prior fiscal years for improvements to be made to school owned by PBA. As of June 30, 2023, unspent funds amount to approximately $4.3 million.

Advances received from the University of Puerto Rico Cancer Comprehensive Center are related to funds received for improvement of the main building. As of June 30, 2023, unspent funds amount to approximately $34.6 million.

In November 2018, the Authority entered into a Memo of Understanding with the Central Office for Recovery, Reconstruction and Resiliency (COR3), a program of the Puerto Rico Public Private Partnerships Authority, in which COR3 advanced approximately $17.7 million to the Authority to perform services related to private property debris removal. As of June 30, 2023, unspent funds for this program remain in the total amount of approximately $7.1 million.

13. INTERFUND BALANCES AND TRANSFERS

The summary of the transfers in/out as of June 30, 2023, is as follows:

Transfer Out	Transfer In	Purpose	Amount
Debt Service Fund	General Fund	Operational	$ 4,348

14. CHANGES IN LONG-TERM DEBT AND OTHER LIABILITIES

Long-term liability activity in the governmental activities for the fiscal year ended June 30, 2023, was as follows:

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year	Due in More than One Year
Loans payable:						
Principal	3,606,473	-	(3,606,473)	-	-	-
Net premiums	28,091	-	(28,091)	-	-	-
Other Liabilities:						
Compensated absences	218,043	3,445	-	221,488	68,578	152,910
Total pension liability	3,056,211	1,696,939	(174,782)	4,578,368	174,782	4,403,586
Accrued legal expenses	2,184,482	1,999,487	(202,192)	3,981,777	2,334,802	1,646,975
Lease liability	169,640	-	(39,844)	129,796	41,507	88,289
Total	$ 9,262,940	$ 3,699,871	$ (4,051,382)	$ 8,911,429	$ 2,619,669	$ 6,291,760

15. LOANS PAYABLE

Public Finance Corporation (PFC) Notes

On January 16, 2002, the Authority entered into a loan agreement (the Note) with PFC, a Component Unit of GDB. The Note was originally a loan granted by GDB (the Old Note), but which, pursuant to Act No. 164 of December 17, 2001, PFC acquired and restructured through the issuance of PFC Commonwealth Appropriation Bonds (the PFC Bonds). The PFC Bonds were issued under trust indenture agreements whereby PFC pledged the Old Note, along with other notes under Act No. 164, to certain trustees and created a first lien on the pledged revenue (consisting of annual Commonwealth appropriations earmarked to repay the Note).

During the fiscal year 2014, PFC refunded the PFC Bonds that were related to the Note, and therefore, the repayment terms were also modified by PFC for the proportionate portion attributable to the Authority. The note matures in June 2031. Interest only is payable through June 30, 2015. Afterwards, principal and interest installments are payable annually. Interest on the unpaid principal amount of the Note is equal to the applicable percentage of the aggregate interest payable on PFC Bonds. The applicable percentage is the percentage representing the proportion of the amount paid by PFC on the Note to the aggregate amount paid by PFC on all the notes acquired by PFC under Act No. 164. During the years ended June 30, 2017 through June 30, 2022, the Authority did not receive the Commonwealth's appropriations to pay the principal and interest due on the Note; as a result, the Authority was unable to pay in full the required debt payment service.

On January 12, 2023, the PFC Qualifying Modification became effective, resulting in the discharge of the PFC Bonds and the Note by approximately $3.6 million in principal and $1.3 million in due interest reported as an extraordinary gain.

16. CONDUIT DEBT OBLIGATION

In December 2011, the Authority issued $669,215,000 in Special Revenue Bonds (the PRPA Bonds), pursuant to a Loan and a Trust Agreement dated December 1, 2011, between the Authority and the Puerto Rico Ports Authority (PRPA), another component unit of the Commonwealth. The proceeds from the PRPA Bonds were lent to PRPA to refinance certain obligations, acquire real estate for airport and seaport facilities, provide working capital, finance certain operating and capital costs, and finance the cost of issuing the bonds. The PRPA bonds are limited obligations of the Authority and are payable solely from and secured by the revenues to be received under the Loan and Trust Agreement.

Under the terms of the Loan and Trust Agreement, PRPA was required to make loan payments sufficient to cover the payment of principal and interest due on the PRPA Bonds. The PRPA Bonds were also secured by two irrevocable, transferable direct pay letters of credit issued by GDB (the GDB Letters of Credit).

The Authority is not obligated in any manner for the repayment of the PRPA Bonds. Accordingly, the PRPA Bonds are not reported as liabilities in the basic financial statements of the issuing entity.

On May 16, 2017, the Trustee made a demand for payment under the GDB Letters of Credit in the amounts of approximately $9.4 million on account of interest due on the PRPA Bonds and $190.6 million on account of principal due on the PRPA Bonds as a result of the acceleration of the PRPA Bonds.

The Trustee's claim was thereafter treated as a Participating Bond Claim in the GDB Qualifying Modification and the Trustee, on behalf of the PRPA Bondholders. As such, PRPA Bondholders received new bonds issued by the DRA with a value of approximately $116.3 million for the unfunded letter of credit. Under the terms of the Qualifying Modification, the GDB Letters of Credit were extinguished.

Thereafter, on December 27, 2019, PRIFA and PRPA also completed a private exchange that resulted in the resolution of over 92% of the PRPA Bonds. At the time of the exchange, the PRPA Bonds were outstanding in an amount of approximately $190.6 million. Bondholders holding approximately $177.2 million participated in the private exchange and received their pro rata share (based on the entire amount of PRPA Bonds outstanding) of a cash payment of approximately $82.4 million, resulting in the full resolution of such participating PRPA Bonds. The recovery the PRPA Bondholders received in the exchange is in addition to the DRA Bonds received by the Trustee in connection with the Qualifying Modification. After the exchange, the PRPA Bonds remain outstanding in the amount of approximately $13.5 million.

On April 28, 2023, the Redemption Transaction Agreement was executed and on June 2, 2023, approximately $13,465,000 of PRIFA/Ports Stub Bonds were using $10,428,453 of unrestricted cash at PRIFA Custody Account with the Bank of New York Mellon. The PRIFA-Ports Stub Bonds are thus non longer outstanding.

The payment amounting to $10,428,453 million was presented as a contribution to the Puerto Rico Ports Authority.

17. RETIREMENT PLAN

Structure of Retirement System 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. Before the enactment of Act No. 106-2017 on August 23, 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 were 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.

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

- Members of Act No. 447 were generally those members hired before April 1, 1990 (contributory, defined benefit program).
- Members of Act No. 1 of February 16, 1990 (Act No. 1) were 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 member from the Superintendent of the Puerto Rico Police, the Chief of the Firefighter Corps, or supervising authority as applicable.

(c) Service Retirement Annuity Benefits

An annuity payable for the lifetime of the member equal to the annuitized value of the balance in the Defined Contribution Hybrid Contribution Account at the time of retirement, plus, for Act No. 447 and Act No. 1 members, the accrued benefit determined as of June 30, 2013. If the balance in the Defined Contribution Hybrid Contribution Account is $10,000 or less, it shall be paid as a lump sum instead of as an annuity.

(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. The 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. For Act No. 1 Mayors, the highest compensation as a Mayor is determined as of June 30, 2013.

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

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

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

(d) Special Benefits

(1) Minimum Benefits

— Past Ad hoc Increases

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

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

The minimum monthly lifetime income for members who retied or 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.

Total Pension Liability

The total pension liability as of June 30, 2023 was determined by an actuarial valuation as of July 1, 2021 that was rolled forward to June 30, 2022 (the measurement date used for financial reporting for fiscal year 2022). The proportional share of the Authority for Total pension liability amounts to $4.6 million, which was 0.02067% of the total pension liability.

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 3.54% as of June 30, 2022 (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 actuarial valuations 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. 127-1958, the PubS-2010 Employee Mortality Rates were assumed for males and females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. As generational tables, they reflected mortality improvements both before and after the measurement date.

100% of deaths while in active service were 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 a generational table, it reflected 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 reflected 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 reflected mortality improvements both before and after the measurement date.

Discount Rate

The following presents the total pension liability calculated using the discount rate of 3.54%, as well as what it would be if it were calculated using the discount rate of 1-percentage point lower (2.54%) or 1-percentage-point higher (4.54%) than the current rate:

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

	1% Decrease or (2.54%)	Current discount rate of (3.54%)	1% Increase or (4.54%)
Total pension liability	$5,123,948	$4,578,368	$4,125,835

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

The following table presets a summary of changes in the deferred outflows of resources and deferred inflows of resources for the fiscal year ended on June 30, 2023:

Description	June 30, 2023 Deferred outflows of resources	June 30, 2023 Deferred inflows of resources
Difference between expected and actual experience	$ 57,436	$ 97,078
Changes of assumptions	369,526	360,176
Change in proportion and difference between the employer's contributions and proportionate share of contributions	1,201,648	-
Pension benefits paid subsequent to measurement date	174,782	-
Total	$ 1,803,392	$ 457,254

Amounts reported as deferred outflows of resources at June 30, 2023, will be recognized in pension expense (benefit) in future years as follows:

Years Ending June 30,	Amount
2024	$ (15,146)
2025	(15,146)
Total	$ (30,292)

The previous amounts do not include employer specific deferred outflows and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 3 years for 2023.

18. CONTINGENCIES

As of June 30, 2023, the Authority is a defendant in various legal proceedings arising from its normal operations. Management, based on the advice of its legal counsel, is of the opinion that the ultimate liability, if any, resulting from these pending proceedings and legal actions in the aggregate will not have a material effect on the Authority's financial statements.

19. SUBSEQUENT EVENTS

Subsequent events were evaluated through March 28, 2024, the date the financial statements were available to be issued, to determine if such events should be recognized or disclosed in the fiscal year 2023 financial statements.

Commonwealth and Municipalities Advances

During de period evaluated for subsequent events, the Authority received $40.8 Million from different sources (federal funds or funds advances made from the Municipalities) for different types of projects to be performed explained as follows:

- $791 thousand from state funds for realignment of Barbosa Avenue in San Juan
- $4 million from state funds for rehabilitation of Mayaguez's Public Health Unit
- $34.2 million from federal funds for building and facilities repairs
- $1.8 million from federal funds for docks and coral reef restorations

REQUIRED SUPPLEMENTARY INFORMATION

Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Schedule of Proportionate Share of Collective Total Pension Liability (Unaudited)
For the year ended June 30, 2023

The schedule of Proportionate Share of Collective Total Pension Liability for the Authority for the year ended June 30, 2023:

	GASB 73				
	2023	2022	2021	2020	2019
Proportion (percentage) of the net collective total pension liability	0.020670%	0.011240%	0.011120%	0.011110%	0.011030%
Proportion (amount) of the net collective total pension liability	$ 4,578,368	$ 3,056,211	$ 3,122,482	$ 2,762,017	$ 2,700,491

The Authority's net pension liability as of June 30, 2023, was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022 (measurement date as of June 30, 2022).

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.

The Authority's proportion of the total pension 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.

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

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

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

INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
Puerto Rico Infrastructure Financing Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*, the financial statements of the governmental activities and each major fund of the Puerto Rico Infrastructure Financing Authority, a component unit of the Commonwealth of Puerto Rico, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Puerto Rico Infrastructure Financing Authority's basic financial statements, and have issued our report thereon dated March 28, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

San Juan, Puerto Rico
March 28, 2024.

RSM Puerto Rico

Stamp No. E564600 was affixed to
the original of this report.

PUERTO RICO INFRASTRUCTURE FINANCING AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of the Treasury:			
Puerto Rico Department of the Treasury			
Coronavirus State and Local Fiscal Recovery Funds	21.027	OE-2021-034	$ 122,085,689

The accompanying notes are an integral part of this Schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2023

1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activities of the Puerto Rico Fiscal Agency and Financial Advisory Authority (the Authority), a Component Unit of the Commonwealth of Puerto Rico (the Commonwealth), under programs of the federal government, for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance").* Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position and changes in financial position of the Authority. Therefore, some amounts presented in this Schedule may differ from amounts presented in or used in the preparation of the basic financial statements. All federal agencies as well as federal awards passed through from other local government agencies are included in the Schedule.

2) Summary of Significant Accounting Policies

Expenditures included on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized at the time of disbursement, following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

3) Assistance Listing Number

The Assistance Listing Number (ALN), formerly known as Catalog of Federal Domestic Assistance (CFDA) Numbers is a program identification number. The first two digits identify the federal department or agency that administers the program, and the last three numbers are assigned by numerical sequence.

4) Program Costs

The amounts shown as current year federal expenses represent only the federal grant portion of the program costs.

5) Reconciliation to Financial Statements:

The reconciliation of expenses in the governmental funds' financial statements to the schedule of expenditures of federal awards is as follows:

Description	Amount
Federal grant revenues per governmental fund on basic financial statements	$ 129,108,126
Plus: expenditures incurred during the year ended June 30, 2023 that have not been claimed for reimbursement	7,450,123
Less: expenditures incurred in prior years but claimed during the the year ended June 30, 2023	(14,472,560)
Expenses per schedule of expenditures of federal awards	$ 122,085,689

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
The Puerto Rico Infrastructure Financing Authority

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Puerto Rico Infrastructure Financing Authority's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Puerto Rico Infrastructure Financing Authority's major federal programs for the year ended June 30, 2023. Puerto Rico Infrastructure Financing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion Puerto Rico Infrastructure Financing Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Puerto Rico Infrastructure Financing Authority and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Puerto Rico Infrastructure Financing Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Puerto Rico Infrastructure Financing Authority's federal programs.

Auditors’ Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Puerto Rico Infrastructure Financing Authority's compliance based on our audit. 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, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Puerto Rico Infrastructure Financing Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Puerto Rico Infrastructure Financing Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Puerto Rico Infrastructure Financing Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Puerto Rico Infrastructure Financing Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors’ Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiency in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of The Puerto Rico Infrastructure Financing Authority as of and for the year ended June 30, 2023, and have issued our report thereon dated March 28, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

San Juan, Puerto Rico
March 28, 2024.

RSM Puerto Rico

Stamp No. E564597 was affixed to
the original of this report.

PUERTO RICO INFRASTRUCTURE FINANCING AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2023

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
• Material weakness (es) identified?	___ yes	X no
• Significant deficiency (ies) identified?	___ yes	X none reported
Noncompliance material to financial statements noted?	___ yes	X no

Federal Awards

Internal control over major federal programs:		
• Material weakness (es) identified?	___ yes	X no
• Significant deficiency (ies) identified?	___ yes	X none reported
Type of auditors' report issued on compliance for major federal programs	**Unmodified**	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?	___ yes	X no

Identification of major federal programs

Name of Federal Programs or Cluster	Assistance Listing Number
Coronavirus State and Local Fiscal Recovery Funds	21.027

Dollar threshold used to distinguish between type A and type B programs:	$3,000,000	
Auditee qualified as low-risk auditee?	___ yes	X no

SECTION II – FINANCIAL STATEMENTS FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

Exhibit A

Puerto Rico Infrastructure Financing Authority

Summary Schedule of Prior Year Audit Findings

Finding No. 2022-001 Audit Requirements for Auditees – Report Submission

Federal Programs. Assistance Listing 21.027 Coronavirus State and Local Fiscal Recovery Funds.

Fiscal year. Year ended June 30, 2022

Condition found.

The data collection form and the reporting package for the year ended on June 30, 2022, was not submitted to the Federal Audit Clearinghouse within the timeframe prescribed by the Uniform Guidance.

Views of Responsible Officials and Corrective Action Plan

The data collection form and the reporting package were not filed on time due to the execution of the Authority Qualify Modification under the Title VI of PROMESA and other negotiations with bondholders, which required a lot of meetings with external attorneys and accounting research.

Fiscal year 2024 does not have complex transactions to be accounted for or to be consulted with external parties. Note: the execution of the Authority Title VI is a unique transaction. However, management will proceed to establish internal controls to identify complex or unique transactions to be accounted for properly and in a timely manner.

Questioned Costs. None.

Status. Resolved

Comments. Uniform guidance reporting package and data collection form 2023, were issued and submitted to the Federal Aduit Clearing House within the timeframe prescribed by the Uniform Guidance.

Name (s) of the Contact Person (s) Responsible for Corrective Action
Luz P. Laboy Meléndez
Chief Financial Officer