# PUERTO RICO LAND AUTHORITY
## (A Component Unit of the Commonwealth of Puerto Rico)

## BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION

## FOR THE YEAR ENDED JUNE 30, 2025

## (WITH INDEPENDENT AUDITORS' REPORTS THEREON)

TORRES, HERNANDEZ & PUNTER, CPA, PSC
Certified Public Accountants

**PUERTO RICO LAND AUTHORITY**
**(A Component Unit of The Commonwealth of Puerto Rico)**

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# INDEPENDENT AUDITORS' REPORT

To the Management and
Board of Directors
Puerto Rico Land Authority
San Juan, Puerto Rico

## Report on the Audit of the Basic Financial Statements

### Qualified Opinion

We have audited the accompanying basic financial statements of Puerto Rico Land Authority (the Authority), a component unit of the Commonwealth of Puerto Rico, which comprise the statement of net position as of June 30, 2025, and the related statements of revenues, expenses and changes in fund net position and cash flows for the year then ended, and the related notes to the basic financial statements, as listed in the table of contents.

In our opinion, except for the effects of the matter further described in the "Basis for Qualified Opinion - Capital Assets Impaired" paragraph, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2025, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Basis for Qualified Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Basic Financial Statements section of our report. We are required to be independent of the 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 qualified opinion.

### Matter Giving Rise to the Qualified Opinion - Capital Assets Impairment

The Authority suffered damages to offices, warehouses, other structures and equipment, related to hurricanes Irma and Maria events, estimated at approximately $28.8 million. The Authority, as of the basic financial statements date, is in the process of tracing the individual property and equipment items to a physical inspection damages detail, prepared by the Federal Emergency Management Agency (FEMA), to their capital assets details in order to dispose off or adjust cost and accumulated depreciation related balances.

Given the effects of this natural disaster in the Authority, the Governmental Accounting Standards Board (GASB) Statement No. 42 "Accounting and Financial Reporting for Impairment of Capital Assets and For Insurance Recoveries", requires the recognition of capital asset impairments as soon as they occur. Losses from permanent impairments should be recognized in the Statement of Revenues, Expenses and Changes in Net Position in accordance with paragraphs 41-46, 55, 56, 101 and 102 of GASB No. 34. The restoration or replacement of the impaired capital asset should be reported as a separate transaction from the impairment loss and insurance recovery. Therefore, capital assets are overstated and the amount of loss from impairment and restoration or replacement of the impaired

**Matter Giving Rise to the Qualified Opinion - Capital Assets Impaired (Continued)**

capital assets amounts is not available as of the basic financial statements date.

**Emphasis of Matter**

**(A) Newly Adopted Accounting Standards**

As discussed in Note 1(X) and Note 20 to the basic financial statements, during the fiscal year ended June 30, 2025, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101 "Compensated Absences", and GASB Statement No. 102 "Certain Risk Disclosures". The implementation of GASB Statement No. 101 resulted in a restatement of beginning net position to recognize the cumulative effect of applying the new accounting requirements for compensated absences. The implementation of GASB Statement No. 102 resulted in enhanced disclosures related to certain concentrations and constraints; however, it did not have a material impact on the Authority's financial position, results of operations, or cash flows. Our opinion is not modified with respect to these matters.

**(B) Restatement of Beginning Net Position for Corrections of Previously Reported Amounts**

As discussed in Note 20 to the basic financial statements, the Authority identified certain prior-period balances affecting amounts previously reported in its June 30, 2024 basic financial statements. These resulted in corrections to previously reported liabilities, receivables, deferred outflows of resources, and other account balances of the Authority, including FIDA. The corrections included items related to retirement system obligations, termination benefits, electric utility charges, pension and OPEB related balances, deferred revenues, accounts payable, and deposits. The corrections were reported as restatements of beginning net position as of July 1, 2024, in accordance with GASB Statement No. 100, "Accounting Changes and Error Corrections." Our opinion is not modified with respect to this matter.

**(C) 2010 Agriculture Department Reorganization Plan Number 4**

As further explained on Note 19 (E) to the basic financial statements, Article 36 of the "Reorganization Plan number 4", discussed on Note 1, amended Laws number 165-2001 and 166-2001, requiring that funds received from coffee and sugar taxes be deposited in a new fund to be known as "Technological Innovation and Agricultural Promotion" ("Fondo de Innovacion"), to be transferred to the "Administration for the Development of Agricultural Enterprises" ("Administración para el Desarrollo de Empresas Agropecuarias" or ADEA). According to the Reorganization Plan, this fund can be administered by FIDA, through agreement with the Secretary of Agriculture, in order to promote the development of agriculture in Puerto Rico. However, the Reorganization Plan does not define how FIDA will cover its operational costs while promoting the agricultural and agro industrial development in Puerto Rico. It also states that the Reorganization Plan does not establish which of the two entities will be finally be responsible for payment of FIDA credit lines through the GDB, and management of incentives already given to farmers. The Comptroller's Office of Puerto Rico (COPR) made recommendations to the Governor and the Legislative Assembly of Puerto Rico, to evaluate these concerns arising from Reorganization Plan Number 4, and the effect they will have on FIDA operations. The final outcome of COPR recommendations to the Governor and the Legislative Assembly of Puerto Rico cannot presently be determined and accordingly, no adjustments have been made in the accompanying basic financial statements.

**(D) Infrastructure and Permanent Improvements Programs**

As more explained on Note 19 (A) to the basic financial statements, ADEA transferred its "Rural Infrastructure and Permanent Improvements Program" to the Authority, according to the provisions of Law Number 40-2019, of June 2, 2019. Also, Law Number 173-2020, of December 30, 2020, Article 13, Section 4050.09, named "Creation of the Municipal Improvements Fund", creates a "Municipal

**(D) Infrastructure and Permanent Improvements Programs (Continued)**

Improvements Fund", under the custody of one or more private financial institutions designated by the Municipal Financing Corporation. Monies under this fund will be proportionately distributed by senatorial and representative districts, to be assigned to public permanent improvement projects in the municipalities of Puerto Rico. This program was added to the Rural Infrastructure and Permanent Improvements Program, explained above. On December 11, 2024, the Office of the Comptroller of Puerto Rico issued Special Investigation Report OC-25-46 regarding the administration and use of the Municipal Improvements Fund by the Puerto Rico Land Authority during the period from January 1, 2021 to June 30, 2022. As of the basic financial statements date, the effects of these investigations on the Authority's financial operations and net position is not presently determinable.

**Responsibilities of Management for the Basic Financial Statements**

Management is responsible for the preparation and fair presentation of the basic 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 the basic financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditors' Responsibilities for the Audit of the Basic Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the basic 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 basic 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 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 basic financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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,

**Auditors' Responsibilities for the Audit of the Basic Financial Statements (Continued)**

the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America requires that the management’s discussion and analysis, on pages 5 through 11, the schedule of proportionate share of the total pension liability and the schedule of proportionate share of the total other postemployment benefits liability, on pages 60 and 61 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards, on pages 62 through 63, is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the basic financial statements. The schedule of expenditures of federal awards are the responsibility of management and were 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 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 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 June 23, 2026, on our consideration of the 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

*Torres, Hernández & Punter, CPA, PSC*

**Torres, Hernández & Punter, CPA, PSC**
**Certified Public Accountants**

**Carolina, Puerto Rico**

June 23, 2026

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PUERTO RICO LAND AUTHORITY

**PUERTO RICO LAND AUTHORITY**
**(A Component Unit of the Commonwealth of Puerto Rico)**

**Management's Discussion and Analysis**

**June 30, 2025**

This section of the Puerto Rico Land Authority (hereinafter referred to as the Authority) annual financial report, management discussion and analysis, presents our discussion of the Authority's financial performance and overview of financial activities during the fiscal year ended June 30, 2025. Please read it in conjunction with the Authority's basic financial statements, accompanying notes and required supplementary information.

## FINANCIAL HIGHLIGHTS

Certain fiscal year 2024 amounts have been reclassified to conform with the fiscal year 2025 presentation. These reclassifications had no effect on previously reported change in net position or total net position:

- The Authority's total assets and deferred outflows of resources increased by approximately $9.3 million, from $306.9 million in 2024 to $316.1 million in 2025, or approximately 3%.
- Total noncurrent assets increased by approximately $4.6 million, from $223.1 million in 2024 to $227.6 million in 2025, or approximately 2%. The increase was mainly attributable to an increase in restricted cash and other noncurrent assets, partially offset by scheduled collections of long-term receivables.
- Capital assets, net, increased by approximately $934,124, from $93.8 million in 2024 to $94.7 million in 2025. The increase was mainly attributable to capital asset additions of approximately $1.1 million, partially offset by current year depreciation expense of approximately $179 thousand.
- Total liabilities increased by approximately $8.3 million, from $148.4 million in 2024 to $156.7 million in 2025, or approximately 6%. The increase was primarily attributable to increases in other noncurrent liabilities, including the recognition of PayGo pension obligations and other long-term obligations, and increases in pension-related liabilities, partially offset by decreases in accounts payable, accrued liabilities, and termination benefit obligations.
- Total liabilities and deferred inflows of resources increased by approximately $3.7 million, from $193.8 million in 2024 to $197.5 million in 2025, or approximately 2%. The increase was mainly attributable to increases in noncurrent liabilities, including PayGo pension obligations and other long-term obligations, partially offset by decreases in deferred inflows of resources related primarily to pension and lease-related balances.
- Total operating revenues decreased by approximately $163,506, from $12.4 million in 2024 to $12.3 million in 2025, or approximately 1%. Total operating expenses increased by approximately $19.8 million, from $3.8 million in 2024 to $23.6 million in 2025. The increase was primarily attributable to the change in pension-related activity, including the effect of a pension credit recognized in the prior year, the recognition of credit losses on financing contracts of approximately $2.5 million, and increases in program and other operating activities during fiscal year 2025.
- Total nonoperating revenues and expenses, net, decreased by approximately $7.5 million, from net nonoperating revenues of $24.3 million in 2024 to $16.8 million in 2025, or approximately 31%. The decrease was mainly attributable to reductions in federal awards of approximately $3.5 million, government contributions of approximately $1.8 million, coffee and sugar taxes of approximately $1.8 million, and interest income on deposits and money market accounts of approximately $331,680.

**PUERTO RICO LAND AUTHORITY**
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**Management's Discussion and Analysis (Continued)**

**June 30, 2025**

## OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

## FINANCIAL HIGHLIGHTS (CONTINUED)

- Change in net position amounted to approximately $33.8 million in 2024 and $5.6 million in 2025, a decrease of approximately $28.2 million, or approximately 84%. The decrease was mainly attributable to the change in pension-related activity, including the effect of a pension credit recognized in fiscal year 2024 compared to pension expense recognized in fiscal year 2025, the recognition of credit losses on financing contracts during fiscal year 2025, and reductions in nonoperating revenues.

### New Significant Accounting Standards Implemented

- During fiscal year 2025, the Authority adopted GASB Statement No. 101 "Compensated Absences", and GASB Statement No. 102 "Certain Risk Disclosures". The implementation of GASB Statement No. 101 resulted in a restatement of beginning net position due to the remeasurement of compensated absence liabilities in accordance with the new accounting requirements. GASB Statement No. 102 resulted in enhanced disclosures related to certain concentrations and constraints but did not have a material impact on the Authority's financial position, results of operations, or cash flows.

This is further explained on Note 1(X) and Note 20 to the basic financial statements.

### Basic Financial Statements

This annual financial report consists of: the management's discussion and analysis (or MDA representing this section, which is required supplementary information) and:

- **Basic Financial Statements**: The Authority is a self-supporting entity and follows the enterprise fund reporting, accordingly, the basic financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the activities and the operations of the Authority. These statements are presented in a manner similar to a private business.

- **Notes to the Basic Financial Statements**: which provides more detailed information that is essential to a user's full understanding of the data provided in the statements.

- **Required Supplementary Information - Employee's Retirement System:** the annual financial report includes the required Schedule of Proportionate Share of total Pension Liability, as the result of the implementation of GASB 73, after the notes to the basic financial statements.

- **Required Supplementary Information - Postemployment Benefits Other Than Pensions (OPEB):** the annual financial report includes the required Schedule of Proportionate Share of the Other Postemployment Benefits Liability, as the result of the implementation of GASB 75, after the notes to the basic financial statements.

**PUERTO RICO LAND AUTHORITY**
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**Management's Discussion and Analysis (Continued)**

**June 30, 2025**

## OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (CONTINUED)

### Statement of Net Position

The net position serves, over time, as a useful indicator of the Authority's financial position. As of June 30, 2025, the Authority's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by approximately $118.6 million.

The largest portion of the Authority's net position represents its investment in capital assets, which amounted to approximately $94.7 million and $93.8 million as of June 30, 2025 and 2024, respectively.

### Statement of Cash Flows

The statement of cash flows presents the sources and uses of cash flows divided in four categories: operating activities, noncapital financing activities, capital and related financing activities and investing activities. The statement reconciles net cash and cash equivalents at the beginning and end of year and reconciles the net income (loss) with the cash used in operating activities to provide an explanation of cash and noncash activities within the statement of revenues, expenses and changes in net position.

The Authority's reporting structure includes the financial information of the Authority and its blended component unit - "Fondo Innovacion para el Desarrollo de la Agricultura" ("FIDA"), which is presented as part of the Authority's basic financial statements.

## FINANCIAL ANALYSIS OF THE AUTHORITY

The following summarizes the Authority's financial position as of June 30, 2025 and 2024. Certain amounts reported for fiscal year 2024 have been reclassified to conform with the fiscal year 2025 presentation:

| | 2025 | 2024 (Restated) | $ Changes | % Changes |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets | $ 81,278,619 | $ 75,274,092 | $ 6,004,527 | 8.00 % |
| Noncurrent Assets | 227,642,620 | 223,050,224 | 4,592,396 | 2.00 % |
| Total Assets | 308,921,239 | 298,324,316 | 10,596,923 | 4.00 % |
| Deferred Outflow of Resources | 7,239,827 | 8,529,273 | (1,289,446) | (15.00)% |
| Total Assets and Deferred Outflow of Resources | $316,161,066 | $306,853,589 | $ 9,307,477 | 3.00 % |

**PUERTO RICO LAND AUTHORITY**
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**Management's Discussion and Analysis (Continued)**

**June 30, 2025**

## OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (CONTINUED)

| | 2025 | 2024 (Restated) | $ Changes | % Changes |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Current Liabilities | $ 16,646,449 | $ 17,625,883 | $ (979,434) | (6.00)% |
| Total Pension Liability | 42,846,167 | 40,521,520 | 2,324,647 | 6.00 % |
| Other Noncurrent Liabilities | 97,240,241 | 90,269,941 | 6,970,300 | 8.00 % |
| Total Liabilities | 156,732,857 | 148,417,344 | 8,315,513 | 6.00 % |
| Deferred Inflows of Resources | $ 40,811,785 | $ 45,374,623 | $ (4,562,838) | (10.00)% |
| **Net Position** | | | | |
| Investment in Capital Assets | $ 94,720,238 | $ 93,786,114 | $ 934,124 | 1.00 % |
| Unrestricted (Deficit) | 23,896,186 | 19,275,508 | 4,620,678 | 24.00 % |
| Total Net Position | 118,616,424 | 113,061,622 | 5,554,802 | 0.05 % |
| Total Liabilities, Deferred Inflows of Resources and Net Position | $316,161,066 | $306,853,589 | $ 9,307,477 | 3.00 % |

**Current Assets**

Major components of current assets are as follows:

| | 2025 | 2024 (Restated) | $ Changes | % Changes |
|---|---|---|---|---|
| Cash and Cash Equivalents | $ 70,121,050 | $ 64,009,689 | $ 6,111,361 | 10.00 % |
| Rent and Other Receivables | 10,009,016 | 10,098,322 | (89,306) | (1.00)% |
| Prepaid Advance for System Implementation | 1,145,252 | 1,145,252 | - | - % |
| Others | 3,301 | 20,829 | (17,528) | 84.00 % |
| Totals | $ 81,278,619 | $ 75,274,092 | $ 6,004,527 | 8.00 % |

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**Management's Discussion and Analysis (Continued)**

**June 30, 2025**

## OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (CONTINUED)

### Capital Assets

Capital assets consist principally of land, buildings, infrastructure, equipment, and other property used in the Authority's operations. As of June 30, 2025, capital assets, net of accumulated depreciation, amounted to approximately $94.7 million, compared to $93.8 million as of June 30, 2024.

### Noncurrent Assets

Noncurrent assets mainly consist of the noncurrent portion of lease receivables recognized in accordance with GASB Statement No. 87 "Leases", restricted cash balances, notes receivable, investments in privately held entities, amounts due from the Puerto Rico Sugar Corporation, and capital assets. As of June 30, 2025, the noncurrent portion of lease receivables amounted to approximately $43.5 million. Restricted cash balances amounted to approximately $47.3 million, increasing from approximately $37.9 million in 2024, mainly related to funds restricted for the Rural Infrastructure and Permanent Improvements Program established under Law No. 40-2019 and Law No. 173-2020. Additional information is disclosed in Notes 12 and 19 (A) to the basic financial statements.

Noncurrent assets also include the long-term portion of notes receivable, amounts due from the Puerto Rico Sugar Corporation, and investments in privately held agricultural businesses. FIDA is authorized by law to provide financing arrangements to private and governmental entities and to invest in private entities dedicated to agricultural activities in Puerto Rico. Management evaluates the collectability of notes receivable and investments and recognizes valuation allowances when considered necessary.

### Current Liabilities

Major components of current liabilities are as follows:

| | 2025 | 2024 (Restated) | $ Changes | % Changes |
|---|---|---|---|---|
| Accounts Payable, Accruals and Other Liabilities | $ 15,909,300 | $ 16,494,552 | $ (585,252) | (4.00)% |
| Termination Benefits | 8,925 | 403,096 | (394,171) | 98.00 % |
| Advances for Farming Development | 728,224 | 728,235 | (11) | - % |
| Totals | $ 16,646,449 | $ 17,625,883 | $ (979,434) | (6.00)% |

### Noncurrent Liabilities

Noncurrent liabilities consist primarily of the total pension liability, PayGo pension obligations, advances received for the Rural Infrastructure and Permanent Improvements Program, legal claims, deposits, and other long-term obligations.

The Authority's total pension liability amounted to approximately $42.8 million as of June 30, 2025, compared to approximately $40.5 million as of June 30, 2024, representing an increase of approximately $2.3 million, or 6%.

The Authority also reported a liability for advances received under the Rural Infrastructure and Permanent Improvements Program totaling approximately $46.9 million as of June 30, 2025. These advances represent program funds restricted for future eligible infrastructure and permanent improvement expenditures under Law No. 40-2019 and Law No. 173-2020.

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**Management's Discussion and Analysis (Continued)**

**June 30, 2025**

## OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (CONTINUED)

**Operating and Nonoperating Activities:** Certain amounts reported for fiscal year 2024 have been reclassified to conform with the fiscal year 2025 presentation. The Authority entered into lease agreements on the land and properties it owns, with government and private entities. The agreements vary in prices offered and terms, depending on the intended public use and benefits to the Commonwealth of Puerto Rico's residents. The Authority also acquires and sells, to other government agencies and instrumentalities or private entities, land and property that have been determined to be used or developed for public interests. Operating expenses consists principally of payroll and related expenses, pension and preretirement expenses, program for the production of farming products and infrastructure and contracted services.

The following table summarizes the results of operations for the fiscal years ended June 30, 2025 and 2024:

| | 2025 | 2024 (Restated) | $ Changes | % Changes |
|---|---|---|---|---|
| Operating Revenues | $ 12,269,478 | $ 12,432,984 | $ (163,506) | (1.00)% |
| Operating Expenses | 23,564,349 | 3,793,040 | 19,771,309 | 521.00 % |
| Operating Revenues (Loss) | (11,294,871) | 8,639,944 | (19,934,815) | (231.00)% |
| Nonoperating Revenues (Expenses) | | | | |
| Sales of Land | 300 | 15,900 | (15,600) | (98.00)% |
| Coffee and Sugar Taxes | 9,570,817 | 11,377,427 | (1,806,610) | (16.00)% |
| Loss on Disposition of Fixed Assets | (37,172) | (17,576) | (19,596) | 111.00 % |
| Interest on Deposits and Money Market Accounts | 3,821,163 | 4,152,843 | (331,680) | (8.00)% |
| Government Contributions | 242,060 | 2,075,567 | (1,833,507) | (88.00)% |
| Federal Awards | 3,406,782 | 6,884,743 | (3,477,961) | (51.00)% |
| Interest Expense | (154,277) | (153,870) | (407) | - % |
| Nonoperating Revenues/ (Expenses), Net | 16,849,673 | 24,335,034 | (7,485,361) | (31.00)% |
| Special Item - Gain on Extinguishment of Debt | - | 804,632 | (804,632) | (100.00)% |
| Change in Net Position | 5,554,802 | 33,779,610 | (28,224,808) | (84.00)% |
| Net Position at Beginning of Year | $113,061,622 | $ 79,282,012 | $ 33,779,610 | 43.00 % |
| Net Position at End of Year | $118,616,424 | $113,061,622 | $ 5,554,802 | 5.00 % |

**PUERTO RICO LAND AUTHORITY**
**(A Component Unit of the Commonwealth of Puerto Rico)**

**Management's Discussion and Analysis (Continued)**

**June 30, 2025**

## OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (CONTINUED)

### Operating and Nonoperating Activities (Continued)

For the year ended June 30, 2025, operating revenues remained consistent with the prior year, decreasing by approximately $163,506, from $12.4 million in 2024 to $12.3 million in 2025, or approximately 1%.

Total operating expenses increased by approximately $19.8 million, primarily due to changes in pension-related activity, including the effect of a pension credit recognized during fiscal year 2024 compared to pension expense recognized during fiscal year 2025, including approximately $3.4 million of PayGo pension expense. The increase was also impacted by the recognition of approximately $2.5 million in credit losses on financing contracts and increases in program and other operating activities.

Net nonoperating revenues decreased by approximately $7.5 million, from $24.3 million in 2024 to $16.8 million in 2025, primarily due to decreases in federal awards of approximately $3.5 million, government contributions of approximately $1.8 million, coffee and sugar taxes of approximately $1.8 million, and interest income on deposits and money market accounts of approximately $331,680.

## CAPITAL ASSETS

The Authority acquires and or develops land and structures with agricultural potential for future development by farmers. Also, the Authority is authorized by law to sell surplus land and properties to other governmental entities and individuals. The following table summarizes the capital assets of the Authority as of June 30, 2025 and 2024:

| | 2025 | 2024 (Restated) | $ Changes | % Changes |
|---|---|---|---|---|
| Capital Assets Not Being Depreciated: | | | | |
| Land | $ 87,498,647 | $ 87,498,647 | $ - | - % |
| Construction in Progress | 2,569,297 | 1,533,366 | 1,035,931 | 68.00 % |
| Total Capital Assets Not Being Depreciated | 90,067,944 | 89,032,013 | 1,035,931 | 1.00 % |
| Capital Assets Being Depreciated | 30,089,965 | 30,294,494 | (204,529) | 1.00 % |
| Less: Accumulated Depreciation | (25,437,671) | (25,540,393) | 102,722 | - % |
| Total Capital Assets, Net | $ 94,720,238 | $ 93,786,114 | $ 934,124 | 1.00 % |

## CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The financial report has the purpose of informing the Commonwealth of Puerto Rico residents and taxpayers, and our clients with a general financial overview of the Authority's finances and to comply with the Authority's accountability of the assets, funds and appropriations it holds and receives. Questions concerning this report or requests for additional information should be directed to the Finance Director, at Puerto Rico Land Authority, 1311 Fernandez Juncos Avenue, 19 1/2, San Juan, Puerto Rico.

**PUERTO RICO LAND AUTHORITY**
**(A Component Unit of the Commonwealth of Puerto Rico)**

**Statement of Net Position**

**June 30, 2025**

| | Puerto Rico Land Authority | FIDA | Eliminations | Totals |
|---|---|---|---|---|
| **Assets** | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | $ 10,513,259 | $ 59,607,791 | $ - | $ 70,121,050 |
| Receivables: | | | | |
| Rent Receivable and Others, Net | 4,563,452 | 18,542 | - | 4,581,994 |
| Lease Receivable | 4,195,873 | - | - | 4,195,873 |
| Interest Lease Receivable | 731,149 | - | - | 731,149 |
| Land Sales Receivable | 500,000 | - | - | 500,000 |
| Internal Balance-Due From FIDA | 11,260,465 | - | (11,260,465) | - |
| Total Receivables | 21,250,939 | 18,542 | (11,260,465) | 10,009,016 |
| Prepaid Advance for System Implementation | - | 1,145,252 | - | 1,145,252 |
| Other Assets | - | 3,301 | - | 3,301 |
| Total Current Assets | 31,764,198 | 60,774,886 | (11,260,465) | 81,278,619 |
| Noncurrent Assets: | | | | |
| Restricted Cash | 47,257,834 | - | - | 47,257,834 |
| Lease Receivable | 43,549,607 | - | - | 43,549,607 |
| Land Sales Receivable | 2,700,000 | - | - | 2,700,000 |
| Notes Receivable, Net | 49,563 | 31,652,251 | - | 31,701,814 |
| Investment in Privately - Held Entities, Net | - | 2,870,579 | - | 2,870,579 |
| Due From Sugar Corporation of Puerto Rico | 4,842,548 | - | - | 4,842,548 |
| Capital Assets, Net | 93,545,947 | 1,174,291 | - | 94,720,238 |
| Total Noncurrent Assets | 191,945,499 | 35,697,121 | - | 227,642,620 |
| Deferred Outflows of Resources: | | | | |
| Pension Related | 7,121,427 | - | - | 7,121,427 |
| Other Postemployment Benefits Related | 118,400 | - | - | 118,400 |
| Total Deferred Outflows of Resources | 7,239,827 | - | - | 7,239,827 |
| Total Assets and Deferred Outflows of Resources | $ 230,949,524 | $ 96,472,007 | $ (11,260,465) | $ 316,161,066 |

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

**PUERTO RICO LAND AUTHORITY**
**(A Component Unit of the Commonwealth of Puerto Rico)**

**Statement of Net Position - (Continued)**

**June 30, 2025**

| | Puerto Rico Land Authority | FIDA | Eliminations | Totals |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Current Liabilities: | | | | |
| Accounts Payable and Accrued Liabilities | $ 2,891,699 | $ 9,159,518 | $ - | $ 12,051,217 |
| Due to Governmental Entities | 74,965 | 1,987 | - | 76,952 |
| Compensated Absences | 108,094 | 25,958 | - | 134,052 |
| Total Pension Liability | 3,528,679 | - | - | 3,528,679 |
| Other Post Employment Benefit Liability | 118,400 | - | - | 118,400 |
| Termination Benefits Payable | - | 8,925 | - | 8,925 |
| Advances for Farming Development | 728,224 | - | - | 728,224 |
| Internal Balance- Due To Puerto Rico Land Authority | - | 11,260,465 | (11,260,465) | - |
| Total Current Liabilities | 7,450,061 | 20,456,853 | (11,260,465) | 16,646,449 |
| Noncurrent Liabilities: | | | | |
| Due to Governmental Agency | 735,448 | - | - | 735,448 |
| Due to Governmental Entities | 11,704,721 | - | - | 11,704,721 |
| Compensated Absences | 244,029 | 111,134 | - | 355,163 |
| Total Pension Liability | 42,846,167 | - | - | 42,846,167 |
| Due to Commonwealth (Pay Go) | 20,417,457 | - | - | 20,417,457 |
| Other Post Employment Benefit Liability | 853,121 | - | - | 853,121 |
| Deposits on Rent | 2,368,697 | - | - | 2,368,697 |
| Accrued Legal Claims | 5,662,570 | - | - | 5,662,570 |
| Deposits on Sales of Land | 8,223,544 | - | - | 8,223,544 |
| Advances for Rural Infrastructure and Permanent Improvements Program | 46,919,520 | - | - | 46,919,520 |
| Total Noncurrent Liabilities | 139,975,274 | 111,134 | - | 140,086,408 |
| Total Liabilities | 147,425,335 | 20,567,987 | (11,260,465) | 156,732,857 |
| Deferred Inflows of Resources: | | | | |
| Leases | 40,811,785 | - | - | 40,811,785 |
| Total Deferred Inflow of Resources | 40,811,785 | - | - | 40,811,785 |
| **Net Position**: | | | | |
| Net Investment in Capital Assets | 93,545,947 | 1,174,291 | - | 94,720,238 |
| Unrestricted (Deficit) | (50,833,543) | 74,729,729 | - | 23,896,186 |
| Total Net Position | 42,712,404 | 75,904,020 | - | 118,616,424 |
| Total Liabilities, Deferred Inflows of Resources and Net Position | $ 230,949,524 | $ 96,472,007 | $ (11,260,465) | $ 316,161,066 |

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

**PUERTO RICO LAND AUTHORITY**
**(A Component Unit of the Commonwealth of Puerto Rico)**

**Statement of Revenues, Expenses and Changes in Net Position**

**For the Fiscal Year Ended June 30, 2025**

| | Puerto Rico Land Authority | FIDA | Totals |
|---|---|---|---|
| **Operating Revenues:** | | | |
| Rental Income | $ 5,755,273 | $ 28,398 | $ 5,783,671 |
| Interest on Leases and Land Financing Activities | 2,728,848 | 843,181 | 3,572,029 |
| Program Administrative Fees | 2,275,300 | - | 2,275,300 |
| Services to Farmers | 292,102 | - | 292,102 |
| Royalty Income | 346,376 | - | 346,376 |
| Total Operating Revenues | 11,397,899 | 871,579 | 12,269,478 |
| **Operating Expenses:** | | | |
| Program for the Production of of Farming Products | - | 834,537 | 834,537 |
| Food Program | 3,716,427 | - | 3,716,427 |
| Specialty Crops | - | 503,314 | 503,314 |
| Infrastructure Program | 198,770 | 75,027 | 273,797 |
| Payroll and Personnel Costs | 3,520,509 | 835,291 | 4,355,800 |
| Pension Expense | 4,337,196 | - | 4,337,196 |
| Other Postemployment Benefit Expense (Credit) | (37,946) | - | (37,946) |
| Pay Go Pension Expense | 3,668,260 | 104,972 | 3,773,232 |
| Repairs and Maintenance | 319,045 | 2,477 | 321,522 |
| Utilities | 467,605 | - | 467,605 |
| Supplies and Materials | 14,562 | - | 14,562 |
| Contracted Services | 1,066,133 | 483,947 | 1,550,080 |
| Insurance | 89,081 | 52,733 | 141,814 |
| Travel, Representation and Meals | 77,532 | - | 77,532 |
| Fuel | 41,013 | - | 41,013 |
| Credit Loss Expense on Financing Contracts | - | 2,460,033 | 2,460,033 |
| Depreciation | 175,385 | 3,745 | 179,130 |
| Marketing | - | 296,826 | 296,826 |
| Other - General and Administrative | 101,826 | 156,049 | 257,875 |
| Total Operating Expenses | 17,755,398 | 5,808,951 | 23,564,349 |
| Operating Loss | $ (6,357,499) | $ (4,937,372) | $ (11,294,871) |

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

**PUERTO RICO LAND AUTHORITY**
**(A Component Unit of the Commonwealth of Puerto Rico)**

**Statement of Revenues, Expenses and Changes in Net Position - (Continued)**

**For the Fiscal Year Ended June 30, 2025**

| | Puerto Rico Land Authority | FIDA | Totals |
|---|---|---|---|
| **Nonoperating Revenues (Expenses)**: | | | |
| Coffee and Sugar Taxes | $ - | $ 9,570,817 | $ 9,570,817 |
| Sales of Land | 300 | - | 300 |
| Loss on Disposition of Capital Assets | (34,986) | (2,186) | (37,172) |
| Federal Awards | 2,903,468 | 503,314 | 3,406,782 |
| Government Contributions | 236,317 | 5,743 | 242,060 |
| Interest on Deposits and Money Market Accounts | 2,185,854 | 1,635,309 | 3,821,163 |
| Interest Expense | (154,277) | - | (154,277) |
| Total Nonoperating Revenues / (Expenses), Net | 5,136,676 | 11,712,997 | 16,849,673 |
| Change in Net Position | (1,220,823) | 6,775,625 | 5,554,802 |
| Beginning Net Position as Previously Reported | 38,511,929 | 67,672,486 | 106,184,415 |
| Restatements of Beginning Net Position | 5,421,298 | 1,455,909 | 6,877,207 |
| Net Position, Beginning of Year, as Restated | 43,933,227 | 69,128,395 | 113,061,622 |
| Net Position at End of Year | $ 42,712,404 | $ 75,904,020 | $ 118,616,424 |

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

**PUERTO RICO LAND AUTHORITY**
**(A Component Unit of the Commonwealth of Puerto Rico)**

## Statement of Cash Flows

### For the Fiscal Year Ended June 30, 2025

| | Puerto Rico Land Authority | FIDA | Totals |
|---|---|---|---|
| Cash Flows From Operating Activities: | | | |
| Cash Received from Rental Activities | $ 6,226,402 | $ 28,398 | $ 6,254,800 |
| Cash Received from Services to Farmers | 292,102 | - | 292,102 |
| Cash Received from Program Administrative Fees | 2,016,208 | - | 2,016,208 |
| Cash Received from Royalties | 346,376 | - | 346,376 |
| Cash Received from Lease and Financing Activities Interests | 1,212,323 | 843,181 | 2,055,504 |
| Payments to Employees, Related Payroll Costs and Others | (4,217,939) | (591,093) | (4,809,032) |
| Payment for Goods and Services on Operating Activities | (13,474,124) | (3,363,989) | (16,838,113) |
| Net Cash (Used) in Operating Activities | (7,598,652) | (3,083,503) | (10,682,155) |
| Cash Flows for Capital and Related Financing Activities: | | | |
| Acquisition of Capital Assets | (1,103,201) | (47,224) | (1,150,425) |
| Proceed from Sales of Land | 300 | - | 300 |
| Net Cash (Used) by Capital and Related Financing Activities | (1,102,901) | (47,224) | (1,150,125) |
| Cash Flows for Noncapital Financing Activities: | | | |
| Collections from Coffee and Sugar Taxes | - | 10,169,082 | 10,169,082 |
| Collection from Deposits on Rent of Land | 209,232 | - | 209,232 |
| Payments to Farming Development | - | (705,183) | (705,183) |
| Net Funds Received from the Infrastructure and Permanent Projects Program | 9,864,648 | - | 9,864,648 |
| Federal Awards Received | 2,903,468 | 503,314 | 3,406,782 |
| Collections from Central Government | 236,317 | 5,743 | 242,060 |
| Internal Balance - Advances/(Repayments) | (7,694,304) | 7,694,304 | - |
| Net Cash Provided by Noncapital Financing Activities | 5,519,361 | 17,667,260 | 23,186,621 |
| Cash Flows From Investing Activities: | | | |
| Collection of Principal on Notes Receivables | 294,717 | - | 294,717 |
| Interests Received on Deposits and Money Market Accounts | 2,185,540 | 1,635,309 | 3,820,849 |
| Net Cash Provided by Investing Activities | 2,480,257 | 1,635,309 | 4,115,566 |
| Net Change in Cash and Cash and Equivalents | (701,935) | 16,171,842 | 15,469,907 |
| Cash and Cash and Equivalents Beginning of Year | 58,473,028 | 43,435,949 | 101,908,977 |
| Cash and Cash and Equivalents at End of Year | $ 57,771,093 | $ 59,607,791 | $ 117,378,884 |
| Reconciliation of Cash and Cash Equivalents With the Statement of Net Position | | | |
| Unrestricted Cash and Cash Equivalents | $ 10,513,259 | $ 59,607,791 | $ 70,121,050 |
| Restricted Cash | 47,257,834 | - | 47,257,834 |
| Total Cash and Cash Equivalents | $ 57,771,093 | $ 59,607,791 | $ 117,378,884 |

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

**PUERTO RICO LAND AUTHORITY**
**(A Component Unit of the Commonwealth of Puerto Rico)**

**Statement of Cash Flows (Continued)**

**For the Fiscal Year Ended June 30, 2025**

| | Puerto Rico Land Authority | FIDA | Totals |
|---|---|---|---|
| Reconciliation of Operating Revenues (Loss) to Net Cash Provided (Used) by Operating Activities: | | | |
| Operating Loss | $ (6,357,499) | $ (4,937,372) | $ (11,294,871) |
| Adjustments to Reconcile Operating Revenues (Loss) to Net Cash Provided (Used) by Operating Activities: | | | |
| Depreciation | 175,385 | 3,745 | 179,130 |
| Credit Losses Financing Contracts | - | 2,460,033 | 2,460,033 |
| Changes in Assets and Liabilities: | | | |
| Increase in Lease Receivable | (1,304,488) | - | (1,304,488) |
| Decrease in Accounts Payable and Accrued Liabilities | (3,963,917) | (871,635) | (4,835,552) |
| Decrease in Other Assets | - | 17,528 | 17,528 |
| Increase in Due to Governmental Entities | (10,427) | - | (10,427) |
| Increase in Total Pension Liability | 2,942,078 | - | 2,942,078 |
| Decrease in Deferred Inflows of Resources | (270,880) | - | (270,880) |
| Decrease in Deferred Outflows of Resources | 1,289,760 | - | 1,289,760 |
| (Decrease) Increase in Compensated Absences | (98,664) | 244,198 | 145,534 |
| Net Cash Used by Operating Activities | $ (7,598,652) | $ (3,083,503) | $ (10,682,155) |

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

**PUERTO RICO LAND AUTHORITY**
**(A Component Unit of the Commonwealth of Puerto Rico)**

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2025**

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding that the basic financial statements and notes are representations of management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

### (A) ORGANIZATION AND ACTIVITIES

The Puerto Rico Land Authority (hereinafter referred to as the Authority), is a public corporation and a component unit of the Commonwealth of Puerto Rico. The Authority was created by Law No. 26 approved on April 12, 1941, as amended, to carry out the provisions of the Land Law of Puerto Rico. By provision of Reorganization Plan No. 1 of May 4, 1994, the Land Authority became a programmatic and operational component of the Department of Agriculture (from now on DA).

On July 26, 2010, the Governor of Puerto Rico approved the "Reorganization Plan Number 4", also known as "Plan for the 2010 DA Reorganization". This Law provided for the reorganization of such Department and its programmatic and operational components, and was presented as part of Law No. 182 of December 17, 2009, known as "Reorganization and Modernization Law of the Executive Branch of Puerto Rico". The purpose of this law was to provide DA and its components more administrative and legal flexibility in order to implement and carry out its responsibilities and obligations.

Through this plan, the Corporation for Rural Development and the Administration for Services and Agricultural Development (also known as ASDA) were eliminated. The tasks of this two entities were transferred to a new entity, the "Administration for the Development of Agricultural Enterprises" ("Administración para el Desarrollo de Empresas Agropecuarias" or ADEA). Also, the program for family farms was transferred to the Authority and the ownership of the land lots from the Corporation for Rural Development.

From the Reorganization Plan, DA is now composed of the following entities:

- The DA,
- The Authority and its affiliates,
- The Corporation for Agricultural Insurance ("Corporación de Seguros Agrícolas"), and
- ADEA.

The basic financial statements of the Authority are included as a component unit of the Commonwealth of Puerto Rico and substantially conform to the standards and practices established by GASB).

The Authority was created for the following purposes:

- Acquiring land with agricultural potential through purchase, transfer, exchange, bequest and donation or by the exercise of power of forceful expropriation,
- Selling land that has no agricultural use,
- Maintaining land with agricultural potential under lease,

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (A) ORGANIZATION AND ACTIVITIES (CONTINUED)

- Leasing heavy agricultural machinery and equipment,
- Conducting all types of transactions related to land purchase, sale and leasing applications,
- Making appraisals of land to be sold,
- Preparing plans and control of land for sale and rent, and
- Negotiate the collection of rent from farmers through Legal and Finance Offices.

The Authority's principal operating activity is the management of its Real Estate Program, through which it leases land owned by the Authority and held for agricultural purposes, principally to farmers, including the provision of farming-related services when requested. In addition, the Authority is authorized by law to sell surplus land and properties to governmental entities and private parties when such properties are determined not to be required for agricultural purposes.

The Authority also manages infrastructure projects on behalf of the DA. Legislative funds were appropriated to create and improve drainage systems, water and sewer systems, bridges, roads, lakes, lighting systems, and other public improvements.

Law No. 40-2019, enacted on June 2, 2019, transferred the "Rural Infrastructure and Permanent Improvements Program" from ADEA to the Authority. The program purpose is to offer permanent improvement services, such as: home repair, construction of retaining walls in residences in danger of collapsing and construction of roads for a public purpose, recreational areas, fields, among others, and other permanent public works and improvement projects pursuant to Section 4050.09 of Law No. 1-2011, as amended, known as the “Code Internal Revenue for a new Puerto Rico. See also Note 19 (A).

On December 30, 2020, Law No. 173-2020 changed certain sections of the amended Puerto Rico Internal Revenue Code of 2011, to incorporate technical changes and to clarify its scope, contents, certain definitions and legislative intentions, among other things. Article 13 was amended to include Section 4050.09, named "Creation of the Municipal Improvements Fund", under the custody of one or more private financial institutions, designated by the Municipal Financing Corporation. This will be funded through a special fund to be created by the Commonwealth of Puerto Rico. The monies of this fund were to be distributed proportionately by senatorial and representative districts, to be assigned to public permanent improvements projects in municipalities. The Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF), no later than the fifth day of the closing month, is required to prepare a certification of the Municipal Improvements Fund accumulated balance. After this, the Puerto Rico Treasury Department (PRTD), no later than the tenth day of the closing month, is required to remit to the Authority's Rural Infrastructure Program, the accumulated amount. 50 percent of this amount is to be distributed proportionately among the 8 senatorial districts, and the remaining 50 percent is to be distributed proportionately among the 40 representative districts. The public permanent improvements projects to be made, as permitted under this section of the code, are to be administratively determined among Senators and Representatives of the corresponding districts, in coordination with the Authority. See also Note 19 (A).

### (B) FINANCIAL REPORTING ENTITY

The financial reporting entity included in this report consists of the basic financial statements of the Puerto Rico Land Authority (the "Authority") and its blended component unit. To fairly present the financial position and results of operations, management considers all potential component units for which the Authority is financially accountable, as well as other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the financial statements to be misleading or incomplete.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (B) FINANCIAL REPORTING ENTITY (CONTINUED)

The inclusion of a potential component unit in the Authority's financial reporting entity depends on whether the Authority is financially accountable for the potential component unit or whether the nature and significance of the relationship with the Authority is such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

GASB Codification Section 2100, "Defining the Financial Reporting Entity", describes the criteria for determining which organizations, functions, and activities should be considered part of the Authority's financial reporting entity. Following GASB Sections 2100 and 2600 "Reporting Entity and Component Unit Presentation and Disclosure", there are two methods of presentation of the component unit in the basic financial statements: (a) blending the financial data of the component units' balances and transactions in a manner similar to the presentation of the Authority's balances and (b) discrete presentation of the component unit's financial data in columns separate from the Authority's balances and transactions.

Other organizations are evaluated as potential component units if they are closely related to, or financially integrated with, the Authority. Professional judgment is applied in determining whether the relationship between the Authority and other organizations is such that exclusion of the organization would render the financial statements of the reporting entity misleading or incomplete.

GASB Statement 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34", provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude.

Based on the above criteria, the basic financial statements of the Authority include the financial information of one blended component unit, the Fondo de Innovación para el Desarrollo Agrícola de Puerto Rico ("FIDA"). FIDA's primary purpose is to promote private investment in the agricultural industry by approving loans, guarantees, direct and indirect investments, and other credit financing facilities with favorable repayment conditions and interest rates to agricultural businesses. The Authority created FIDA during fiscal year 2001-2002 under the name "Integral Fund for the Agriculture Development of Puerto Rico." On December 16, 2010, the Authority's Board of Directors approved the name change. FIDA's financial information is presented in separate columns in the basic financial statements.

Based also on the above criteria, the Sugar Corporation of Puerto Rico is not a component unit of the Authority and in accordance with Law No. 189 named "Law of the Transfer of Assets and Liabilities for Negotiations of the Sugar Corporation and the Puerto Rico Land Authority", of September 5, 1996, is in the process of liquidation. Separate financial statements, on a liquidation basis, are prepared for the Sugar Corporation of Puerto Rico.

### (C) BASIS OF PRESENTATION AND ACCOUNTING FOR PROPRIETARY FUNDS

The Authority reports its financial position and results of operations as an enterprise fund. The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds are used to account for business-type activities that are financed primarily through fees and charges to external users for goods or services provided. Proprietary funds distinguish operating revenues and expenses from nonoperating items.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (C) BASIS OF PRESENTATION AND ACCOUNTING FOR PROPRIETARY FUNDS (CONTINUED)

Operating revenues and expenses generally result from providing services and other activities that constitute the Authority's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Authority reports deferred outflows of resources and deferred inflows of resources as separate financial statement elements. Deferred outflows of resources represent a consumption of net position applicable to future periods and will not be recognized as an expense until that time. Deferred inflows of resources represent an acquisition of net position applicable to future periods and will not be recognized as revenue until that time. The Authority reports deferred outflows and deferred inflows of resources primarily related to leases, pensions, and other postemployment benefits (OPEB).

### REQUIRED SUPPLEMENTARY INFORMATION - MANAGEMENT'S DISCUSSION AND ANALYSIS

Management’s discussion and analysis (MD&A) is required supplementary information that introduces the basic financial statements and provides an analytical overview of the Authority’s financial activities, including significant financial changes and other information necessary to assist users in understanding the Authority’s financial position and results of operations.

### NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes to the basic financial statements provide additional information that is essential to a user’s understanding of the amounts reported and disclosures presented in the basic financial statements.

### (D) USE OF ESTIMATES

The preparation of basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosures of contingent liabilities at the date of the basic financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the allowance for credit losses, estimated useful lives of capital assets, pension and other postemployment benefit obligations, and related deferred outflows and inflows of resources. Management periodically evaluates estimates used in the preparation of the basic financial statements, and adjustments, if any, are recognized in the period in which they become known.

### (E) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, demand deposits with financial institutions, and short-term highly liquid investments with original maturities of three months or less from the date of acquisition.

### (F) INVESTMENTS IN AGRICULTURAL AND RELATED BUSINESSES - FIDA

Investments in agricultural and related businesses are reported at cost. These investments are maintained to promote agricultural development and related activities rather than to generate investment income. Management periodically evaluates these investments for recoverability based on available information, including the financial condition and operating status of the investees. Adjustments to the carrying value of investments are recognized when management determines that amounts are no longer recoverable. See also Note 4.

**PUERTO RICO LAND AUTHORITY**
**(A Component Unit of the Commonwealth of Puerto Rico)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### (G) INTERFUND BALANCES

Interfund receivable and payable balances between the Authority and FIDA are eliminated in the preparation of the total reporting entity basic financial statements.

### (H) RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES

Receivables are reported at the amount management expects to collect from outstanding balances. Management periodically evaluates the collectibility of receivables based on historical collection experience, aging of outstanding balances, specific identification of accounts, current economic conditions, and other relevant factors.

Based on this evaluation, as of June 30, 2025, the Authority recorded an allowance for credit losses on its receivables in the amount of $20,257,468. Accounts receivable are reviewed individually when specific circumstances indicate that amounts may not be collectible.

Changes in the allowance are recognized as credit loss expense in the period in which the determination is made.

### (I) CAPITAL ASSETS

The Authority defines capital assets as assets with an individual cost exceeding the established capitalization threshold and an estimated useful life of three (3) years or more. Capital assets are stated at cost. Depreciable capital assets are assigned an estimated residual value of 10% of original cost. The costs of normal maintenance and repairs that do not add to the asset's value or materially extend the asset's useful life are not capitalized.

Depreciation expense is computed using the straight-line method over the estimated useful lives of the respective assets, as follows:

| Description | Estimated Useful Lives |
|---|---|
| Building and Improvements | 20 - 40 |
| Infrastructure | 10 - 20 |
| Industrial Equipment, Machinery and Equipment and Others | 5 - 20 |
| Furniture and Fixtures, Vehicles | 3 - 7 |

Upon the sale or disposal of capital assets, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in operations.

### (J) LAND AND PROPERTIES COST

When portions of land parcels are sold, the related cost of the land sold is determined by computing an average cost per unit of area based on the recorded cost of the land at the date it was acquired. The calculated unit cost is then applied to the total area sold to determine the carrying amount of the land disposed. Sales of air and surface rights, if any, are recognized as sales of land.

**PUERTO RICO LAND AUTHORITY**
**(A Component Unit of the Commonwealth of Puerto Rico)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### (K) ACCOUNTING FOR THE IMPAIRMENT OF CAPITAL ASSETS

The Authority follows GASB Statement No. 42 “Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries”. This Statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly, due to the occurrence of a prominent event or change in circumstances affecting the assets. This Statement also clarifies and establishes accounting requirements for insurance recoveries. During the year ended June 30, 2025, the Authority has not performed an evaluation of capital assets for determination of possible impairment. See also Note 8 under hurricane damage and capital assets impairment evaluation status.

### (L) LEASES

GASB Statement No. 87 "Leases", defines a lease as a contract that conveys control of the right to use another entity’s nonfinancial asset for a period of time in an exchange or exchange-like transaction. Under this Statement, lease arrangements result in the recognition of certain lease-related assets, liabilities, and deferred inflows of resources based on whether the Authority acts as a lessor or lessee.

The Authority leases certain land lots to third parties for agricultural and related purposes. As a lessor, the Authority recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term in the Statement of Net Position. The lease receivable is initially measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources is initially measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods and is recognized as lease revenue over the term of the lease.

Future lease payments are discounted using the interest rate stated in the lease agreement or the Authority’s estimated incremental borrowing rate when an interest rate is not stated. The lease term includes the noncancelable period of the lease, plus periods covered by renewal options when they are reasonably certain of being exercised, and periods covered by termination options when they are reasonably certain of not being exercised.

Lease modifications and terminations are accounted for in accordance with GASB Statement No. 87. Adjustments resulting from lease modifications or terminations are recognized based on changes to the related lease receivable and deferred inflows of resources.

As a lessee, GASB Statement No. 87 requires recognition of a lease liability and an intangible right-to-use lease asset at the commencement of the lease term. The Authority did not have significant leases as a lessee during the year ended June 30, 2025.

### (M) PENISION BENEFITS

The Authority accounts for pension benefits in accordance with GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68".

The Authority participates in the Employees Retirement System of the Government of Puerto Rico (ERS). As a result of the enactment of Act No. 106 of August 23, 2017, the previous defined benefit pension plan was reformed and a pay-as-you-go (PayGo) system was established for the payment of pension benefits. Since the plan does not meet the criteria established in GASB Statement No. 68 to be considered a pension plan administered through a qualifying trust, pension amounts are accounted for under the provisions of GASB Statement No. 73.

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (M) PENSION BENEFITS (CONTINUED)

Under GASB Statement No. 73, the Authority recognizes its proportionate share of the total pension liability, pension expense, and related deferred outflows of resources and deferred inflows of resources. Contributions made under the PayGo system are recognized in accordance with applicable accounting requirements. See Note 15 for additional information regarding the Authority's pension plan.

### (N) POSTEMPLOYMENT BENEFITS OTHER THAT PENSIONS (OPEB)

The Authority accounts for other postemployment benefits (OPEB) in accordance with GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". Under this Statement, the Authority recognizes its proportionate share of the total OPEB liability, OPEB expense, and related deferred outflows of resources and deferred inflows of resources.

The Authority's OPEB program is financed on a pay-as-you-go basis and is not administered through a qualifying OPEB trust. Changes in the total OPEB liability are recognized as OPEB expense or reported as deferred outflows of resources or deferred inflows of resources depending on the nature of the change. Deferred amounts resulting from differences between expected and actual experience, changes in actuarial assumptions, and other inputs are recognized in OPEB expense over the applicable periods established by GASB Statement No. 75.

See Note 16 for additional information regarding the Authority's OPEB plan.

### (O) TERMINATION BENEFITS

The Authority accounts for termination benefits in accordance with GASB Statement No. 47 "Accounting for Termination Benefits". This Statement establishes accounting and financial reporting standards for voluntary and involuntary termination benefits provided to employees.

The Authority recognizes a liability and expense for voluntary termination benefits when the offer is accepted by the employees and the amount can be reasonably estimated. Involuntary termination benefits are recognized when a plan of termination has been approved, communicated to employees, and the amount can be reasonably estimated.

See Note 17 for additional information regarding the Authority's termination benefits.

### (P) COMPENSATED ABSENCES

Law No. 8 of February 4, 2017 for the "Authority and Transformation of Human Resources in the Government of Puerto Rico" (Law No. 8-2017) and Law No. 26 of April 29, 2017 issued for compliance with Law No. 26-2017, named "Law for Compliance with Fiscal Plan" establishes new parameters for the accrual of vacations and sick leave. Every government employee shall be entitled to accrue one and one-fourth (1¼) day of vacation leave for every month of service, for a total of 15 days per year. The employees shall begin to accrue the vacation leave upon completion of a three - month period and said leave shall be retroactive to the employment commencement date. Furloughed or part - time employees shall accrue vacation leave proportionately to the number of hours regularly worked. The vacation leave may be accrued up to a maximum of sixty (60) workdays at the end of any calendar year. Vacation leave is granted to employees in order to allow them a reasonable annual rest period. As a general rule, said leave shall be used during the calendar year in which it was accrued. Every agency or public instrumentality is required to devise a vacation plan for every calendar year, in collaboration with supervisors and employees,

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### (P) COMPENSATED ABSENCES (CONTINUED)

establishing the period during which employees shall enjoy their vacation time in the manner that is more compatible with the needs for service. Said plan shall be completed no later than on December 31st of every year, so that it takes effect on January 1st of the following year.

The Authority accrues a liability for compensated absences that are attributable to employees' services already rendered and that are expected to be either used as paid time off or paid upon separation or other qualifying events, in accordance with GASB Statement No. 101 "Compensated Absences". Compensated absences include vacation leave, sick leave, and other applicable compensated leave benefits provided under the Authority's policies and applicable laws.

The liability is measured using salary rates in effect as of June 30, 2025, including applicable salary-related payments such as Social Security and Medicare contributions. Vacation leave is recognized based on accumulated balances earned by employees. Sick leave that is not payable upon termination is recognized based on the portion of accumulated balances expected to be used as paid time off, which is estimated using the Authority's historical utilization experience. The current portion of the compensated absences liability represents amounts expected to be used or paid within one year.

As of June 30, 2025, the Authority accrual for compensated absences amounts to $489,215 which represents the Authority's commitment to fund such compensated absences for future operations. Of this amount, the Authority estimates that approximately $134,052 are due during the next fiscal year. The sick leave liability was determined based on the Authority's historical utilization experience, in accordance with the recognition and measurement provisions of GASB Statement No. 101 "Compensated Absences".

### (Q) ACCRUAL FOR LEGAL CLAIMS

The Authority records liabilities for legal claims and other contingencies when management determines, based on available information, that it is probable that a liability has been incurred and the amount can be reasonably estimated. The determination of the liability is based on management's evaluation of the facts and circumstances of each claim, including information provided by legal counsel regarding pending litigation matters.

Due to uncertainties inherent in the estimation process and the ultimate resolution of legal claims, management's estimate of the liability may change in future periods.

### (R) NET POSITION CLASSIFICATION

Net position represents the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources, and is presented in three components as follows:

- **Net Investment in Capital Assets** - Consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowings attributable to the acquisition, construction, or improvement of those assets.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(R) NET POSITION CLASSIFICATION (CONTINUED)**

- **Restricted Net Position** - Consists of net position with constraints placed on its use either by external parties, such as creditors, grantors, contributors, laws or regulations of other governments, or by law through constitutional provisions or enabling legislation. As of June 30, 2025, the Authority had no amounts meeting the criteria for classification as restricted net position.

- **Unrestricted Net Position** - Consists of the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

**(S) REVENUE RECOGNITION**

The following represents the Authority's significant revenue recognition policies:

- Rental revenues from leases are recognized in accordance with GASB Statement No. 87 "Leases". Lease revenues are recognized over the term of the respective agreements. See Note 12 for additional information regarding the Authority's lease activities.

- Revenues from services provided to farmers, program administrative fees, royalty income, and other service-related activities are recognized when the related services are provided or earned in accordance with the applicable agreements.

- Interest income from lease agreements, land financing arrangements, and loans granted for agricultural development activities is recognized over the term of the related agreements.

- Interest income from deposits and money market accounts is recognized when earned.

- Revenues from sales of land and properties are recognized when ownership rights are transferred to the buyer.

- Federal awards, governmental contributions, and other assistance are recognized when applicable eligibility requirements are met.

- Coffee and sugar taxes are recognized when the amounts are measurable and the Authority has an enforceable legal claim to the resources. See Note 19(E) for additional information.

**(T) OPERATING REVENUES AND EXPENSES**

The Authority distinguishes operating revenues and expenses from nonoperating items in its Statement of Revenues, Expenses and Changes in Net Position. Operating revenues generally result from providing services and other activities that constitute the Authority's principal ongoing operations. The Authority's principal operating revenues include rental income from land leases, program administrative fees, services provided to farmers, royalty income, and interest income generated from lease and financing activities.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### (T) OPERATING REVENUES AND EXPENSES (CONTINUED)

Operating expenses represent costs incurred in connection with the Authority's principal activities and include program costs, payroll and related benefits, repairs and maintenance, contracted services, depreciation of capital assets, credit losses related to financing activities, and other administrative expenses. Revenues and expenses not meeting the definition of operating activities are reported as nonoperating revenues and expenses.

The Authority receives certain contributions, appropriations, grants, and other financial assistance from governmental sources. These resources are reported as nonoperating revenues because they represent financing sources rather than revenues generated from the Authority's principal operating activities.

### (U) RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; automobile liability; and employee-related risks. To manage these risks, the Authority maintains insurance coverage, including public liability, automobile, crime, inland marine, commercial property, and workers' compensation coverage.

The selection of insurance providers is subject to approval by the Public Insurance Office of the Puerto Rico Treasury Department. Insurance coverage is reviewed periodically and updated as necessary to address changes in operations and risk exposure.

Settled claims have not exceeded insurance coverage during the past three fiscal years.

### (V) NON - EXCHANGE TRANSACTIONS

The Authority accounts for nonexchange transactions in accordance with GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions". Nonexchange transactions occur when the Authority receives or provides resources without directly receiving or giving equal value in exchange.

The Authority's significant nonexchange transactions include federal awards, governmental contributions and appropriations, and taxes assigned for agricultural development activities. Revenues from nonexchange transactions are recognized when all applicable eligibility requirements have been met and the resources are measurable.

### (X) NEW ACCOUNTING STANDARDS

#### A. New Accounting Standards Adopted

The provisions of the following Governmental Accounting Standards Board (GASB) Statements are effective and have been implemented, when applicable, during the year ended June 30, 2025:

- In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 101 "Compensated Absences." The objective of this Statement is to better meet the information needs of basic financial statement users by updating the recognition and measurement guidance for compensated absences and establishing a unified recognition and measurement model. The Authority adopted GASB Statement No. 101 during the fiscal year ended June 30, 2025. The implementation resulted in a change in the measurement of compensated absence liabilities. Previously reported sick leave liabilities were remeasured based on the recognition and measurement requirements of GASB Statement No. 101, resulting in a restatement of beginning net position as of July 1, 2024, as further described in Note 20.

**(X) NEW ACCOUNTING STANDARDS (CONTINUED)**

**A. New Accounting Standards Adopted (Continued)**

- Effective July 1, 2024, the Authority implemented GASB Statement No. 102 "Certain Risk Disclosures". This Statement requires governments to evaluate concentrations and constraints that may make the reporting entity vulnerable to the risk of a substantial impact and to disclose such risks when certain criteria are met.

  Management evaluated the Authority's exposure to concentrations and constraints, including those arising from funding sources, statutory and contractual requirements, ongoing operations, and other known events and conditions. As of June 30, 2025, management identified certain concentrations and uncertainties related to restricted funding sources, statutory requirements, and other matters further described in Note 19.

  Management considered these matters in its assessment under GASB Statement No. 102 and determined that the disclosures provided in Note 19 adequately describe the relevant risks and uncertainties associated with these matters.

  The implementation of GASB Statement No. 102 resulted in enhanced disclosures but did not have a material impact on the Authority's financial position, results of operations, or cash flows.

**b. Future Accounting Standards**

The Governmental Accounting Standards Board issued the following pronouncements that have effective dates after June 30, 2025. The Authority is currently evaluating its accounting practices to determine the potential impact on the basic financial statements for the GASB Statements:

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

- In September 2024, the GASB issued Statement No. 104 "Disclosure of Certain Capital Assets" The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87 "Leases", and intangible right-to-use assets recognized in accordance with Statement No. 94 "Public-Private and Public-Public Partnerships and Availability Payment Arrangements", should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

**(X) NEW ACCOUNTING STANDARDS (CONTINUED)**

**b. Future Accounting Standards (Continued)**

- In December 2025, the GASB issued Statement No. 105 "Subsequent Events". The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance.

## NOTE 2 - CASH AND CASH EQUIVALENTS

The Authority is required by law to deposit public funds only in financial institutions approved by the PRTD. Such deposits are required to be maintained in separate accounts under the Authority's name.

Under the laws and regulations of the Commonwealth of Puerto Rico, public funds deposited by the Authority in commercial banks are required to be collateralized for amounts exceeding Federal Deposit Insurance Corporation (FDIC) insurance coverage. Securities pledged as collateral for such deposits are held by agents designated by the Secretary of PRTD and are not held in the Authority's name.

### Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a financial institution failure, the Authority's deposits may not be recovered. As of June 30, 2025, the Authority maintained cash deposits with commercial banks of approximately $117.3 million. Deposits are insured by the FDIC up to applicable limits. Amounts exceeding FDIC coverage are required to be collateralized in accordance with Commonwealth requirements. Securities pledged as collateral are held by agents designated by the Secretary of the Puerto Rico Treasury Department and are not held in the Authority's name.

Funds deposited with the Economic Development Bank for Puerto Rico (EDB), a component unit of the Commonwealth, are not subject to these collateral requirements. Management believes the Authority's exposure to custodial credit risk is limited as of June 30, 2025.

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Authority manages its exposure to interest rate risk by maintaining its funds primarily in cash deposits, money market accounts, and short-term certificates of deposit with limited maturities. As of June 30, 2025, management considers the Authority’s exposure to interest rate risk to be limited.

### Foreign Exchange Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the value of deposits or investments denominated in foreign currencies. The Authority's investment policies do not permit investments that expose the Authority to foreign currency risk. Accordingly, management considers the Authority's exposure to foreign currency risk to be limited as of June 30, 2025.

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## NOTE 3 - RESTRICTED CASH - PUERTO RICO LAND AUTHORITY

The Authority maintains restricted cash in escrow accounts related to land sale transactions and cash balances restricted for the Rural Infrastructure and Permanent Improvements Program (see Notes 1(A) and 19(A)). These amounts are restricted for specific purposes in accordance with applicable laws, agreements, or program requirements. As of June 30, 2025, the Authority's restricted cash consisted of the following:

| | |
|---|---|
| Escrow Accounts | $ 161,154 |
| Rural Infrastructure Permanent Improvements Program | 47,096,680 |
| Total Restricted Balance, June 30, 2025 | $ 47,257,834 |

## NOTE 4 - INVESTMENTS IN PRIVATELY - HELD ENTITIES - FIDA

FIDA is authorized by law to invest in privately-held entities dedicated to agricultural activities in Puerto Rico. The activity of these investments during the year ended June 30, 2025, is summarized below:

| | |
|---|---|
| Investments in Privately - Held Entities | $ 8,479,850 |
| Less: Valuation Allowance | (5,609,271) |
| Investments in Privately - Held Entities, Net | $ 2,870,579 |

The investments consist of convertible preferred stock. Under the terms of the investment agreements, FIDA is entitled to receive the investment par value plus any accrued and unpaid dividends and applicable redemption premiums when the shares are redeemed, as defined in the investment agreements. Generally, redemption premiums range from 2.5% to 3.0%. No accrued or unpaid dividends were recognized during the year ended June 30, 2025.

FIDA's management evaluates the recoverability of these investments on an annual basis and records a valuation allowance for investments considered doubtful of realization.

## NOTE 5 - RENT AND OTHER RECEIVABLES - PUERTO RICO LAND AUTHORITY

As of June 30, 2025, the Authority's rent and other receivables consisted of the following:

| | |
|---|---|
| Rent and Other Receivables From Commonwealth Agencies and Municipalities | $ 2,682,736 |
| Federal Agency | 18,542 |
| Rent Receivables From Third Parties | 22,138,184 |
| | 24,839,462 |
| Less Allowance for Credit Losses | (20,257,468) |
| Rent and Other Receivables, Net | $ 4,581,994 |

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## NOTE 5 - RENT AND OTHER RECEIVABLES - PUERTO RICO LAND AUTHORITY (CONTINUED)

The Authority evaluates the collectibility of outstanding receivable balances based on aging, historical collection experience, specific account evaluations, and other relevant factors. The allowance for credit losses includes balances considered doubtful of collection, including aged receivables, except for certain balances, principally with governmental entities, that management believes are collectible.

## NOTE 6 - NOTES AND LAND SALES RECEIVABLES

As of June 30, 2025, notes receivable consisted of the following:

| | |
|---|---|
| Puerto Rico Land Authority: | |
| Family Farms Program | $ 49,563 |
| FIDA: | |
| Private Entities (Net of Allowance for Credit Losses) | 30,527,539 |
| Governmental Entities: | |
| Administration for the Development of Agricultural Companies | 1,114,676 |
| Puerto Rico Tourism Company | 10,036 |
| Total Governmental Entities | 1,124,712 |
| Total FIDA Notes Receivable, Net | 31,652,251 |
| Total Notes Receivable, Net | $ 31,701,814 |

**Family Farms Program**

The Family Farms Program (the "Program") was the principal program of the Corporation for Rural Development (CDR), a component unit of the Department of Agriculture of the Commonwealth of Puerto Rico. The Program was created to stimulate the use of agricultural land by qualified individuals. Under the Program, land was transferred to qualified participants through usufruct agreements, requiring the land to be used for agricultural purposes.

The value of the usufruct is based on the market value of the land and is payable by participants over a period of 40 years, plus annual interest of 3% on the unpaid balance. Failure to comply with payment requirements or other Program conditions may result in termination of the usufruct agreement.

During 2010, the Legislature of the Commonwealth approved Reorganization Plan No. 4 of the Department of Agriculture. Under the Reorganization Plan, the Program was transferred from CDR to the Authority, including all related responsibilities, obligations, notes receivable, and agricultural land titles.

## NOTE 6 - NOTES AND LAND SALES RECEIVABLES (CONTINUED)

### FIDA Financing Program

FIDA, as permitted by law, provides financing arrangements to governmental entities and private entities for agricultural development purposes. Interest rates on financing arrangements are generally established at approximately 3% annually. Interest is calculated based on the outstanding principal balance using a 360-day year and collected in accordance with the terms of the agreements.

As of June 30, 2025, FIDA's notes receivable outstanding balance amounted to $39,761,830 and is presented net of an allowance for credit losses of $8,109,579, resulting in net notes receivable of $31,652,251. During the year ended June 30, 2025, FIDA recorded an additional provision for credit losses of $2,460,032, primarily resulting from management's evaluation of the collectability of certain financing arrangements, including borrowers experiencing significant financial difficulties and bankruptcy proceedings.

During the year ended June 30, 2025, no interest income was recognized on notes receivable from governmental entities. As of June 30, 2025, FIDA had notes receivable from governmental entities totaling approximately $1,124,712, for which no interest charges has been approved by FIDA's Board of Directors.

### Land Sales Receivable - Municipality of Dorado

The Authority has a land sales receivable from the Municipality of Dorado resulting from the sale of certain land parcels. The receivable is supported by a mortgage note agreement with an original principal amount of $3,700,000. Under the terms of the agreement, principal payments are due as follows: $500,000 on or before July 31, 2021, $500,000 on or before July 31, 2026, and the remaining balance of $2,700,000 on or before July 31, 2030. The agreement allows early repayment without penalties.

The outstanding principal balance as of June 30, 2025 amounted to $3,200,000. The outstanding balance bears interest at an annual rate of 3%, payable quarterly until the receivable is fully collected. As of June 30, 2025, $500,000 of the outstanding balance is reported as current and $2,700,000 is reported as noncurrent in the accompanying basic financial statements.

## NOTE 7 - PREPAID - ADVANCE FOR SYSTEM IMPLEMENTATION

FIDA and ADEA began a joint initiative to improve and update the Oracle accounting system. As part of this initiative, FIDA transferred $1,000,000 on March 7, 2023, and $145,252 on May 10, 2023, to ADEA for the contracting and implementation of services related to the accounting system upgrade.

As of June 30, 2025, the implementation process had not been completed, and the amount transferred is reported as a prepaid advance for system implementation in the basic financial statements. In the event the contracting and implementation process cannot be completed, ADEA is required to return the $1,145,252 to FIDA.

## NOTE 8 - CAPITAL ASSETS

As of June 30, 2025, capital assets consisted of the following:

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## NOTE 8 - CAPITAL ASSETS

| Description | Beginning Balance | Additions | Adjustments/ Retirements | Ending Balance |
|---|---|---|---|---|
| Capital Assets Not Being Depreciated: | | | | |
| Land | $ 87,498,647 | $ - | $ - | $ 87,498,647 |
| Construction in Progress | 1,533,366 | 1,035,931 | - | 2,569,297 |
| | 89,032,013 | 1,035,931 | - | 90,067,944 |
| Capital Assets Being Depreciated: | | | | |
| Building and Improvements | 3,718,990 | - | - | 3,718,990 |
| Infrastructure | 14,894,844 | - | - | 14,894,844 |
| Industrial Equipment | 1,520,289 | - | - | 1,520,289 |
| Machinery and Equipment | 7,324,802 | 46,527 | (8,854) | 7,362,475 |
| Vehicles | 603,019 | 33,728 | - | 636,747 |
| Furniture and Fixtures | 2,232,550 | 78,887 | (354,817) | 1,956,620 |
| | 30,294,494 | 159,142 | (363,671) | 30,089,965 |
| Less: Accumulated Depreciation | (25,540,393) | (179,130) | 281,852 | (25,437,671) |
| | 4,754,101 | (19,988) | (81,819) | 4,652,294 |
| Total Capital Assets, Depreciable/Amortizable Net | $ 93,786,114 | $ 1,015,943 | $ (81,819) | $ 94,720,238 |

### Hurricane Damage and Capital Assets Impairment Evaluation Status

During September 2017, Puerto Rico was affected by Hurricanes Irma and María, both declared major disasters by the President of the United States. These events caused significant damages to infrastructure, facilities, and equipment throughout Puerto Rico, including certain assets of the Authority.

Damages to offices, warehouses, other structures, and equipment of the Authority related to the hurricane events were estimated at approximately $28.8 million, based on a physical inspection report prepared by FEMA. The report included facility identification, asset descriptions, location, description of damages, and estimated repair costs. At the time of the hurricanes, the Authority did not have insurance coverage applicable to these damages. FEMA subsequently provided assistance of approximately $351,282 and approved additional assistance of approximately $266,065.

The Authority is in the process of identifying and reconciling the affected assets included in the FEMA inspection report with its capital asset records in order to evaluate the need for any impairment adjustments or disposals of capital assets. Accordingly, no impairment adjustments have been recorded in the basic financial statements as of June 30, 2025.

## NOTE 9 - CAPITAL ASSETS HELD FOR FUTURE DISPOSITION

Pursuant to Law No. 189, as described in Note 1(B), the Sugar Corporation of Puerto Rico and the Authority were authorized to transfer certain assets used in the production, marketing, and sale of sugar to sugarcane farmers ("colonos"). The Law imposed certain restrictions over the transferred assets to maintain compliance with the provisions of the Law. Due to noncompliance with these restrictions, certain assets were returned to the Sugar Corporation and the Authority.

## NOTE 9 - CAPITAL ASSETS HELD FOR FUTURE DISPOSITION (CONTINUED)

On September 2, 2004, Agroindustria Azucarera del Oeste, Inc. ("AGRASO") and the Authority/Sugar Corporation agreed to return certain assets transferred under Law No. 189 in exchange for the payment of certain obligations and the release of debt owed to the Sugar Corporation.

The assets returned had an estimated book value of approximately $4,090,000, summarized as follows:

| | |
|---|---|
| Land | $ 1,535,000 |
| Buildings | 873,000 |
| Machinery and Equipment | 1,682,000 |
| Total | $ 4,090,000 |

Due to significant adverse environmental conditions, obsolete equipment, and projected costs associated with cleanup activities and related legal matters, management determined that the assets were fully impaired. Accordingly, no value has been assigned to these assets in the accompanying basic financial statements.

The Authority continues evaluating alternatives to consolidate obsolete structures and equipment located at the sugar mill facilities and convert certain assets into disposal materials for potential sale. As of June 30, 2025, the Authority cannot determine the amount of any future gains or losses, if any, that may result from the disposition of these assets.

## NOTE 10 - DEPOSITS ON SALE OF LAND

The Authority is authorized under the Land Law of Puerto Rico to sell surplus land and real properties that are not suitable or required for agricultural purposes to governmental entities and individuals. The liability for deposits reported in the accompanying statement of net position represents amounts received in connection with land sale transactions that have not been completed. The balance also includes amounts related to foreclosure and expropriation proceedings for which the legal process has not been finalized by the courts.

## NOTE 11 - DUE TO THE PUERTO RICO INDUSTRIAL DEVELOPMENT COMPANY (PRIDCO)

On July 18, 2018, the Authority entered into a loan agreement (the "Note") with PRIDCO for the purchase of used equipment totaling $150,000. On September 20, 2018, the Authority entered into an additional loan agreement with PRIDCO for the purchase of nineteen (19) used machinery and equipment items totaling $585,448.

The machinery and equipment, with an aggregate value of $735,448, were intended to be applied as a down payment in connection with a land sale transaction between the Authority and PRIDCO. As of June 30, 2025, the land sale transaction with PRIDCO had not been completed, and the related obligation remains outstanding.

## NOTE 12 - LEASES (LESSOR)

The Authority leases certain land lots to third parties under agreements ranging from five to forty-five years, with certain agreements containing renewal options. The land lots are primarily used for agricultural activities, livestock operations, and renewable energy projects.

The lease term includes the noncancelable period specified in the agreements, plus periods covered by renewal options that are reasonably certain to be exercised and excludes periods covered by termination options that are reasonably certain to be exercised. Lease receivables are measured at the

## NOTE 12 - LEASES (LESSOR) (CONTINUED)

present value of lease payments expected to be received during the lease term, discounted using a rate of 5%.

Also, as of June 30, 2025, the Authority recognized a deferred inflow of resources related to leases of $40,811,785, which will be recognized as lease revenue over the terms of the related agreements. Also, the Authority recognized lease receivables totaling $47,745,480. Of this amount, $4,195,873 is expected to be collected within one year and is reported as a current asset, and $43,549,607 is reported as a noncurrent asset in the basic financial statements.

The following schedule presents the future principal and interest payments expected to be received under lease agreements by fiscal year:

| Fiscal Years Ending June 30, | Principal | Interests |
|---|---|---|
| 2026 | $ 4,195,873 | $ 2,413,645 |
| 2027 | 4,010,942 | 2,202,556 |
| 2028 | 3,997,043 | 1,994,683 |
| 2029 | 4,022,984 | 1,786,473 |
| 2030 | 3,694,082 | 1,581,131 |
| 2031-2035 | 15,699,040 | 5,156,398 |
| 2036-2040 | 7,372,510 | 2,113,980 |
| 2041-2045 | 3,138,393 | 767,604 |
| 2046-2050 | 529,179 | 329,940 |
| 2051-2055 | 240,871 | 244,175 |
| 2056-2060 | 245,106 | 189,896 |
| 2061-2065 | 397,162 | 114,466 |
| 2066-2070 | 202,295 | 15,295 |
| | $ 47,745,480 | $ 18,910,242 |

## NOTE 13 - INTERNAL BALANCES AND TRANSACTIONS WITH COMPONENT UNIT

During the year ended June 30, 2025, transactions occurred between the Authority and its blended component unit, FIDA. These transactions primarily resulted from payments made by the Authority on behalf of FIDA. The Authority records the corresponding receivable from, or payable to, FIDA, as applicable. Such balances and transactions are eliminated in the presentation of the Authority's basic financial statements.

## NOTE 14 - DUE TO OTHER GOVERNMENTAL UNITS

As of June 30, 2025, due to other governmental entities consisted of the following:

Current Portion:

| | |
|---|---|
| Puerto Rico Aqueduct and Sewer Authority | $ 39,495 |
| Retirement System Administration | 17,899 |
| Puerto Rico Treasury Department | 19,558 |
| Total Current Portion | $ 76,952 |

Noncurrent Portion:

| | |
|---|---|
| Municipal Revenues Collection Center (CRIM) | $ 11,704,721 |

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**NOTE 14 - DUE TO OTHER GOVERNMENTAL UNITS (CONTINUED)**

**Municipal Revenues Collection Center (CRIM) Property Tax Assessment**

On September 9, 2010, the San Juan Court of First Instance (the "Court") determined that the Authority was responsible for the payment of property taxes to CRIM totaling approximately $12.1 million related to property taxes accrued through June 30, 2010.

During the proceedings, the Authority requested the Court to declare the Authority exempt from territorial property taxes based on the provisions of its enabling legislation. The Authority also claimed exemption under Law No. 225 of December 1, 1995, known as the Agricultural Incentives Law of Puerto Rico, which was in effect at that time, asserting that the Authority qualified as a "bona fide farmer." Law No. 225 was subsequently repealed and replaced by Law No. 60 of July 1, 2019, known as the Puerto Rico Incentives Code. The Supreme Court of Puerto Rico did not review the decision issued by the Court of First Instance. The assessment included property taxes of approximately $5.4 million and interest and late charges of approximately $6.7 million. The Authority requested relief under the amnesty provisions established by Law No. 145 of December 9, 2013, which would have allowed payment of the principal amount and waiver of the related interest and late charges; however, the request was not approved.

As of June 30, 2025, the outstanding liability amounted to $11,704,721, net of applicable credits applied to "bona fide farmers" accounts receivable. The liability is reported as a noncurrent liability in the accompanying statement of net position.

**NOTE 15 - PENSION PLAN**

The Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (ERS) is a multi-employer defined benefit plan administered by the Retirement System Board.

The Corporation accounts for pension liability based on actuarial valuations measured as of the beginning of the year (June 30, 2023). The Corporation retirement plan were administered as trusts following the guidance in GASB Statement No. 73 since there are no assets accumulated in trusts meeting the following criteria established by GASB Statement No. 68:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. Defined benefit pension plan assets also are legally protected from creditors of the plan members.

On January 18, 2022, the Title III Court entered an order confirming the Eighth Amended Plan for the Commonwealth, ERS, and PBA. The Modified Eighth Amended Plan eliminated several benefits to certain Plan participants. In summary, participants within benefits for System 2000 and Act 3 members, as previously defined, who were not in payment status as of March 15, 2022 were transferred out from Plan benefits. Also, eliminated future cost of living adjustments, and benefits to active members under the Act 127-1958 (members in high-risk positions).

**NOTE 15 - PENSION PLAN (CONTINUED)**

**(a) ERS**

Plan Description - Prior to Law No. 106-2017, ERS administered different benefit structures pursuant to Law No. 447-1951, as amended, including a cost-sharing, multiemployer, defined benefit program, a defined contribution program (System 2000 program) and a contributory hybrid program. Benefit provisions vary depending on member's date of hire. Substantially all fulltime employees of the Commonwealth and its instrumentalities (the Commonwealth, 78 municipalities, and 55 public corporations) were covered by the ERS. These benefits were paid by the ERS until June 30, 2018. Through Law No. 106-2017, the Commonwealth transformed the retirement systems into a single pay-as-you-go system (whereby future benefit payments are guaranteed by the Commonwealth's General Fund) and created the Retirement System Board as the new Retirement Systems governing body.

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

- Members of Law No. 447-1951 are generally those members hired before April 1, 1990 (contributory, defined benefit program).
- Members of Law No. 1-1990 are generally those members hired on or after April 1, 1990, and on or before December 31, 1999 (together with Law No. 447 participants, the Defined Benefit Program).
- Members of Law No. 305-1999 (Act No. 305-1999 or System 2000) were generally those members hired on or after January 1, 2000, and on or before June 30, 2013 (the System 2000 Program). All regular employees hired for the first time on or after July 1, 2013, and former employees who participated in the defined benefit program and the System 2000 program, and were rehired on or after July 1, 2013, became members of the Contributory Hybrid Program as a condition to their employment. In addition, participant employees of previous programs as of June 30, 2013, became part of the Contributory Hybrid Program on July 1, 2013. Pursuant to a settlement incorporated into the Eighth Amended Plan, on the effective date of the Eighth Amended Plan, all participants in the System 2000 Program will receive a one-time payment in the amount of their contributions (plus accrued interest) as of the Commonwealth's petition date in their defined contribution accounts established under Law No. 106-2017 (discussed below). Upon the payment of these refunds, all claims related to the System 2000 Program will be discharged.

The Commonwealth, through Law No. 106-2017, created a "New Defined Contribution Plan" that consisted of a trust fund, not subject to the provisions of Law No. 219-2012, known as "The Trusts Act", that will maintain an individual account for each participant of the Retirement Systems that becomes a participant of the plan.

The following employees will participate in the New Defined Contribution Plan:

- All active participants of the ERS as of July 1, 2017
- New hires entering the public service workforce after July,1 2017
- Any business or public corporation with employees not participating in the Retirement Systems as of July 1, 2017, can, through an approved resolution by its board of directors or governing body, join the New Defined Contribution Plan. The Retirement Systems Board is responsible of establishing the eligibility requirements and procedures to be followed to join the New Defined Contribution Plan.

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**NOTE 15 - PENSION PLAN (CONTINUED)**

Enrolment in the New Defined Contribution Plan is optional for the chiefs of public corporations and for employees of public corporations of the Commonwealth of Puerto Rico working and living outside the territorial limits of Puerto Rico.

The following summary of ERS plan provisions is intended to describe the essential features of the plan. All eligibility requirements and benefit amounts should be determined in strict accordance with the applicable laws and regulations.

i. Service Retirements

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

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

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

In addition to the requirements in the table above, Law No. 447-1951 Public Officers in High - Risk Positions who were not eligible to retire as of June 30, 2013 and did not attain 30 years of credited service by December 31, 2013 are eligible to retire directly from active service upon the attainment of age 55 with 30 years of credited service.

(b) Eligibility for Law No. 1-1990 Members: Law No. 1-1990 members who were eligible to retire as of June 30, 2013 continue to be eligible to retire at any time. Prior to July 1, 2013, Law No. 1-1990 members could retire upon (1) attainment of age 55 with 25 years of credited service and (2) attainment of age 65 with 10 years of credited service. Law No. 1-1990 members who were not eligible to retire as of June 30, 2013, are eligible to retire upon attainment of age 65 with 10 years of credited service.

(c) Eligibility for System 2000 Members: System 2000 members who were eligible to retire as of June 30, 2013, continue to be eligible to retire at any time. Prior to July 1, 2013, System 2000 members could retire upon attainment of age 60.

System 2000 members who were not eligible to retire as of June 30, 2013 are eligible to retire upon attainment of the retirement eligibility age shown in the table below otherwise.

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**NOTE 15 - PENSION PLAN (CONTINUED)**

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

(d) Eligibility for Members Hired after June 30, 2013: Attainment of age 67.

ii. Service Retirement Annuity Benefits

An annuity payable for the lifetime of the member equal to the annuitized value of the balance in the hybrid contribution account at the time of retirement, plus, for Law No. 447-1951 and Law No. 1-1990 members, the accrued benefit determined as of June 30, 2013. If the balance in the hybrid contribution account was $10,000 or less, it would have been paid as a lump sum instead of as an annuity.

(a) Accrued Benefit as of June 30, 2013 for Law No. 447-1951 Members: The accrued benefit as of June 30, 2013 was determined based on the average compensation, as defined, for Law No. 447-1951 members, the years of credited service, and the attained age of the member all as of June 30, 2013.

If the Law No. 447-1951 member had at least 30 years of credited service as of June 30, 2013, the accrued benefit equals 65% of average compensation if the member was under age 55 as of June 30, 2013, or 75% of average compensation if the member was at least age 55 as of June 30, 2013. For participants selecting the Coordination Plan, the benefit was recalculated at the Social Security Retirement Age (SSRA), as defined, as 1.5% of average compensation up to $6,600 multiplied by years of credited service, up to 30 years, plus 65% (75% if member was at least age 55 as of June 30, 2013) of average compensation in excess of $6,600.

If the Law No. 447-1951 member had less than 30 years of credited service as of June 30, 2013 and attained 30 years of credited service by December 31, 2013, the accrued benefit equaled 55% of average compensation if the member was under age 55 as of June 30, 2013 or 60% of average compensation if the member was at least age 55 as of June 30, 2013. For participants selecting the Coordination Plan, the benefit was recalculated at SSRA as 1.5% of average compensation up to $6,600 multiplied by years of credited service, up to 30 years, plus 55% (60% if member was at least age 55 as of June 30, 2013) of average compensation in excess of $6,600. Member contributions received from Law No. 447-1951 members eligible for this transitory benefit during the period beginning July 1, 2013 and ending upon the attainment of 30 years of credited service were considered pre July 1, 2013 contributions; the contributions to the hybrid contribution account begin after the member attains 30 years of credited service.

If the Law No. 447-1951 member had less than 30 years of credited service as of December 31, 2013, the accrued benefit equaled 1.5% of average compensation multiplied by years of credited service up to 20 years, plus 2% of average compensation multiplied by years of credited service in excess of 20 years. Maximum benefit is 75% of average compensation. For participants selecting the Coordination Plan, the basic benefit is recalculated at SSRA as 1% of average compensation up to $6,600 multiplied by years of credited service up to 20 years, plus 1.5% of average compensation up to $6,600 multiplied by years of credited service in excess of 20 years, plus 1.5% of average

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**NOTE 15 - PENSION PLAN (CONTINUED)**

compensation in excess of $6,600 multiplied by years of credited service up to 20 years, plus 2.0% of average compensation in excess of $6,600 multiplied by years of credited service in excess of 20 years. The benefit was actuarially reduced for each year payment commences prior to age 58.

(b) Accrued Benefit as of June 30, 2013 for Law No. 1-1990 Members: The accrued benefit as of June 30, 2013 is determined based on the average compensation for Law No. 1-1990 members, the years of credited service, and the attained age of the member all as of June 30, 2013.

For Law No. 1-1990 members, the accrued benefit equaled 1.5% of average compensation multiplied by years of credited service. The benefit was actuarially reduced for each year payment commences prior to age 65.

iii. Compulsory Retirement

All Law No. 447-1951 were required to retire upon attainment of age 58 and 30 years of credited service.

iv. Termination Benefits

a. Lump Sum Withdrawal

Eligibility: A Member was eligible upon termination of service prior to 5 years of service or if the balance in the hybrid contribution account is $10,000 or less.

Benefit: The benefit equaled a lump sum payment of the balance in the hybrid contribution account as of the date of the permanent separation of service.

b. Deferred Retirement

Eligibility: A Member was eligible upon termination of service with 5 or more years of service (10 years of credited service for Law No. 447-1951 and Law No. 1-1990 members) prior to the applicable retirement eligibility, provided the member had not taken a lump sum withdrawal of the accumulated contributions from the hybrid contribution account.

Benefit: An annuity payable for the lifetime of the member commencing at the applicable retirement eligibility age equal to the annuitized value of the balance in the hybrid contribution account at the time of retirement, plus, for Law No. 447-1951 and Law No. 1-1990 members, the accrued benefit determined as of June 30, 2013.

v. Death Benefits

a. Pre-retirement Death Benefit
Eligibility: Any current nonretired member was eligible.

Benefit: A refund of the hybrid contribution account, plus the accumulated contributions for Law No. 447-1951 and Law No. 1-1990 members.

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**NOTE 15 - PENSION PLAN (CONTINUED)**

b. High Risk Death Benefit under Law No. 127-1958

Eligibility: Employees in specified high risk positions who die in the line of work due to reasons specified in Act No. 127-1958, as amended. System 2000, Act 3 and Act 6 members who were not in payment status as of March 15, 2022 are no longer eligible based on the provisions of the 2022 Plan of Adjustment.

Spouse's Benefit: 50% of the participant's compensation at date of death, payable as an annuity until death or remarriage.

Children's Benefit: 50% of the participant's compensation at date of death, payable as an annuity, and allocated pro rata among eligible children. The annuity was payable for life for a disabled child, until age 18 for a nondisabled child not pursuing studies, and until age 25 for a nondisabled child who is pursuing studies.

Benefit if No Spouse or Children: The parents of the member should each receive 50% of the participant's compensation at date of death, payable as an annuity for life.

Post death Increases: Effective July 1, 1996, and subsequently every three-years, the above death benefits are increased by 3% provided that the beneficiary(ies) had been receiving payments for at least three-years. Future COLA's were eliminated effective March 15, 2022.

The cost of these benefits was paid by the Commonwealth.

c. Postretirement Death Benefit for Members Who Retired prior to July 1, 2013

Eligibility: Any retiree or disabled member receiving a monthly benefit who had not elected a reversionary annuity and whose benefits commenced prior to July 1, 2013.

Benefit: The benefit is as follows (Law No. 105, as amended by Law No. 4):

i. For those married or with dependent children at the time of death, the annual income to a widow, or widower or dependent children is equal to 60% (50% if in the Coordination Plan - 30%, prior to January 1, 2004) of the retirement benefit payable for life for a surviving spouse and/or disabled children and payable until age 18 (age 25 if pursuing studies) for nondisabled children. If in the Coordination Plan, the benefit to the surviving spouse does not begin until the spouse's attainment of age 60 and the surviving spouse must have been married to the member for at least 10 years to be eligible for this benefit. The increase in the percentage from 30% to 50% if in the Coordination Plan is paid by the Commonwealth for former government employees or by the public enterprise or municipality for their former employees. See Law No. 105 of 1969, as amended by Law No. 158 of 2003.

ii. The benefit, when there is no relation as stated above, is equal to the remaining balance of accumulated contributions at the time of retirement after the deduction of lifetime annual income paid and is payable to a beneficiary or to the Member's estate. In no case may the benefit be less than $1,000. Either the Commonwealth for former government employees or the public enterprise or municipality for their former employees pays the difference, up to $250, between (1) the accumulated

**NOTE 15 - PENSION PLAN (CONTINUED)**

contributions less the lifetime annual income paid and (2) $1,000. ERS pays for the rest. See Article 2-113 of Law No. 447-1951, as amended by Law No. 524-2004.

(d) Postretirement Death Benefit for Members Who Retired after June 30, 2013

Eligibility: Any retiree or disabled member who began receiving a monthly benefit after June 30, 2013.

Benefit: If the member elected at the time of retirement to transfer a portion of the annuity to a beneficiary by selecting an actuarially equivalent optional form of payment, the applicable survivor benefit.

For all members, the excess, if any, of the hybrid contribution account, plus the accumulated contributions for Law No. 447-1951 and Law No. 1-1990 members, at the time of retirement over the total annuity payments paid to the member and any beneficiary per the terms of the optional form of payment must be payable to a beneficiary or the member's estate.

(e) Beneficiaries receiving occupational death benefits as of June 30, 2013, continue to be eligible to receive such benefits.

vi. Disability Benefits

a. Disability

Eligibility: All members are eligible upon the occurrence of disability.
Benefit: The balance of the hybrid contribution account payable as lump sum distribution, an immediate annuity, or a deferred annuity at the election of the participant. Law No. 447-1951 and Law No. 1-1990 members remain eligible to receive the accrued benefit as of June 30, 2013, commencing at the applicable retirement eligibility age.

b. High Risk Disability under Law No. 127-1958

Eligibility: Employees in specified high-risk positions who are disabled in the line of work due to reasons specified in Law No. 127-1958 (as amended).

Benefit: 80% (100% for Law No. 447-1951 members) of compensation as of date of disability, payable as an annuity. If the member died while still disabled, this annuity benefit continued to his beneficiaries. Beneficiaries include the surviving spouse and/or disabled children (for life), nondisabled children until age 18 (age 25 if pursuing studies), and the parents if no other beneficiaries. Effective July 1, 1996, and subsequently every three-years, the disability benefit was increased by 3% provided that the member (or beneficiary) had been receiving payments for at least three - years (Law No. 127-1958, as amended).

The cost of these benefits was paid by the Commonwealth.

c. Members who qualified for occupational or nonoccupational disability benefits as of June 30, 2013, continue to be eligible to receive such benefits.

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**NOTE 15 - PENSION PLAN (CONTINUED)**

vii. Special Benefits

a. Minimum Benefits

i. Past Ad hoc Increases: The Legislature, from time to time, increased pensions for certain retirees as described in Law No. 124-1973 and Law No. 23-1983. The benefits were paid 50% by the Commonwealth and 50% by ERS.

ii. Minimum Benefit for Members Who Retired before July 1, 2013 (Law No. 156-2003, Law No. 35-2007, and Law No. 3-2013): The minimum monthly lifetime income for members who retired or become disabled before July 1, 2013, is $500 per month effective July 1, 2013 ($400 per month effective July 1, 2007, and $300 per month up to June 30, 2007). The increase in the minimum monthly benefit from $200 per month to $300 per month was paid by the Commonwealth for former government and certain public corporations without their own treasuries' employees or by certain public corporations with their own treasuries or municipalities for their former employees. The increase in the minimum monthly benefit from $300 per month to $400 per month was to be paid by ERS for former government and certain public corporations without their own treasuries' employees or by certain public corporations with their own treasuries or municipalities for their former employees.

iii. Coordination Plan Minimum Benefit: A minimum monthly benefit was payable upon attainment of SSRA such that the benefit, when added to the Social Security Benefit, was not less than the benefit payable prior to SSRA.

b. Cost of Living Adjustments (COLA) to Pension Benefits: The Legislature, from time to time, increased pensions by 3% for retired and disabled members. Beneficiaries were not entitled to COLAs granted after the retiree's death. The first increase was granted by Act No. 10-1992. Subsequent 3% increases have been granted every third year since 1992, with the latest 3% increase established on April 24, 2007, and effective July 1, 2007 (retroactive to January 1, 2007) for retired and disabled members that were receiving a monthly benefit on or before January 1, 2004 (Act No. 35-2007). In addition, effective July 1, 2008, any retired or disabled member that was receiving a monthly annuity on or before January 1, 2004, less than $1,250 per month received an increase of up to 3% without exceeding the limit of $1,250 per month (Act No. 35-2007). Future COLAs were eliminated effective March 15, 2022.

c. Special "Bonus" Benefits

(i) Christmas Bonus (Law No. 144-2005, as Amended by Law No. 3-2013): An annual bonus of $200 for each retiree, beneficiary, and disabled member has historically been paid in December provided the member retired prior to July 1, 2013. This benefit is paid from the supplemental contributions received from the Commonwealth for former government and certain public corporations without their own treasuries, or by certain public corporations with their own treasuries or municipalities for their former employees.

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**NOTE 15 - PENSION PLAN (CONTINUED)**

(ii) Medication Bonus (Law No. 155-2003, as Amended by Law No. 3-2013): An annual bonus of $100 for each retiree, beneficiary, and disabled member to cover health costs paid in July provided the member retired prior to July 1, 2013. Evidence of coverage is not required. The amount is prorated if there are multiple beneficiaries. This benefit is paid from the Supplemental Contributions received from the Commonwealth for former government and certain public corporations without their own treasuries, or by certain public corporations with their own treasuries or municipalities for their former employees.

Before July 1, 2017, the Commonwealth made contributions to the ERS for the special benefits granted by special laws. The funding of the special benefits was provided to the ERS through legislative appropriations each January 1 and July 1. Special benefits to eligible Law 447-1951 participants are being paid by each employer as they become due since July 1, 2017.

viii. Contributions

Contributions by members consists, as a minimum, of an 8.5% of their compensation directly deposited by the Puerto Rico Department of Treasury in the individual member accounts under the New Defined Contribution Plan created pursuant to Law No. 106-2017. Also, as of that date, System's participants shall make no individual contributions or payments to the accumulated pension benefits payment account or additional contributions to ERS.

Participating employers are responsible for the payment of the PayGo fee to the accumulated pension benefits payment account, which is computed based on the amount of actual benefits paid to retirees, disabled and beneficiaries of each participating employer.

ix. Early Retirement Programs

On July 2, 2010, the Commonwealth enacted Law No. 70 establishing a program that provides benefits for early retirement or economic incentives for voluntary employment termination to eligible employees, as defined. Law No. 70-2010 also established that early retirement benefits will be provided to eligible employees that have completed between 15 and 29 years of creditable services and will consist of monthly benefits ranging from 37.5% to 50% of each employees' monthly salary. Benefits under this program will be paid by the General Fund of the Commonwealth and by the public corporations, covering their respective employees until the plan member reaches the later of age 55 for members under Law No. 447-1951 or age 65 for members under Law No. 1-1990, or the date the plan member would have completed 30 years of service had the member continued employment. In addition, the public corporations will also be required to continue making the required employee and employer contributions to ERS. The General Fund of the Commonwealth will be required to continue making its required employer contributions. ERS will be responsible for benefit payments afterward.

On December 8, 2015, the Commonwealth enacted the Voluntary Early Retirement Law, Law No. 211 of 2015 (Law No. 211-2015), establishing a voluntary program to provide pre-retirement benefits to eligible employees, as defined. Law 106-2017 repealed Law No. 211-2015, while creating an incentives, opportunities, and retraining program for public workers.

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**NOTE 15 - PENSION PLAN (CONTINUED)**

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

**1) Total Pension Liability and Actuarial Information**

The Authority's total Pension Liability for each plan program is measured as the proportionate share of the total Pension Liability. The Total Pension Liability of each of the plan programs was measured as of July 1, 2023, and the Total Pension Liability for each plan programs used to calculate the Total Pension Liability was determined by an actuarial valuation as of July 1, 2023, rolled forward to July 1, 2024 using standard update procedures. The Authority's proportion of the total Pension Liability was based on a projection of the long-term share of contributions to the pension plans program relative to the projected contributions of all participating employers, actuarially determined.

As of June 30, 2025, the Authority's proportionate share of the Total Pension Liability was based on a proportion of 0.23350%, determined as of the June 30, 2024 measurement date, as required by GASB Statement No. 73:

| | |
|---|---|
| Proportion - June 30, 2024 | 0.23350 % |
| Proportion - June 30, 2023 | 0.20911 % |
| Change - Increase | 0.02439 % |

As of June 30, 2024, the Authority reported a Total Pension Liability of $46,374,846 representing its proportionate share of the ERS Total Pension Liability, measured as of June 30, 2024, as follows:

| | Total | Proportion (.23350%) |
|---|---|---|
| Total Pension Liability | $ 19,860,377,240 | $ 46,374,846 |

**1) Pension Expense**

For the fiscal year ended June 30, 2025, the Authority recognized pension expense of $4,337,196. Pension expense represents the change in the method of benefits payment from "pay-as-you-go" system.

**2) Deferred Outflows/Inflow of Resources**

As of June 30, 2025, the Authority reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

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**NOTE 15 - PENSION PLAN (CONTINUED)**

| | Deferred Outflows Of Resources |
|---|---|
| Pension Benefits Paid Subsequent to Measurement Date | $ 3,528,679 |
| Differences Between Actual and Expected Experience | - |
| Pay Go Fiscal Year 2024 - 2025 | 3,592,748 |
| Change in Employer's Proportion and Differences Between The Employer's Contributions and the Employer's Proportionate Share of Contributions | - |
| | $ 7,121,427 |

Pension benefits paid subsequent to the measurement date of $3,528,679 are reported as part of the deferred outflows of resources in the Statement of Net Position. This amount will be recognized as a reduction of the Total Pension Liability in the year ending June 30, 2026.

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

| Years Ending June 30, | Amounts |
|---|---|
| 2026 | $ 718,550 |
| 2027 | 718,550 |
| 2028 | 718,550 |
| 2029 | 718,550 |
| 2030 | 718,548 |
| Total | $ 3,592,748 |

**Actuarial Methods and Assumptions**

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

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2025 is provided below. Total pension liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of service for current and inactive employees.

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**NOTE 15 - PENSION PLAN (CONTINUED)**

The actuarial valuation used the following actuarial assumptions:

| | |
|---|---|
| Inflation Rate | Not Applicable |
| Actuarial Cost Method | Entry Age Normal |
| Municipal Bond Index | 3.93%, based on Bond Buyer General Obligation 20 - Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. |
| Discount Rate | 3.93% |
| Salary Increases | 3.00% per year. No compensation increases are assumed until July 1, 2021, as a result of Act No. 3-2017, a four-year extension of Act No. 66-2014, and the current general economy. Based on professional judgement and System input. |
| Mortality | Pre-Retirement Mortality: For general employees not covered under Act No. 127, PubG-2010 Employee Mortality Rates, adjusted by 100% for males and 110% for females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. For members covered under Act 127, the PubS-2010 Employee Mortality Rates are assumed for males and females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date. 100% of deaths in active service are assumed to be occupational for members covered under Act 127-1958.<br><br>Post-Retirement Retiree Mortality:The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females. The base rates are projected using Mortality Improvement Scale MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.<br><br>Post-Retirement Disabled Mortality: Rates which vary by gender are assumed for disabled retirees based on a study of plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females. The base rates are projected using Mortality Improvement Scale MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.<br><br>Post-Retirement Beneficiary Mortality: Prior to the retiree's death, beneficiary mortality is assumed to be the same as the post-retirement retiree mortality. For periods after the retiree's death, the PubG-2010(B) contingent survivor rates, adjusted by 110% for males and 120% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date. |

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**NOTE 15 - PENSION PLAN (CONTINUED)**

This valuation also reflects a salary freeze until July 1, 2017 due to Law No. 66 of 2014. While the Law No. 66 salary freeze only applies to Central Government employees, public corporations are mandated to achieve savings under Law No. 66, and actuaries have assumed that they will meet this mandate by freezing salaries. Also, while municipalities are not impacted by Law No. 66, the actuaries have also assumed the salary freeze for these employees due to the current economic conditions in Puerto Rico.

**Discount Rate**

The asset basis for the date of depletion projection is the ERS's fiduciary net position (the gross assets plus deferred outflows of resources less the gross liabilities, including the senior pension funding bonds payable, plus deferred inflows of resources). On this basis, the ERS's fiduciary net position was expected to be exhausted in the fiscal year 2015. After June 30, 2017, the Commonwealth enacted legislation that changed the structure of pension administration managed by ERS.

The ERS's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the single equivalent rate that result in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the ERS's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payments, to the extent that the ERS's fiduciary net position is not projected to be sufficient.

The discount rate on June 30, 2024, was as follows:

| | **June 30, 2024** |
|---|---|
| Discount Rate | 3.93% |
| Long-term expected rate of return net of investment expense | N/A |
| Municipal bond rate * | 3.93% |

* Bond Buyer General Obligation 20-Bond Municipal Bond Index.

As directed by the ERS, the asset basis for the date of depletion projection is the ERS's net assets (the gross assets less the Pension Obligation Bond proceeds). On this basis, net assets were exhausted in the 2014-2015 fiscal year and no projection was needed to be performed as of June 30, 2016, as the tax-free municipal bond index applies in all years, and is thus the single equivalent interest rate that is used as the discount rate in the determination of the Total Pension Liability.

According to Paragraph 30 of Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability.

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

The following presents the Authority's proportionate share of the Total Pension Liability, calculated using the discount rate of 3.93%, as well as what the Authority's proportionate share of the Total Pension Liability would be if it were calculated using a discount rate that is 1 - percentage point lower or 1 - percentage point higher than the current rate:

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**NOTE 15 - PENSION PLAN (CONTINUED)**

| | 1% Decrease 2.93% | Current Discount Rate 3.93 | 1% Increase 4.93% |
|---|---|---|---|
| Total Pension Liability as of June 30, 2024 | $51,428,765 | $46,374,846 | $42,127,000 |

**Pay-As-You-Go Funding**

On June 27, 2017, the Treasury Department issued Circular Letter No. 1300-46-17 in order to convey to the central government agencies, public corporations and municipalities the new implementation procedures to adopt, effective July 1, 2017, a new "pay-as-you-go" (Pay-Go) mechanism for the ERS.

Subsequently, on August 23, 2017, the Governor signed into law the "Act to Guarantee the Payment to Our Pensioners and Establish a New Plan for Defined Contributions for Public Servants" (Law No. 106), which reformed the Commonwealth Retirement Systems. Law. No. 106 terminated the previously existing pension programs for the ERS's participants as of June 30, 2017. The members of the prior programs and new system members hired on and after July 1, 2017 are now enrolled in a new defined contributions program. Law No. 106 also established by law the Pay-Go mechanism for the payment of accumulated pension benefits and eliminated employers' contributions and other analogous contributions. Approximately $2 billion was allocated for the payment of Pay-Go benefits in each of the budgets for fiscal years 2018 through 2021.

Furthermore, Law No. 106 modified the ERS's governance. Under Law No. 106, the ERS' Board of Trustees was substituted with a new Retirement Board, which is currently responsible for governing all of the Commonwealth's Retirement Systems.

Law No. 106-2017 also ordered a suspension of the ERS's loan programs and ordered a merger of the administrative structures of the retirement systems. At the Retirement Board's discretion, the servicing of the ERS's existing loan portfolio may be externalized. Pursuant to Law No. 106-2017, the employees of the ERS that are not retained under the new administrative structure will be transferred to other public agencies in conformity with Law No. 8-2017.

As of June 30, 2025, the Authority had an outstanding liability related to unpaid PayGo contributions totaling $20,417,457. This amount represents accumulated PayGo charges billed to the Authority for pension benefits paid to retirees under the funding mechanism established by Law No. 106-2017, which were not fully reimbursed by the Authority. During the year ended June 30, 2025, the Authority recognized approximately $3,773,232 of PayGo pension expense related to current year retiree benefit charges. Due to the accumulated nature of the balance and the absence of a current repayment schedule, the Authority reports this liability as a noncurrent liability in the basic financial statements.

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

- Contributions to ERS are primarily based on statutory percentage of payroll.

- Disbursements are comprised of benefit payments, administrative expenses, and Pension Obligation Bond debt service.

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## NOTE 15 - PENSION PLAN (CONTINUED)

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

- If the budget is set based on expected contributions and disbursements, in the event of adverse experience during the fiscal year, should provide for additional funds from the sponsoring employers.

- If the ERS be permitted to develop a budget request of a “pay-go” amount for the fiscal year that includes a margin to provide a buffer against adverse outcomes.

- And how would the impacts of specific management decisions be handled.

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

## NOTE 16 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB")

### Program Description and Membership

The Authority provides postemployment benefits other than the pension benefits described in Note 16, for its retired employees (the “OPEB Program”). The plan is an unfunded, single-employer defined benefit other postemployment healthcare and insurance coverage benefit plan. The plan is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75 "Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions".

### Program Description and Membership

The Plan covers a payment of up to $100 per month to the eligible medical insurance plan selected by each member ($1,200 annually) provided that the member retired prior to July 1, 2013 (Law No. 43, as amended by Law No. 3). The Plan is financed by the Commonwealth through legislative appropriations. However, the Commonwealth claims reimbursement from each employer on a monthly basis for the corresponding amount of the OPEB payments made by the Commonwealth in relation to the retirees associated with each employer. There is no payments made by the Commonwealth in relation to the retirees associated with each employer. There is no contribution requirement from the plan members during active employment. The retirees contribute the amount of the healthcare insurance premium not covered by the Commonwealth contribution. In addition, a bonus of $100 is given to retirees annually (on July), for the purpose of acquiring medicines. These benefits are not provided to the retirees' spouse or any relatives.

Plan members were eligible for benefits upon reaching the applicable pension benefits retirement age. Law No. 3 of 2013 eliminated this healthcare benefit to the Plan members that retired after June 30, 2013.

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**NOTE 16 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB") (CONTINUED)**

**Funding Policy**

The obligations of the Plan members' employer are established by action of the Authority pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement.

The Authority currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Authority.

**Relationship Between Valuation Date, Measurement Date and Reporting Date**

The valuation date is July 1, 2023. This is the date as of which the actuarial valuation is performed. The measurement date is June 30, 2024. This is the date as of which total OPEB liability is determined. The reporting date is the Authority's fiscal year ending date. This report is for measurement year July 1, 2023 to June 30, 2024 for reporting periods ending June 30, 2025.

**Significant Changes**

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

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

As permitted by GASB, the Authority's proportionate share of the total OPEB liability as of June 30, 2025 of approximately $971,521 was measured at June 30, 2024 by an actuarial valuation as of that date. An expected total OPEB liability was determined as of June 30, 2024, the valuation date, using standard roll back techniques. The roll back calculation begins with the total OPEB liability, as of the measurement date, June 30, 2024, adds the expected benefit payments for the year, deducts interest at the measurement date, June 30, 2024, adds the expected benefit payments for the year, deducts interest at the discount rate for the year, and then subtracts the annual normal cost (also called the service cost).

For the year ended June 30, 2025, the Authority recognized an OPEB credit of $37,946, included as part of other postemployment benefits expense in the accompanying Statement of Revenues, Expenses and Change in Net Position.

As of June 30, 2025, the Authority reported deferred outflows of resources from OPEB activities as follows:

| Source | |
|---|---|
| Other Postemployment Benefits Paid Subsequent to the Measurement Date | $ 118,400 |

Deferred outflows of resources related to OPEB resulting from the Authority's benefits paid subsequent to the measurement date amounted to $118,400 as of June 30, 2025. This amount is reported as part of deferred outflows of resources in the Statement of Net Position and will be recognized as a reduction of the Total OPEB Liability in the year ending June 30, 2026.

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**NOTE 16 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB") (CONTINUED)**

The Authority's proportion of the OPEB liability used was as follows:

| | |
|---|---|
| Proportion - June 30, 2024 | 0.16313 % |
| Proportion - June 30, 2023 | 0.15429 % |
| Change - Increase | 0.00884 % |

**Discount Rate**

The discount rate as of June 30, 2024 was as follows:

| | June 30, 2024 |
|---|---|
| | |
| Discount Rate | 3.93% |
| 20 Year Tax-Exempt Municipal Bond Yield | 3.93% |

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

**Actuarial Methods and Assumptions**

The actuarial cost method used to measure the total OPEB liability at June 30, 2025 was the individual entry age normal cost method. The actuarial valuations used the following actuarial method and assumptions:

| | |
|---|---|
| Measurement Date | June 30, 2024 |
| Valuation Date | July 1, 2023 |
| Actuarial Cost Method | Entry Normal Age |
| Medical Trend Rate | Not Applicable |
| Salary Increases | Current General Economy |
| Mortality | Pre-Retirement Mortality: for general employees not covered under Act No. 127, PubG-2010 Employee Mortality Rates, adjusted by 100% for males and 110% for females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. For members covered under Act 127, the PubS-2010 Employee Mortality Rates are assumed for males and females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date. 100% of deaths in active service are assumed to be occupational for members covered under Act 127. |

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**NOTE 16 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB") (CONTINUED)**

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

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

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about the actuarial value of program assets relative to the actuarial accrued liability for benefits.

Calculations are based on the types of benefits provided at the time of each valuation and on the pattern of sharing of costs between the employer and members to that point. The projections of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

The actuarial calculations reflect a long term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short term volatility in actuarial accrued liabilities and actuarial value of assets.

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## NOTE 16 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB") (CONTINUED)

### Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

| | 1% Decrease 2.93% | Current Discount Rate 3.93% | 1% Increase 4.93% |
|---|---|---|---|
| Total OPEB Liability as of June 30, 2024 | $1,050,345 | $971,521 | $903,098 |

## NOTE 17 - VOLUNTARY TERMINATION BENEFITS

During the fiscal year ended June 30, 2011, the Legislature of the Commonwealth of Puerto Rico approved a one-time retirement incentive program for certain eligible employees of Central Government agencies and public corporations under Act No. 70 of July 2, 2010. The program provided voluntary termination benefits to eligible employees who elected to participate.

The Authority participated in the program and recognized the related obligation in accordance with GASB Statement No. 47, Accounting for Termination Benefits. The Authority was responsible for making the required payments associated with participating employees until completion of the benefits established under the program.

During the fiscal year ended June 30, 2025, management evaluated the remaining termination benefits obligation and determined that the Puerto Rico Land Authority portion of the liability was no longer outstanding. Accordingly, the remaining liability of $1,254,776 was eliminated through a restatement adjustment, as further disclosed in Note 19.

As of June 30, 2025, FIDA had a remaining termination benefits obligation related to scheduled payments through October 2025. The remaining balance of $8,925 is reported as a current liability in the accompanying Statement of Net Position. No additional obligations are expected after completion of these scheduled payments.

## NOTE 18 - CHANGES IN LONG - TERM LIABILITIES

The following table summarizes changes in the Authority’s long-term liabilities for the fiscal year ended June 30, 2025:

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**NOTE 18 - CHANGES IN LONG - TERM LIABILITIES (CONTINUED)**

| | Balance as of June 30, 2024 | Increases | Decreases | Balance as of June 30, 2025 | Due Within One Year |
|---|---|---|---|---|---|
| Reserve for Litigations | $ 7,379,408 | | $ (1,716,838) | $ 5,662,570 | $ - |
| Compensated Absences | 986,384 | 91,298 | (588,467) | 489,215 | 134,052 |
| Total Pension Liability | 43,432,768 | 5,853,326 | (2,911,248) | 46,374,846 | 3,528,679 |
| Total OPEB Liability | 997,567 | 80,454 | (106,500) | 971,521 | 118,400 |
| Termination Benefits | 1,366,919 | - | (1,357,994) | 8,925 | 8,925 |
| | | - | | | |
| | $ 54,163,046 | $6,025,078 | $ (6,681,047) | $ 53,507,077 | $ 3,790,056 |

Payments for long - term liabilities, including compensated absences, claims and judgments, pension - related obligations, and other long - term obligations, have generally been made from the Authority's available resources, including operating revenues, governmental contributions, and other legally available funding sources.

**NOTE 19 - CONTINGENCIES**

**Puerto Rico Land Authority**

**(A) INFRASTRUCTURE AND PERMANENT IMPROVEMENTS PROGRAMS**

**Infrastructure Program**

The Infrastructure Program is designed to improve agricultural infrastructure, including water resources, irrigation systems, and other utilities necessary for land dedicated to agricultural production. Currently, the majority of improvements made through infrastructure funds are provided by the Puerto Rico Department of Agriculture.

**Law No. 40 - 2019, of June 2, 2019 - Rural Infrastructure and Permanent Improvements Program**

ADEA transferred its "Rural Infrastructure and Permanent Improvements Program" to the Authority, according to the provisions of Law Number 40 - 2019, of June 2, 2019.

Law No. 40 - 2019 amended Law No. 26 of April 12, 1941, named "Land Law of Puerto Rico", to add Title VII, under which the Authority received the "Puerto Rico Rural Aqueduct Program". The Authority will provide technical assistance in the process of organization, design, construction, establishment, operation and improvement of rural aqueducts, that do not belong to the Puerto Rico Aqueduct and Sewer Authority. This program is a complement to the work of permanent improvements, which is carried out within the "Rural Infrastructure and Permanent Improvements Program".

The Authority recognizes an income for the administration of the funds, equivalent to 5% of the total disbursements made in the month related to the rural infrastructure program and permanent improvements.

**NOTE 19 - CONTINGENCIES (CONTINUED)**

**(A) INFRASTRUCTURE AND PERMANENT IMPROVEMENTS PROGRAMS (CONTINUED)**

Restricted Cash balance available for Rural Infrastructure and Permanent Improvements Program as of June 30, 2025, amounted to $47,096,680. The Authority disbursed for the Rural Infrastructure and Permanent Improvements Program $35,407,375 during fiscal year ended June 30, 2025. As of June 30, 2025, the Authority reported a liability for advances for the Rural Infrastructure and Permanent Improvements Program totaling $46,919,520, representing program funds received that are restricted for future eligible infrastructure and permanent improvement expenditures.

**Law No. 173 - 2020 and Amendments to Puerto Rico Internal Revenue Code of 2011**

Law Number 173 - 2020, of December 30, 2020, Article 13, Section 4050.09, named "Creation of the Municipal Improvements Fund", creates a “Municipal Improvements Fund”, under the custody of one or more private financial institutions designated by the Municipal Financing Corporation. Monies under this fund will be proportionately distributed by senatorial and representative districts, to be assigned to public permanent improvement projects in the municipalities of Puerto Rico.

The Puerto Rico Fiscal Agency and Financial Advisory Authority, no later than the fifth (5th) day following the close of each month, will prepare a certification of the accumulated balance in the Municipal Improvement Fund. After this certification is prepared, the Puerto Rico Department of Treasury, no later than the tenth (10th) day following the close of each month, will remit the accumulated amount to the Land Authority's Rural Infrastructure Program. Fifty (50) percent of this amount will be distributed proportionally among the eight (8) senatorial districts and the remaining fifty (50) percent will be distributed proportionally among the forty (40) representative districts. The permanent public works and improvements to be carried out, as permitted in this section, will be administratively determined by the Senators and Representatives of the corresponding districts, in coordination with the Land Authority.”

This program was added to the Rural Infrastructure and Permanent Improvements Program, explained above.

On December 11, 2024, the Office of the Comptroller of Puerto Rico issued Special Investigation Report OC-25-46 related to the administration of the Municipal Improvements Fund by the Puerto Rico Land Authority during the period from January 1, 2021 to June 30, 2022. The investigation identified significant control deficiencies and irregularities in the use of public funds, including: approximately

$1,045,730 disbursed contrary to contractual provisions, $417,544 in funds not returned by nonprofit entities, $16,197 used for unauthorized purposes, and $15,400 granted to relatives of an employee of the Authority’s Infrastructure and Permanent Improvements Program, for work that was not performed. The report also cited unconstitutional intervention by legislators in directing the use of executive branch funds, violations of internal controls, and absence of timely regulations to govern the Fund’s administration. While the report recommends potential recovery of certain disbursed amounts and outlines corrective actions, the financial and legal implications of these findings, if any, on the basic financial statements for the fiscal year ended June 30, 2025 are not presently determinable.

**(B) LITIGATIONS**

The Authority is a defendant or co-defendant in various lawsuits and claims arising in the normal course of operations. Management, after consultation with legal counsel, has recorded a provision of $5,662,570 for estimated losses related to these matters. During the fiscal year ended June 30, 2025, the Authority settled and paid certain claims totaling approximately $1.7 million, which were applied against the previously recorded liability. The ultimate amount payable in excess of the amount

**NOTE 19 - CONTINGENCIES (CONTINUED)**

**(B) LITIGATIONS (CONTINUED)**

recorded, if any, cannot presently be determined. The Authority is also involved in environmental claims and penalties imposed by the Environmental Protection Agency (EPA), mainly related to the handling of pesticide warehouses. The Authority is in the process of litigating these matters. Management has evaluated these claims and has included its best estimate of any probable losses in the liability recorded in the accompanying Statement of Net Position; however, the ultimate outcome remains uncertain.

**(C) FEDERAL AWARDS**

The Authority has received grant funds from the U.S. Department of Education during prior fiscal years, including fiscal years 2015, 2019, 2024 and 2025. These programs are subject to audit by the granting agency to determine compliance with applicable grant requirements.

As of June 30, 2025, no audits have been completed for these grants. Any disallowed costs resulting from future audits could become a liability of the Authority. However, management believes that any potential adjustments resulting from such audits would not have a material effect on the basic financial statements.

**(D) COMPTROLLER'S OFFICE OF PUERTO RICO REPORTS**

The Authority is subject to audits by the Office of the Comptroller of Puerto Rico (COPR), which has issued various reports related to operations of the Authority and FIDA. Oversight entities, including the Puerto Rico Department of Justice, are evaluating actions to be taken related to these reports. The financial impact, if any, resulting from these matters cannot presently be determined.

**(E) 2010 AGRICULTURE DEPARTMENT REORGANIZATION PLAN NUMBER 4**

**Innovation Fund for the Agriculture Development of Puerto Rico (FIDA)**

Article 36 of the Reorganization Plan Number 4, discussed on Note 1(A) to the financial statements, amended laws number 165-2001 and 166-2001, requiring that funds received from coffee and sugar taxes be deposited in a new fund to be known as “Technological Innovation and Agricultural Promotion” (“Fondo de Innovacion”), to be transferred to the “Administration for the Development of Agricultural Enterprises” (“Administración para el Desarrollo de Empresas Agropecuarias” or ADEA). According to the Reorganization Plan, this fund will be administered by FIDA, through agreement with the Secretary of Agriculture, in order to promote the development of agriculture in Puerto Rico.

FIDA had received funds from sugar and coffee taxes, from 2011 (date in which the Reorganization Plan was to be implemented) to June 30, 2017 as follows:

| Years | Amount |
|---|---|
| 2011 | $ 14,784,002 |
| 2012 | 13,932,814 |
| 2013 | 15,301,865 |
| 2014 | 12,866,028 |
| 2015 | 12,685,288 |
| 2016 | 13,695,023 |
| 2017 | 12,889,062 |
| Total | $ 96,154,082 |

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## NOTE 19 - CONTINGENCIES (CONTINUED)

### (E) 2010 AGRICULTURE DEPARTMENT REORGANIZATION PLAN NUMBER 4 (CONTINUED)

Subsequent to June 30, 2020, FIDA continued receiving funds from sugar and coffee taxes established under the Reorganization Plan. During the fiscal years ended June 30, 2021 through June 30, 2025, FIDA recognized approximately $56.0 million in sugar and coffee tax revenues, including $9.6 million during the year ended June 30, 2025. Such funds continue to be used by FIDA to support its agricultural financing and development programs.

On November 2015, COPR issued audit report number CP-16-03, covering FIDA operations from July 1, 2009 to December 31, 2013. In such report, COPR includes a special comment that the Reorganization Plan will impact FIDA operations and services that FIDA provides to farmers and agricultural activities, since monies that FIDA receives to fund their operations are to be transferred to the “Technological Innovation and Agricultural Promotion” fund of ADEA. Also, COPR comments that the Reorganization Plan does not define how FIDA will cover its operational costs while promoting the agricultural and agro industrial development in Puerto Rico. It also states that the Reorganization Plan does not establish which of the two entities will be finally be responsible for payment of FIDA credit lines and management of incentives already given to farmers.

In his audit report, COPR makes a recommendation, to the Governor and the Legislative Assembly of Puerto Rico, to evaluate this concerns arising from Reorganization Plan Number 4, and the effect they will have on FIDA operations.

FIDA management has also raised these concerns and is in agreement with the COPR recommendations. In addition, on April 19, 2016, Project 2873 (P. de la C. 2873) was presented to the Legislature of Puerto Rico, and referred to the Governmental, Agriculture and Environmental and Natural Resources Commissions. Project 2873 propose to revitalize and restructure DA by including FIDA as a programmatic and operational component of DA, separated from the Authority, for the purpose of promoting agricultural enterprises. According to Project 2873, the requirements of Reorganization Plan number 4 were never placed in operation, and are not in accordance with the present public policy of the Commonwealth of Puerto Rico, and that it is necessary to derogate the requirements of such Reorganization Plan.

The final outcome of COPR recommendations to the Governor and the Legislative Assembly of Puerto Rico, and the outcome of Project 2873, cannot presently be determined and accordingly, no adjustments have been made in the accompanying financial statements. The Authority believes that it is not probable that will have to recognize a related loss contingency in the foreseeable future regarding these matters.

## NOTE 20 - RESTATEMENT OF BEGINNING NET POSITION

### Puerto Rico Land Authority

During the year ended June 30, 2025, the Authority restated beginning net position as a result of the implementation of GASB Statement No. 101 "Compensated Absences," and the correction of certain prior-period corrections in accordance with GASB Statement No. 100 "Accounting Changes and Error Corrections." The implementation of GASB Statement No. 101 resulted in a change in the measurement of compensated absences obligations. Prior to implementation, the Authority recognized accumulated sick leave balances based on amounts earned by employees. Under GASB Statement No. 101, the liability was remeasured based on amounts expected to be used or paid in accordance with the requirements of the standard. As a result, previously reported compensated absences liabilities were reduced, resulting in an increase to beginning net position as of July 1, 2024. In addition, the

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## NOTE 20 - RESTATEMENT OF BEGINNING NET POSITION (CONTINUED)

### Puerto Rico Land Authority (Continued)

Authority identified prior-period corrections affecting previously issued basic financial statements related to previously reported liabilities, receivables, deferred outflows of resources, and other account balances. The prior-period corrections included items related to retirement system obligations, termination benefits, electric utility charges, pension and OPEB related balances, deferred revenues, accounts payable, and deposits. Accordingly, beginning net position as of July 1, 2024 has been restated.

### FIDA

FIDA identified prior-period corrections related to previously recorded retirement system obligations and unearned revenues associated with the Specialty Crops Program. These corrections were reported as restatements of beginning net position in accordance with GASB Statement No. 100.

The effect of these prior-period corrections on beginning net position as of July 1, 2024, is as follows:

| | |
|---|---|
| Net Position, Beginning of Year, as Previously Reported | $106,184,415 |
| Restatement Adjustment: | |
| Remeasurement of Compensated Absences Under GASB Statement No. 101 | 497,169 |
| Prior Period Corrections: | |
| Retirement System Liability | 4,308,972 |
| Termination Benefits Liability | 1,254,776 |
| Electric Utility Liability | (182,783) |
| Unearned Revenue | 1,089,348 |
| Accounts Payable | (358,705) |
| Rent Deposit Liability | 268,430 |
| Total Prior Period Corrections | 6,380,038 |
| Net Position, Beginning of Year, as Restated | $113,061,622 |

## NOTE 21 - DATE OF MANAGEMENT'S REVIEW

The Authority's management evaluated subsequent events until June 23, 2026, date on which the basic financial statements were available to be issued.

**PUERTO RICO LAND AUTHORITY**
**(A Component Unit of the Commonwealth of Puerto Rico)**

**SCHEDULE OF PROPORTIONATE SHARE OF THE TOTAL PENSION LIABILITY**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

| Last 10 Years (1) | Proportion of Total Pension Liability | Proportionate Share of Total Pension Liability |
|---|---|---|
| June 30, 2025 | 0.23350 % | $ 46,374,846 |
| June 30, 2024 | 0.20911 % | $ 43,432,768 |
| June 30, 2023 | 0.22082 % | $ 48,916,752 |
| June 30, 2022 | 0.24906 % | $ 67,704,444 |
| June 30, 2021 | 0.24100 % | $ 67,648,531 |
| June 30, 2020 | 0.23945 % | $ 59,504,719 |
| June 30, 2019 | 0.23869 % | $ 58,454,814 |
| June 30, 2018 | 0.24277 % | $ 68,471,789 |

**Benefit Changes:** Effective July 1, 2017, pension benefits are funded through a pay-as-you-go funding mechanism. Law No. 106-2017 closed participation in the Employees Retirement System (ERS) to new members and moved prospective accruals for active members to a separate defined contribution plan. As a result of the implementation of the PayGo system and the criteria established under GASB Statement No. 68, the plan is considered a plan that is not administered through a trust that meets the criteria established by GASB. Accordingly, the Authority applies the provisions of GASB Statement No. 73.

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

**Notes to the Schedule:**

**(1)** Fiscal year 2018 was the first year of implementation. The schedule will be expanded to present 10 years of information as additional years become available. Amounts presented have a measurement date of the previous fiscal year end.

**(2)** There are no assets accumulated in a trust that meets the criteria in GASB Statement No. 75 to pay related OPEB benefits.

See accompanying independent auditors' report.

**PUERTO RICO LAND AUTHORITY**
**(A Component Unit of the Commonwealth of Puerto Rico)**

**SCHEDULE OF PROPORTIONATE SHARE OF THE TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

| Last 10 Years (1) | Proportion of Total OPEB Liability | Proportionate Share of Total OPEB Liability |
|---|---|---|
| June 30, 2025 | 0.16313 % | $ 971,521 |
| June 30, 2024 | 0.15429 % | $ 997,567 |
| June 30, 2023 | 0.15779 % | $ 1,097,602 |
| June 30, 2022 | 0.19506 % | $ 1,556,819 |
| June 30, 2021 | 0.19273 % | $ 1,685,683 |
| June 30, 2020 | 0.19353 % | $ 1,610,592 |
| June 30, 2019 | 0.18891 % | $ 1,590,950 |
| June 30, 2018 | 0.18011 % | $ 1,657,962 |
| June 30, 2017 | 0.18334 % | $ 2,172,834 |

**Notes to the Schedule:**

**(1)** Fiscal year 2017 was the first year of implementation. The schedule will be expanded to show 10 years once the information becomes available in the future. Amounts presented have a measurement date of the previous fiscal year end.

**(2)** There are no assets accumulated in a trust that meets the criteria established by GASB Statement No. 75 to pay related OPEB benefits.

See accompanying independent auditors' report.

**PUERTO RICO LAND AUTHORITY**
**(A Component Unit of the Commonwealth of Puerto Rico)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

| Federal Grantor/ Pass-Through Grantor/Program or Cluster Title | Assistance Listing Number (ALN) | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|---|---|---|---|
| **Puerto Rico Land Authority (PRLA):** | | | | |
| **U.S. DEPARTMENT OF AGRICULTURE** | | | | |
| Local Food Purchase Assistance Cooperative Agreement Program | 10.182 | AM22LFPA0000C017 | $ - | $ 3,716,427 |
| **Total U.S. Department of Agriculture** | | | **-** | 3,716,427 |
| **U.S. DEPARTMENT OF HOMELAND SECURITY** | | | | |
| Pass-Through Puerto Rico Central Office for Recovery, Reconstruction and Resiliency (COR3) | | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | 4339-DR-PR | - | 1,327,391 |
| **Total U.S. Department of Homeland Security** | | | - | 1,327,391 |
| **Innovation Fund for Agriculture Development in Puerto Rico (FIDA)** | | | | |
| **U.S. DEPARTMENT OF AGRICULTURE** | | | | |
| Specialty Crop Block Grant Program - Farm Bill | 10.170 | N/A | $ - | 503,314 |
| **Total U.S. Department of Agriculture** | | | - | 503,314 |
| **Total Expenditures of Federal Awards** | | | $ - | $ 5,547,132 |

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**PUERTO RICO LAND AUTHORITY**
**(A Component Unit of the Commonwealth of Puerto Rico)**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

## NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activities of the Puerto Rico Land Authority (the Authority) under programs of the Federal Government for the fiscal year ended June 30, 2025. The information in this Schedule is presented in accordance with the 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). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The Authority's reporting entity is defined in Note 1 to the basic financial statements. Federal awards received directly from federal agencies and awards received through pass-through entities are included in the Schedule.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies were used in preparing the Schedule:

- The expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E - "Cost Principles of the Uniform Guidance", as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

- Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

- Pass-through entity identifying numbers are presented where available.

- The Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

## NOTE 3 - FEDERAL ASSISTANCE LISTING NUMBER

The Federal Assistance Listing Number, formerly known as the Catalog of Federal Domestic Assistance (CFDA) Number, is a five-digit number assigned in the awarding document for all federal assistance award mechanisms, including federal grants and cooperative agreements.

## NOTE 4 - RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

Expenditures of federal awards are reported in the Authority's basic financial statements, primarily in the Statement of Revenues, Expenses and Changes in Net Position, based on the nature of the related expenditures, as follows: Food Program - $3,716,427, Specialty Crops - $503,314, Contracted Services - $291,460, and Construction in Progress - $1,035,931. (Contracted Services and Construction in Progress amounts to $1,327,391).

TORRES, HERNANDEZ & PUNTER, CPA, PSC
Certified Public Accountants

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

**INDEPENDENT AUDITORS' REPORT**

To the Management and
Board of Directors
Puerto Rico Land Authority
San Juan, Puerto Rico

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the basic financial statements of Puerto Rico Land Authority (the Authority), a component unit of the Commonwealth of Puerto Rico, as of and for the fiscal year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 23, 2026. Our report included a qualified opinion because the Authority has not completed its evaluation and recognition of potential capital asset impairments in accordance with GASB Statement No. 42; therefore, we were unable to determine whether any adjustments to capital assets and related amounts were necessary.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) to determine the 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 Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 or significant deficiencies. However, material weaknesses or significant deficiencies may exist that were not identified.


PO Box 4846, Carolina, PR 00984-4846
Tel. (787) 752-4545 Fax (787) 752-4644
www.thpcpa.com

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's basic 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 determination of basic financial statement amounts. 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 Authority'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 Authority's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

*Torres, Hernández & Punter, CPA, PSC*

**Torres, Hernández & Punter, CPA, PSC**
**Certified Public Accountants**

**Carolina, Puerto Rico**

June 23, 2026

DPSC87-652
PUERTO RICO LAND AUTHORITY

TORRES, HERNANDEZ & PUNTER, CPA, PSC
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITORS' REPORT**

To the Management and
Board of Directors
Puerto Rico Land Authority
San Juan, Puerto Rico

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited the Puerto Rico Land Authority's (the Authority) compliance with the requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2025. The 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, the Authority complied, in all material respects, with the types of 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, 2025.

**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; 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 the 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 the 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 the 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 the 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 generally accepted auditing standards, 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 the 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 the 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 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 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.

**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance that is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding No. 2025-01. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards require the auditor to perform limited procedures on the Authority's response to the noncompliance finding identified in our compliance audit and described in the accompanying Schedule of Findings and Questioned Costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**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 deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies, 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.

**Purpose of this Report**

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.

*Torres, Hernández & Punter, CPA, PSC*

**Torres, Hernández & Punter, CPA, PSC**
**Certified Public Accountants**

**Carolina, Puerto Rico**

June 23, 2026

DPSC87-653
PUERTO RICO LAND AUTHORITY

**PUERTO RICO LAND AUTHORITY**
**(A Component Unit of the Commonwealth of Puerto Rico)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2025**

**Part I - Summary of Audit Results:**

**Basic Financial Statements**

The independent auditors' report on the financial statements expressed a qualified opinion.

**Internal Control Over Financial Reporting:**

| | | |
|---|---|---|
| Material weaknesses identified? | ______yes | _X__ no |
| Significant deficiencies identified? | ______yes | _X_ none reported |
| Noncompliance material to the Financial Statement noted? | ______yes | _X__ no |

**Federal Awards**

**Internal control over major programs:**

| | | |
|---|---|---|
| Material weaknesses identified? | ______yes | __X__ no |
| Significant deficiencies identified? | _______yes | __X__ none reported |

The independent auditors' report on compliance with requirements applicable to major federal awards program expressed an unmodified opinion.

| | | |
|---|---|---|
| The audit disclosed findings to be reported in accordance with Uniform Guidance, Section 200.516 | __X__yes | _____ no |

Authority's major award during the year ended June 30, 2025 were:

ALN #10.182 - Local Food Purchase Assistance Cooperative Agreement Program
ALN #97.036 - Disasters Grants - Public Assistance

A threshold of $750,000 was used to distinguish between type A and type B programs, as those terms are defined in Uniform Guidance, Section 200.518.

| | | |
|---|---|---|
| The Authority qualify as a low risk auditee? | _______yes | __X__no |

**PUERTO RICO LAND AUTHORITY**
**(A Component Unit of the Commonwealth of Puerto Rico)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**(CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2025**

**Part II - Findings Related to the Basic Financial Statements:**

No findings related to internal control over financial reporting or compliance and other matters required to be reported in accordance with Government Auditing Standards were identified.

**Part III - Findings and Questioned Costs Related to Federal Awards:**

**FINDING NUMBER 2025-01: LATE FILING OF SINGLE AUDIT REPORTING PACKAGE**

**FEDERAL PROGRAMS: Assistance Listing Number #10.182 - Local Food Purchase Assistance Cooperative Agreement Program and ALN #97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)**

**Compliance Requirement: Reporting**

**CONDITION:** The Authority did not submit the reporting package and Data Collection Form for the year ended June 30, 2025 to the Federal Audit Clearinghouse within the required filing deadline.

**CRITERIA:** Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), Section 200.512 - Report Submission, requires the auditee to submit the reporting package and Data Collection Form to the Federal Audit Clearinghouse. The submission is required within the earlier of 30 calendar days after receipt of the auditor's report or nine months after the end of the audit period.
The reporting package must include the following:

**CONTEXT:** The Authority did not submit the Single Audit reporting package and Data Collection Form to the Federal Audit Clearinghouse within the timeframe required by the Uniform Guidance.

**CAUSE:** The delay in the submission of the reporting package resulted primarily from delays in the availability and completion of the accounting records and supporting documentation required to perform the audit procedures. In addition, the prior year audit was completed near the reporting package submission deadline, which impacted the timing available for the completion of the current year audit and related Single Audit reporting requirements.

**EFFECT:** The late submission of the reporting package resulted in noncompliance with the reporting requirements established by the Uniform Guidance. Continued noncompliance with these requirements may affect the Authority's ability to qualify as a low-risk auditee and may subject the Authority to additional oversight or other actions by federal awarding agencies or pass-through entities.

**RECOMMENDATION:** We recommend that the Authority implement procedures to ensure that accounting records, supporting documentation, and information necessary for the preparation of the basic financial statements and Schedule of Expenditures of Federal Awards are available timely. This will allow sufficient time for the completion of audit procedures and submission of the reporting package to the Federal Audit Clearinghouse within the timeframe required by the Uniform Guidance.

**PUERTO RICO LAND AUTHORITY**
**(A Component Unit of the Commonwealth of Puerto Rico)**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**
**FOR THE YEAR ENDED JUNE 30, 2025**

**Part III - Findings and Questioned Costs Related to Federal Awards (Continued)**

**FINDING NUMBER 2025-01: LATE FILING OF SINGLE AUDIT REPORTING PACKAGE (CONTINUED)**

**FEDERAL PROGRAMS: Assistance Listing Number #10.182 - Local Food Purchase Assistance Cooperative Agreement Program and ALN #97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)**

**Compliance Requirement: Reporting**

**QUESTIONED COSTS:** None

**MANAGEMENT RESPONSE:** See corrective action plan.

**PUERTO RICO LAND AUTHORITY**
**(A Component Unit of the Commonwealth of Puerto Rico)**

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FOR THE YEAR ENDED JUNE 30, 2025**

There were no prior year audit findings reported for the year ended June 30, 2024 that require follow - up in accordance with the Uniform Guidance.

TORRES, HERNANDEZ & PUNTER, CPA, PSC
Certified Public Accountants

To the clients and users of the financial statements
Reported upon by Torres, Hernández & Punter, CPA PSC
Certified Public Accountants

The partners and staff of Torres, Hernández & Punter CPA, PSC are pleased to announce the successful completion of the 2024 independent peer review of our accounting and auditing practice. This review was undertaken as a condition of membership in the American Institute of Certified Public Accountants (AICPA), the national organization of CPAs in public practice, industry, government, and education. Our participation in the Peer Review Program demonstrates our firm's commitment and desire of maintaining and improving the quality of our practice.

After through study of our policies and procedures, the team conducting the review concluded our firm complies with the quality control standards established by the AICPA and the Puerto Rico Society of CPA's (PRSCPA). Our firm is committed to periodic peer review to foster quality performance.

Bankers, bonding agents, investors, suppliers, legal advisors and others use the financial statements our firm audits, reviews or complies. We think those people, our clients, and our own staff, deserve independent quality assurance that our firm provides quality services. We are proud of our peer review results and would be happy to answer any questions you might have.

Sincerely,

Torres, Hernández & Punter, CPA, PSC

Torres, Hernández & Punter, CPA, PSC


PO Box 4846, Carolina, PR 00984-4846
Tel. (787) 752-4545 Fax (787) 752-4644
www.thpcpa.com

De Angel & Compañía CPA, LLC

www.deangel.cpa
(787) 758-4428
(787) 763-9386
PO BOX 5460, CAGUAS, PR 00726-5460
1890 GLASGOW, COLLEGE PARK IV
SAN JUAN, PR 00921

To the Stockholders of
**Torres, Hernandez, & Punter, CPA, PSC**
and the Peer Review Committee of the
Puerto Rico Society of Certified Public Accountants

## REPORT ON THE FIRM'S SYSTEM OF QUALITY CONTROL

We have reviewed the system of quality control for the accounting and auditing practice of **Torres, Hernandez, & Punter, CPA, PSC** (the firm) in effect for the year ended December 31, 2024. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

### Firm's Responsibility

The firm is responsible for designing and complying with a system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with the requirements of applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported on in conformity with the requirements of applicable professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

### Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of and compliance with the firm's system of quality control based on our review.

### Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audit under the Single Audit Act, and audit of employee benefit plan.

As part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

**Opinion**

In our opinion, the system of quality control for the accounting and auditing practice of **Torres, Hernandez, & Punter, CPA, PSC** in effect for the year ended December 31, 2024, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. **Torres, Hernandez, & Punter, CPA, PSC** has received a peer review rating of *pass*.

License No. 317
Expires on December 1, 2026

San Juan, Puerto Rico
December 30, 2025

DLLC317-398
Torres, Hernandez, & Punter, CPA, PSC