PUBLIC BUILDINGS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

INDEPENDENT AUDITOR'S REPORT
AND
BASIC FINANCIAL STATEMENTS AND
OTHER SUPPLEMENTARY INFORMATION

For the fiscal year ended June 30, 2021

PUBLIC BUILDINGS AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

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Aquino, De Córdova, Alfaro & Co., LLP
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITOR'S REPORT

To Board of Directors
Public Buildings Authority
San Juan, Puerto Rico

We have audited the accompanying financial statements of the *Public Buildings Authority* (the Authority) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting Principles Generally Accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 13, Schedule of Changes in the Authority's Total Pension Liability and Related Ratios, Schedule of Changes in the Authority's Total OPEB Liability and Related Ratio on pages 62 to 65, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedules of bond sinking funds accounts and operating rental revenues on pages 67 and 68, respectively, are presented for purposes of additional analysis and are not required part of the basic financial statements.

The schedules of bond sinking funds accounts and operating rental revenues are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 bond sinking funds accounts and operating rental revenues are fairly stated in all material respects in relation to the basic financial statements as a whole.

Carolina, Puerto Rico
March 2, 2023

Aquino, De Córdova, Alfaro & Co., LLP

Stamp number E518171
of Puerto Rico CPA Society
has been affixed to the original report

Introduction

The following management's discussion and analysis (MD&A) of the financial performance of the Public Buildings Authority (the Authority) provides an overview of the Authority's activities for the fiscal years ended June 30, 2021. Its purpose is to provide explanations and insights into the information provided in the basic financial statements and required supplementary information. This MD&A is intended to be read in conjunction with the Authority's basic financial statements for the fiscal year ended June 30, 2021 taken as a whole.

Financial Highlights

- The Authority's deficit increased to $249.7 million or 11% during the year ended June 30, 2021, as compared to the prior fiscal year ending June 30, 2020.

- For the year ended June 30, 2021, the Authority reported an increase in net rental income of $5.1 million as compared to the prior fiscal year. All rent receivable other than those amounts subsequently collected after June 30, 2021 are reserved as uncollectible.

- The Authority's operating loss increased from approximately $76.6 million for the fiscal year ended June 30, 2020 to an operating loss of $93.5 million for the year ended June 30, 2021.

- The Authority's non-operating expenses decreased from $245.9 million for the fiscal year ended June 30, 2020 to $156.2 million for the fiscal year ended June 30, 2021.

- Over the past decade, the Commonwealth has been in a midst of a profound fiscal and economic crisis, the culmination of many years of significant governmental deficits, an economic recession that has persisted since 2006, prior liquidity challenges, a high unemployment rate, population decline, and high levels of debt and pension obligations. On May 5, 2017, the Financial Oversight and Management Board for Puerto Rico (the Oversight Board), at the request of the Governor of the Commonwealth of Puerto Rico, commenced a Title III case for the Commonwealth. Thereafter, on September 27, 2019, the Oversight Board, at the request of the Governor, commenced a Title III case for the Authority.

- As further discussed in Note 18 to the basic financial statement, on January 18, 2022, the Title III Court confirmed the Commonwealth Plan of Adjustment. 33On March 15, 2022 (the Effective Date), the Commonwealth and the Authority each emerged from their Title III cases. On the Effective Date, the Commonwealth Plan of Adjustment was consummated and became effective. As of the Effective Date, the Commonwealth Plan of Adjustment eliminated PBA's bonds and reduced the Commonwealth's total funded debt obligations from approximately $34.3 billion of prepetition debt to only approximately $7.4 billion, representing a total debt reduction of 78%. This debt reduction will also reduce the Commonwealth's maximum annual debt service (inclusive of COFINA debt service) from approximately $4.2 billion to $1.15 billion, representing a total debt service reduction of 73%. This significant reduction in total debt and annual debt service payments provides a path for the Commonwealth's future economic growth and alleviates the historical budgetary constraints that caused doubt as to whether the Oversight Board would approve the future financing needs of the Authority.

- Notwithstanding the budgetary constraints and historical liquidity risks faced by the Commonwealth and the Authority, and other circumstances existing on June 30, 2021, based on subsequent events that remedied the Commonwealth's financial condition and addressed its liabilities, management does not believe there is

- substantial doubt about the Authority's ability to continue as a going concern as of the date of these basic financial statements.

Overview of the Basic Financial Statements
The Authority's basic financial statements consist of: MD&A, Basic Financial Statements, Notes to Basic Financial Statements, Required Supplementary Information and Other Supplementary Information.

Management's Discussion and Analysis

This MD&A provides an analysis to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. It is intended to serve as an introduction to the Authority's basic financial statements.

Basic Financial Statements

Statement of Net Position - This statement presents financial information on the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net position increases when revenues exceed expenses. Increases in assets, without a corresponding increase to liabilities, result in a net position increase, which also indicates an improved financial position.

Statement of Revenues, Expenses and Changes in Net Positions - This statement presents information showing how the Authority's net position changed during the reporting period. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.
Reclassifications – Certain reclassifications to current year account balances were done to conform with prior year's financial statements.

Statement of Cash Flows - This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, non-capital financing activities, capital, and related financing activities, investing activities, and non-cash items.

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

Other Supplementary Information - In addition to the basic financial statements, accompanying notes, and the required supplementary information, various schedules present certain information concerning changes in bond sinking funds accounts and detail of operating rental revenues.

Overall Financial Analysis - As noted above, net position over time may serve as a useful indicator of a government's financial position. In the case of the Authority, its net deficit position as of June 30, 2021 and June 30, 2020, amounted to approximately $2,472.6 and $2,222.9 million, respectively.

Statement of Net Position

	June 30,			
	2021	2020	Change in amount	Change
Assets				
Current assets	$ 84,206,301	$ 70,177,717	$ 14,028,584	20%
Capital assets	3,001,493,067	3,090,558,873	(89,065,806)	-3%
Other non-current assets	106,141,885	51,793,662	54,348,223	105%
Total assets	3,191,841,253	3,212,530,252	(20,688,999)	-1%
Deferred outflows of resources	150,129,914	114,028,888	36,101,026	32%
Total assets and deferred outflows of resources	3,341,971,167	3,326,559,140	15,412,027	0%
Liabilities				
Current liabilities	1,628,598,966	1,308,899,527	319,699,439	24%
Non-current liabilities	4,159,134,822	4,206,287,665	(47,152,843)	-1%
Total liabilities	5,787,733,788	5,515,187,192	272,546,596	5%
Deferred Inflows of Resources	26,806,242	34,266,488	(7,460,246)	-22%
Total liabilities and deferred inflows of resources	5,814,540,030	5,549,453,680	265,086,350	5%
Deficit				
Net investment in capital assets	(989,426,199)	(901,567,132)	(87,859,067)	10%
Restricted for debt service	12,930,450	12,930,372	78	0%
Restricted for other purpose	71,919,341	16,654,026	55,265,315	332%
Unrestricted (deficit)	(1,567,992,455)	(1,350,911,806)	(217,080,649)	16%
Total deficit	$ (2,472,568,863)	$ (2,222,894,540)	$ (249,674,323)	11%

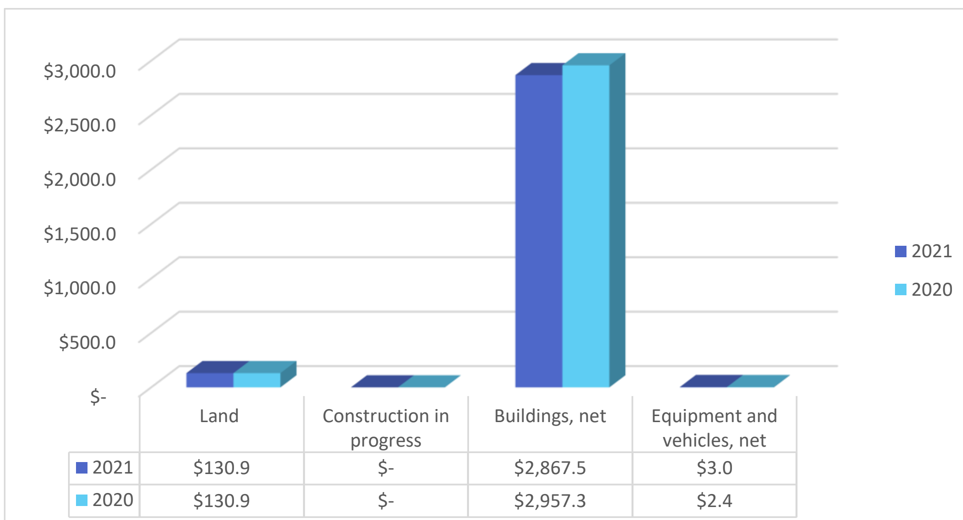
Following is condensed financial information of the Authority's statements of net position:

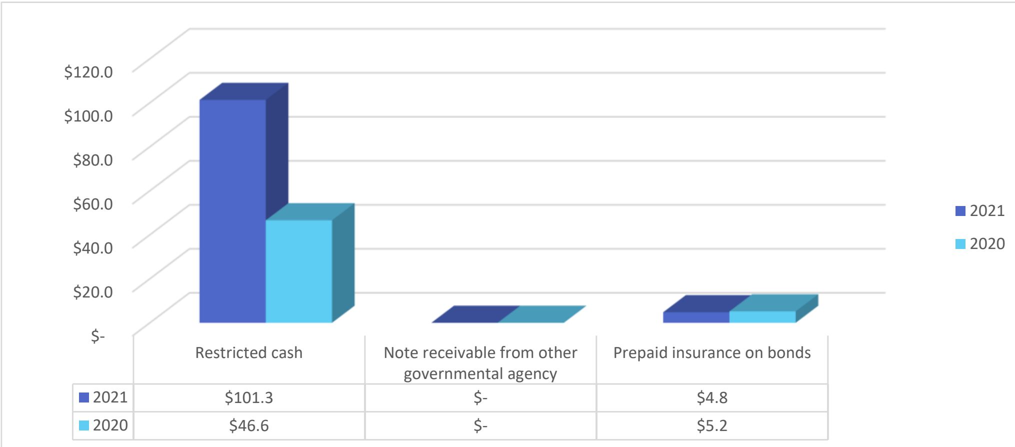
Current assets (in million)

During the fiscal year ended June 30, 2021, current assets increased by $14.1 million or 20% as compared to the prior fiscal year ended June 30, 2020. This increase was due, in large part, to a change in estimate in collectability of rent receivable from the Commonwealth. Within current assets, (i) cash as of June 30, 2021, was $80.6 million or 38% more than as of June 30, 2020, (ii) net rent receivable was $8.1 million less than as of June 30, 2020 and (iii) net other receivables is $1.1 the same as of June 30, 2020.

Capital assets (in million)

Building decreased by approximately $89.7 million as of June 30, 2021, compared to prior fiscal year, due to depreciation expenses.



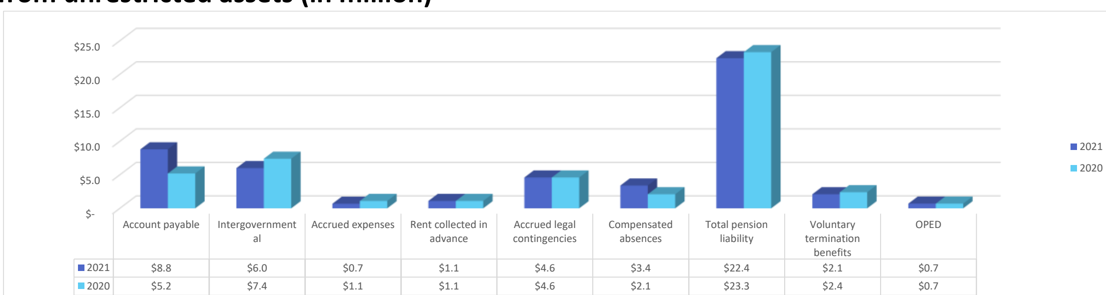


Other non-current assets (in million)

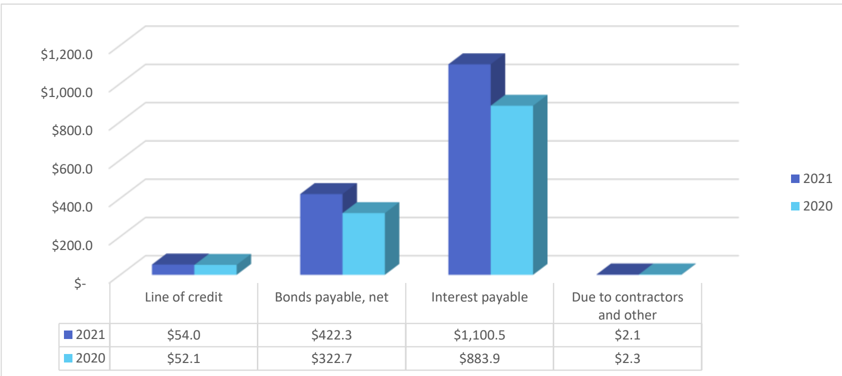
During the fiscal year ended June 30, 2021, non-current assets increased by approximately $54.3 million or 105%, as compared to the prior fiscal year ended June 30, 2020. No contributions were made by the Authority to the Sinking Fund during the reporting period as debt service payments were suspended because of the moratorium declared by the Commonwealth of Puerto Rico and the Commonwealth's and the Authority's subsequent Title III cases, as further discussed in Note 18 to the basic financial statements.

Current liabilities payable from unrestricted assets (in million)

During the fiscal year ended June 30, 2021, total current liabilities due from unrestricted assets increased by approximately $1.9 million or 4% as compared to the prior fiscal year.



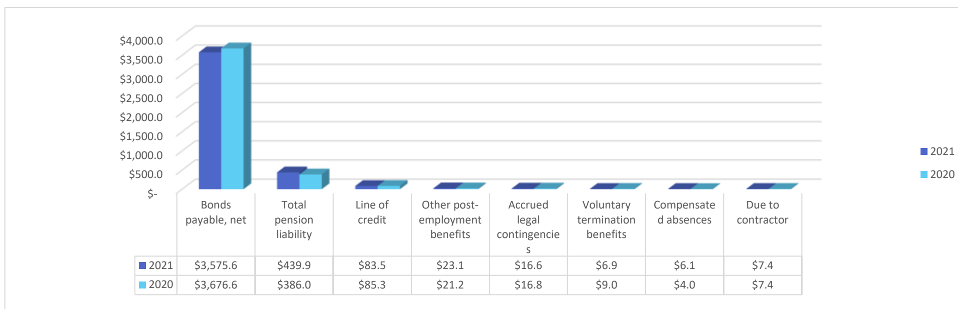
- Accounts payable as of June 30, 2021 increased by approximately $3.6 million when compared with June 30, 2020.
- Intergovernmental payables decreased approximately $1.4 million and June 30, 2021 with respect to prior year.
- Voluntary termination benefits as of June 30, 2021 decreased by approximately $.3 million when compared with June 30, 2020.
- Compensated absences increased by approximately $1.3 million during the year ended June 30, 2021.



Current liabilities payable from restricted assets (in million)

Current total liabilities due from restricted assets increased by approximately $317.9 million in the years ended June 30, 2021. This increase is primarily due to (i) the inclusion of bond payments and interest payable in arrears; and (ii) the limitation of the subrogation rights of monoline insurers to amounts actually paid for the respective years.

Non-current liabilities (in million)



No bond payments were made by the Authority during the fiscal year ended June 30, 2021; the payments that would have been made during that fiscal year are reported as current bonds payable.

Instead, payments were made by bond monoline insurances which retain subrogated rights limited to amounts actually paid on the insured bonds and therefore the Authority's liabilities did not decrease for such payments.

Total pension liability increased approximately $53.9 million during the year ended June 30, 2021. These changes are primarily due to a change in actuarial valuations provided by ERS for which the Authority recognizes its proportionate share.

The Authority had various note payable agreements with the GDB Debt Recovery Authority (the DRA). Some of the agreements were to provide interim financing for construction of the Authority's facilities while others were to finance operations including the financing of debt service requirements under the bond agreements. As discussed herein, certain of the lines of credit were impacted by the GDB Title VI restructuring (as defined below). For more information on the GDB Qualifying Modification see Note 18. As further discussed in Note 18 to the basic financial statement, PBA's obligations to the DRA were also discharged by the Commonwealth Plan of Adjustment.

Other non-current liabilities as of June 30, 2021 decreased by approximately $104.9 million, and consist mainly of the non-current portion of bond payables, line of credits and voluntary termination benefits.

Other postemployment benefits increased by $1.9 million during the year ended June 30, 2021. These changes are primarily due to change in actuarial valuations provided by ERS for which the Authority recognizes its proportionate share. This change was added to the actuarial valuations made by the Authority for its healthcare benefits for its retirees covered by collective bargaining agreements (CBA). The Authority implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This Statement replaces the requirement of GASB Statement No. 45, *Accounting and Financial Reporting for Employers for Postemployments Benefits Other Than Pensions* (GASB 45) used in prior years. This Statement establishes the standards for the measurement, recognition, and display of Other

Postemployment Benefits (OPEB) expense / expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state, and local governmental employers.

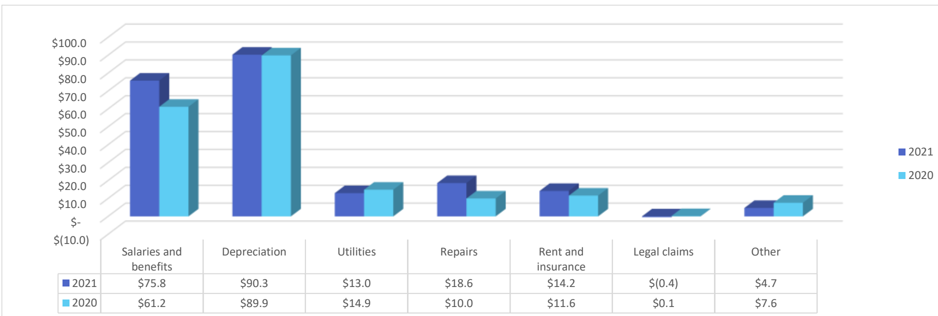
Statement of Revenues, Expenses and Changes in Deficit

Following is condensed financial information of the Authority's statement of revenues, expenses and changes in deficit:

	Years Ended June 30,			
	2021	2020	Change in amount	Change
Revenues:				
Operating	$ 122,721,029	$ 117,632,253	$ 5,088,776	4%
Non-operating	67,124,218	9,127,851	57,996,367	635%
Total revenues	189,845,247	126,760,104	63,085,143	50%
Expenses:				
Operating	216,173,304	194,275,658	21,897,646	11%
Non-operating	223,346,266	255,058,070	(31,711,804)	-12%
Total expenses	439,519,570	449,333,728	(9,814,158)	-2%
Change in net deficit	(249,674,323)	(322,573,624)	72,899,301	-23%
Deficit:				
Beginning of year	(2,222,894,540)	(1,900,320,916)	(322,573,624)	17%
End of year	$ (2,472,568,863)	$ (2,222,894,540)	$ (249,674,323)	11%

Operating revenues

Operating revenues principally consist of rent charges to Commonwealth agencies, public corporations and municipalities. Operating revenue increased approximately $5.1 million during the year ended June 30, 2021, as compare to the prior year.



Expenses (in million)

The following chart discloses the major components of operating expenses for the fiscal years ended June 30, 2021, and June 30, 2020.

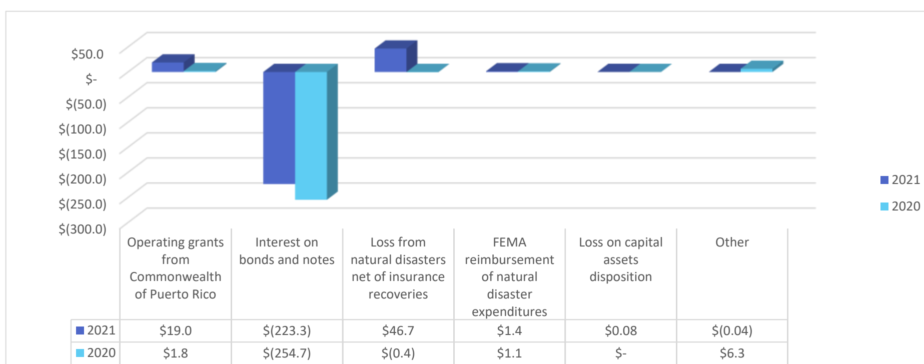
During the fiscal year ended June 30, 2021, operating expenses increased by approximately $20.8 million, or 11%, as compared to the prior fiscal year ended June 30, 2020.

Notable changes in expenses during the year ended June 30, 2021, include:

- Salaries and benefits increased by approximately $14.6 million, or 24%, due in large part to the implementation of a voluntary termination program and the reduction of pension expense based on actuarial estimates.
- Utility expenses decreased by approximately $1.9 million, or 13%.
- The repairs and maintenance expenses increased by approximately $8.6 million, or 86%.
- Rent and insurance increase by approximately $2.6 million or 22%.
- Other expenses decrease by approximately $2.9 million or 38%.

Non-operating Revenues and/or Expenses (in million)

Non-operating expenses consist of interest paid and accrued on the Authority's bonds and note payable agreements with DRA and net loss from natural disasters. Net non-operating expenses increased approximately $89.7 million or 36% during the fiscal year ended June 30, 2021.



During the years ended June 30, 2021, and June 30, 2020, appropriations from the Commonwealth to the Authority for the financing of operating expenses amounted to approximately $1.8 million and $8.6 million, respectively.

Capital Assets:

	June 30, 2021	June 30, 2020	Change
Capital assets not being depreciated:			
Land	$ 130,911,907	$ 130,911,906	$ -
Total	$ 130,911,907	$ 130,911,906	$ -
Capital assets being depreciated:			
Buldings	2,867,523,752	2,957,255,777	(89,732,025)
Equipment and vehicles	3,043,408	2,391,190	652,218
Total	2,870,567,160	2,959,646,967	(89,079,807)
Total capital assets	$ 3,001,479,067	$ 3,090,558,873	$ (89,079,807)

The Authority's investment in capital assets as of June 30, 2021, net of accumulated depreciation, amounted to approximately $3.0 billion. Capital assets include land, construction in progress, building, equipment, furniture, and vehicles. Most of the Authority's buildings are leased to the Commonwealth's agencies and public corporations. For more information, please refer to Note 8 of the basic financial statements.

Debt Administration

The Authority's debt obligations consist principally of bonds payable, net of related unamortized bond discount or bond premiums, and notes payable. The Authority's debt also includes the balance of subrogated rights of the monoline insurers but is limited to amounts actually paid by the monoline insurers for each of the missed payments on the insured bonds. Debt was issued principally to finance capital assets and to finance operating expenses and is summarized as follows:

	June 30, 2021	June 30, 2020	Change
Revenue bonds	$ 33,850,000	$ 33,850,000	$ -
Government facilities	3,914,769,784	3,914,792,819	(23,035)
Total	3,948,619,784	3,948,642,819	(23,035)
Add (deduct):			
Bond discount	(18,490,613)	(19,841,774)	1,351,161
Bond premiums	15,524,637	18,327,957	(2,803,320)
Total	(2,965,976)	(1,513,817)	(1,452,159)
Bonds payable net	3,945,653,808	3,947,129,002	(1,475,194)
Bond payable to monoline insurer	52,274,279	52,251,244	23,035
Notes payable	137,414,149	137,414,149	-
Total debt	$ 4,135,342,236	$ 4,136,794,395	$ (1,452,159)

June 30, 2021 and June 30, 2020

During the year ended June 30, 2021, bonds payable decreased by approximately $1.5 million, before amortization of bond discount and bond premiums. The decrease was primarily due to principal payments by monoline insurers, which retain subrogated rights limited to amounts actually paid on the insured bonds, as reflected above.

As further discussed in Note 18 to the basic financial statement, as a result of the Commonwealth Plan of Adjustment, PBA's bonds were discharged and are no longer outstanding.

Currently known facts, decisions and conditions

On June 28, 2021, PBA received 532 employees from the electric power authority according to the mobility plan established in Act 120-2018, known as the Puerto Rico Power System Transformation Act. This increase in our workforce will represent wages spending and fringe benefits of over $20 million in the fiscal year 2022.

On March 15, 2022 the Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico for the Employee's Retirement System (ERS) and Public Building Authority (PBA) became effective. Based on the agreement achieved in the adjustment plan, PBA estimated a gain at the end of fiscal year 2022 of about $5.0 billion.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Comptroller's Office, Public Building Authority, PO Box 41029, San Juan, PR 00940-1029.

PUBLIC BUILDINGS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENT OF NET POSITION DEFICIT
AS OF JUNE 30, 2021

ASSETS

Current assets:		
Cash and cash equivalents	$	80,620,227
Rent receivables, net		1,989,471
Other receivables, net		466,141
Other assets		1,130,461
Total current assets		84,206,300
Non-current assets:		
Restricted cash and cash equivalents:		
Bond sinking funds		20,617
Construction funds		88,449,790
Restricted debt funds		12,909,833
Prepaid insurance on bonds		4,761,645
Capital assets:		
Non depreciable		130,925,907
Depreciable, net		2,870,567,161
Subtotal		3,001,493,068
Total non-current assets		3,107,634,953
Total assets		3,191,841,253
Deferred Outflows of Resources:		
Loss on bond refunding		57,694,731
Related to pension plans		88,509,725
Related to post employment benefits		3,925,458
Total deferred outflows of resources		150,129,914
Total assets and deferred outflows of resources	$	3,341,971,167

Continued

LIABILITIES AND NET POSITION		
Current liabilities:		
Account payable	$	8,059,899
Intergovernmental		6,723,256
Accrued expenses		680,964
Rent collected in advance		1,098,687
Accrued legal contingencies		4,551,826
Compensated absences		3,379,451
Total pension liability		22,434,770
Total other postemployment benefits		702,777
Voluntary termination benefits		2,102,113
Current liabilities payable from restricted assets:		
Borrowing under line of credit		53,961,977
Bonds payable, net		422,316,099
Interest payable		1,100,474,728
Due to contractors		2,101,148
Due to Puerto Rico Infrastructure Financing Authority		11,271
Total current liabilities		$ 1,628,598,966
Non-current liabilities:		
Borrowing under line of credit		83,452,172
Bonds payable, net		3,575,611,988
Due to contractors		7,420,481
Accrued legal contingencies		16,607,993
Compensated absences		6,138,846
Total pension liability		439,889,049
Total other postemployment benefits		23,084,313
Voluntary termination benefits		6,929,980
Total non-current liabilities		4,159,134,822
Total Liabilities		5,787,733,788
Deferred Inflows of Resources:		
Deferred inflows related to pension plan		20,459,051
Deferred inflows related to other postemployment benefits		6,347,191
		26,806,242
Total liabilities and deferred inflows of resources		5,814,540,030
Net position deficit		
Net investment in capital assets		(989,426,199)
Restricted for debt service		12,930,450
Restricted for other purposes		71,919,341
Unrestricted (deficit)		(1,567,992,455)
Net position deficit	$	(2,472,568,863)

The accompanying notes are an integral part of these basic financial statements.

PUBLIC BUILDINGS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION DEFICIT
FOR THE YEAR ENDED JUNE 30, 2021

Operating revenues:		
Rental revenues from governmental agencies	$	394,091,825
Less: uncollectible amounts expense		(271,370,796)
Rental revenues from governmental agencies, net		122,721,029
Operating expenses:		
Salaries and employees benefits, including pension expense		75,793,115
Depreciation		90,322,080
Utilities		12,970,546
Repairs and maintenance		18,595,891
Security services		1,217,507
Rent and insurance		14,167,837
Legal claims		(429,797)
Other expenses		3,536,125
Total operating expenses		216,173,304
Operating loss		(93,452,275)
Non-operating revenue (expenses):		
Operating grants from Commonwealth of Puerto Rico		19,020,546
Interest on bonds and notes		(223,303,428)
Insurance claim proceeds		46,710,787
FEMA reimbursement on natural desaster expenditures		1,392,885
Loss on capital assets disposition		(82,944)
Interest and other income		40,106
Total non-operating expenses, net		(156,222,048)
Change in net position		(249,674,323)
Net position:		
At beginning of year		(2,222,894,540)
At end of year	$	(2,472,568,863)

The accompanying notes are an integral part of these basic financial statements.

PUBLIC BUILDINGS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

Operating activities:		
Receipts from tenants	$	130,880,309
Payment to employees and related benefits		(71,443,707)
Payment for goods and services		(48,065,647)
Net cash provided by operating activities		11,370,955
Noncapital related financing activities:		
Grant from Commonwealth of Puerto Rico		18,812,909
Grant from FEMA		1,372,600
Other		40,106
Net cash provided by noncapital financing activities		20,225,615
Capital and related financing activities:		
Interest paid		(18,857,246)
Proceeds from bond insurers		18,857,246
Proceeds from insurance for natural disaster claims		46,710,787
Purchases of capital assets		(1,339,218)
Net cash provided capital assets and related financing		45,371,569
Investing activities:		
Collections from interest earned		20,285
Net cash provided by investing activities		20,285
Net increase in cash and cash equivalents		76,988,424
Cash and cash equivalents:		
At beginning of year		105,012,043
At end of year (see page 32)	$	182,000,467

Continues

The accompanying notes are an integral part of these basic financial statements.

Continued

Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating loss	$ (93,452,275)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	90,322,080
Allowance for doubtful accounts	271,370,796
Change in operating assets and liabilities:	
Decrease in other current assets	6,790
Decrease in other receivables, net	34,209
Increase in rent receivable	(263,264,291)
Increase in deferred outflows related to pension plans	(43,162,078)
Decrease in deferred outflows related to post employment benefits	(609,773)
Increase in accounts payable and accrued expenses	1,778,109
Decrease in accrued legal contingencies	(222,161)
Increase in compensated absences	3,428,138
Increase in rent collected in advance	18,567
Increase in their post-employment benefits	1,923,481
Increase in total pension liability	52,982,781
Decrease in voluntary termination benefits	(2,323,172)
Decrease in deferred inflows related to pension plans	(7,460,246)
Net cash provided by operating activities	$ 11,370,955
Supplemental schedule of noncash investing, capital and financing activities	
Loss on capital assets disposition	$ 82,944

The accompanying notes are an integral part of these basic financial statements.

1. ORGANIZATION

The Authority is a component unit of the Commonwealth, created by Legislature of the Commonwealth pursuant to Act No. 56 of June 19, 1958, as amended (the Enabling Act). The Authority designs, constructs, administers, and provides maintenance to office buildings, courts, warehouses, schools, health-care facilities, welfare facilities, shops and related facilities, the majority of which are leased to the Commonwealth's departments, agencies, public corporations and instrumentalities and municipalities. The annual rent for each leased building has historically been based on the amounts necessary to cover the Authority's payment of:

i. Principal, interest and other amortization requirements of the notes and bonds issued to finance the applicable buildings;
ii. Operating and maintenance expenses of the buildings, including a reasonable proportional share of administrative expenses, excluding depreciation; and
iii. Cost of equipment replacement and extraordinary repairs.

Component (i) is referred to as Debt Service Rent. Components (ii) and (iii) are subject to periodic increases so that the Authority can recover the costs incurred. Amounts due from Commonwealth departments and governmental agencies may be subject to periodic adjustments based on the availability of funds at the Commonwealth level and the pending Commonwealth Title III case.

The Enabling Act provides that the full faith and credit of the Commonwealth is pledged for the payment of rent under any lease agreement executed pursuant to the Enabling Act with any department of the Commonwealth. The Enabling Act also provides that the Department of Treasury of the Commonwealth of Puerto Rico (Treasury Department) will make advances to the Authority for any unpaid portion of rent payable to the Authority by any agency or instrumentality of the Commonwealth that has entered into lease agreements with the Authority. Such advances are recorded as a reduction to account receivables because the reimbursement obligation belongs to the agency in accordance to the Enabling Act. This obligation was suspended pursuant the Puerto Rico Emergency Moratorium and Rehabilitation Act (Act No. 21 of 2016) and the Commonwealth's subsequent Title III case, as described more fully in Note 18.

As further discussed in Note 18 to the basic financial statement, the Commonwealth Plan of Adjustment went effective on March 15, 2022. The court order confirming the Commonwealth Plan of Adjustment provides that the PBA leases (including PBA leases with private entities) shall be deemed rejected effective upon the earliest to occur of:

1. June 30, 2022;
2. the date upon which such PBA lease expires in accordance with its terms;
3. the date upon which PBA enters into a new or amended lease with respect to the leased property subject to such PBA Lease;
4. such other date of which PBA, as lessor, provides written notice to the counterparty to a PBA Lease; and
5. the date upon which AAFAF, on behalf of the Commonwealth or any Commonwealth agency that is a lessee with respect to a PBA Lease, provides written notice to PBA that such PBA lease is rejected (the "Notice Date").

Accordingly, each of the PBA leases will be deemed rejected no later than June 30, 2022, unless a new lease is entered before that time.

From the Effective Date of the Commonwealth Plan of Adjustment through the rejection/renegotiation date (*i.e*. June 30, 2022 or the Notice Date), with respect to any PBA lease between PBA, as lessor, and the Commonwealth or any Commonwealth agency, public corporation or instrumentality, as lessee, the monthly lease payments shall be limited to the lower of (i) the amount budgeted and approved pursuant to a certified fiscal plan and (ii) the monthly costs and expenses associated with the applicable leased property.
Any past due accruals on PBA or any Commonwealth entity for Debt Service Rent under a PBA lease is deemed released under the Plan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting – The basic financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The activities of the Authority are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows, liabilities, net position, revenues and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded as incurred.

b. Use of Estimates – The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reported period. Actual results may differ from those estimates.

c. Fair Value of Financial Instruments – The carrying amounts reported in the statements of net position for cash and cash equivalents and receivables approximate fair value due to their short-term duration. Amounts deposited in bond sinking funds and construction funds are carried at fair value. The carrying amount of bonds payable approximates fair value since interest rates on such debt approximates the rates currently available in the market for other debt with similar terms and remaining maturities.

d. Cash and Cash Equivalents – Cash and cash equivalents include all highly liquid instruments with maturities of three months or less at time of acquisition. If such instruments are included in restricted assets, they are considered cash equivalents for purposes of the statements of cash flows.

e. Accounts Receivable Allowance for Uncollectible Accounts – The allowance for uncollectible accounts is an amount that management believes will be adequate to absorb possible losses on existing receivables, including debt service rentals and maintenance charges that may become uncollectible based on evaluations of the collectability of each balance. Because of uncertainties inherent in the estimation process, management’s estimate of losses in the receivables outstanding and the related allowance may change in the near term.

f. **Other Assets** – These represent tools, supplies, security deposits and building material on hand.

g. **Restricted Cash and Cash Equivalents** – Restricted assets represent the amounts deposited by the Authority to provide for the principal and interest payment of bonds payable and related interest costs and cash available in the related construction fund. When both restricted and unrestricted resources are available for specific use, it is the authority's policy to use restricted resources first, then unrestricted resources as they are needed.

h. **Capital Assets –** Capital assets are recorded at cost and segregated between non-depreciable, such as land and construction in progress, and depreciable assets, such as building and equipment. The construction cost includes indirect administrative costs and interest costs allocated during the construction period. Capital assets are assets with an individual cost of more than $100 and a useful life of five (5) years or more.

Interest cost is capitalized as part of the historical cost of acquiring certain assets while the assets are readied for their intended use. Interest earned on unspent tax-exempt borrowings restricted for acquisition of qualifying assets is offset against interest costs to determine the net amount to be capitalized.

Expenditures for major renewals and betterments that extend the useful life of the assets are capitalized and normal repairs and maintenance are expensed when incurred. Depreciation is determined using the straight-line method, over the estimated useful lives of the assets, as follows:

Buildings	50 Years
Equipment and automobiles	5-10 years

A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. The Authority evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairments include evidence of physical damage, enactment or approval of Acts or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of capital asset, and construction stoppage, among others.

i. **Current Liabilities** - These are short-term financial obligations that are due within one year or within a normal operating cycle of one year and typically settled using current assets, which are assets that are used up within one year. Examples of current liabilities include accounts payable, accrued expenses, rent collected in advance, compensated absences, voluntary termination benefits and debt service payments due within the next 12 months. The Authority also included in current liabilities the bond principal and interest payments in default.

j. **Non-current Liabilities** – Non-current liabilities are referred to as the long-term debts or financial obligations that are not due within twelve months. Examples of non-current liabilities include bonds payable, compensated absences, accrued legal contingencies, net pension liability, other post-employment benefits and voluntary termination benefits.

k. **Compensated Absences** – In response to a Fiscal Plan certified by the Oversight Board, Act 8-2017, Act for the Administration and Transformation of Human Resources of the Commonwealth of Puerto Rico, was enacted and extends its application to the employees of public corporations. Under this Act, employees begin to accrue vacation and sick leave at the rate of one-and-a-quarter days and one-and-a-half days per month, respectively, after working for three months, and the Act is retroactive to the start date of employment. Employees may accumulate and carry forward up to a maximum of 60 days vacations and 18 days sick leave. Upon termination of work, the accumulated amount of vacation days up to the maximum permissible by the Act is paid.

l. **Bond Premiums, Discounts, and Loss on Refunding –** Bond premiums and discounts are amortized as a Blended Component of interest expense over the lives of the related issue using the straight-line method in a manner that approximates the interest method.
The deferred loss on bond refunding is presented as deferred outflows in the accompanying statement of net position and the related amortization is presented as a Blended Component of interest expense.

m. **Related Parties or Transactions with Other Government Agency** – The Technical Institute of Puerto Rico, a unit of the Puerto Rico Department of Education, is a related government agency, which received advances from the Authority to complete its facility in the city of Ponce.

n. **Due to Contractors –** The Authority withholds from contractors a retainage until all construction issues have been settled satisfactorily. Such issues may take years to resolve. The Authority lists as non-current liabilities amounts due to contractors where there is uncertainty about when construction issues will be resolved and settled.

o. **Claims and Judgments –** The Authority accrues an estimate amount of the liability for claims and judgments on the accompanying statements of net position based on the Authority's evaluation of the probability of an unfavorable outcome in the litigation of such claims and judgments. The Authority consults with legal counsel upon determining whether an unfavorable outcome is expected. Because of uncertainties inherent in the estimation process, management's estimate of the liability for claims and judgments may change in the future.

p. **Pension Benefits** –On August 23, 2017, the Governor of Puerto Rico signed into law Act No. 106 of 2017, known as the *Law to Guarantee the Payment of Our Pensioners and Establish a New Plan of Defined Contributions for Public Servants* (Act 106-2017), which completely transformed ERS and the Commonwealth's other retirement systems effective as of July 1, 2017, by, among other things, (i) implementing a pay-as-you-go (PayGo) system in which direct payments to pension beneficiaries are made by the Commonwealth and reimbursed by individual government employers (including the Authority) through an applicable PayGo fee, and (ii) mandating the transfer of all of ERS's existing retirement plans and benefits to a new defined contribution plan (the New Defined Contribution Plan) for existing active members and new employees hired after July 1, 2017. The New Defined Contribution Plan and the individual beneficiary accounts established thereunder were officially launched on June 22, 2020.

Funding Policy. The contribution requirements of plan members and Commonwealth direct payment amounts to beneficiaries are established and may be amended by the Commonwealth legislature under the review of the Oversight Board. The required contribution is based on projected pay-as-you-go financing requirements. The PayGo fee to be paid by government employers (including the Authority) to reimburse the Commonwealth for direct beneficiary payments is established and imposed by the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF) under Act 106-2017.

Annual Pension Benefit Cost and Total Pension Liability (net in 2018). The Commonwealth's annual other pension benefit expense and liability are calculated based on the annual required contribution of the participating employers (ARC); an amount actuarially determined in accordance with the parameters of GASB Statement No. 73 (GASB 68 in 2018). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess).

q. Other Post-employment Benefits (OPEB)

Plan Description. The Authority provides healthcare benefits to its retirees under two plans: one covered by the Authority and considered a single-employer plan, and the other through the post-employment benefit plan of the Commonwealth of Puerto Rico for retired participants of ERS, a multi-employer plan. Since July 1, 2017, both plans have operated under the PayGo system established under Act 106-2017.
Prior to the fiscal year ended June 30, 2019, the Authority recognized post-employment benefit liability for the Authority's plan. Beginning with the fiscal year ended June 30, 2019, the Authority began including the prorated estimated liability for the New Defined Contribution Plan established under Act 106-2017, which was treated as a change in estimate of immaterial consequence as permitted by GASB Statement No. 75 and other accounting guidance.

Funding Policy. The contribution requirements of plan members and Commonwealth direct payment amounts to beneficiaries are established and may be amended by the Commonwealth legislature under the review of the Oversight Board. The required contribution is based on projected pay-as-you-go financing requirements. The PayGo fee to be paid by government employers (including the Authority) to reimburse the Commonwealth for direct beneficiary payments is established and imposed by AAFAF under Act 106-2017.

Annual OPEB Cost and Net OPEB Obligation. The Commonwealth's annual other post-employment benefit (OPEB) expense and liability are calculated based on the annual required contribution of the participating employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess).

r. Termination Benefits

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

s. **Deferred Outflows/Inflows of Resources –** In addition to assets and liabilities, the Authority reports in separate sections deferred outflows/inflows of resources. This separate financial statement element—deferred outflows/inflows of resources—represents a consumption of net position that applies to a future period(s) and thus is recognized as an outflow of resources (expense) until then.

t. **Net Position** – The difference between assets and liabilities is presented as "Net Position Deficit." Components of net position are the following:

1) *Net investment in capital assets* – Consists of Capital Assets, net of accumulated depreciation reduced by the outstanding balance of any bonds, mortgage notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Net investment in capital assets comprised of the following:

Capital assets, net of accumulated depreciation	$ 3,001,493,068
Less net related bebt:	
Current bond payable	422,316,099
Non-current bond payable	3,575,611,988
Unspent debt proceeds	(7,008,820)
	$ 3,990,919,267
Net investment in capital assets	$ (989,426,199)

2) *Restricted for debt service* – Net position restricted for debt service consists of restricted net assets, when available, for payment of principal and interest related to bonds payable. This restriction is imposed by the bondholders through debt covenants. Given the Authority's net deficit, no net position was reported as restricted for debt services.

3) *Restricted for other purposes* – This restriction is imposed by the grantors and contributors. Given the Authority's net deficit, no net position was reported as restricted for other purposes.

4) *Unrestricted* – This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." The Authority reported a net deficit.

u. **Operating Revenues and Expenses** – The Authority distinguishes operating revenues and expenses from non-operating items.

All current existing leases meet the criteria to be treated as operating leases. Accordingly, rent revenue is recognized as operating revenue over the term of the lease. Rent revenue is pledged as collateral for the repayment of the Authority's revenue bonds.

v. **Non-operating Revenues** include Internal Revenue Service grants for bond interest payments and other grants from the Commonwealth of Puerto Rico, which are subject to appropriations contingent on the availability of funds from the Commonwealth and legislative approval.

w. **Risk Financing –** The Authority carries commercial insurance to cover casualty, theft, claim and other loss. The current insurance policies have not been cancelled or terminated. Coverage is from July 1st to June 30th of each fiscal year. The Authority has not settled any claims in excess of its insurance coverage during the past three years, but it has filed claims for hurricane damages exceeding the policy limits, which have not been settled. The Authority also pays premiums for workers compensation insurance to another component unit of the Commonwealth.

x. Rental Revenue and Receivable – All rental revenues are from charges to the Commonwealth and its component units and related rental receivable that are due by such entities.

y. Contributions – The Commonwealth, from time to time, makes non-operating contributions to the Authority. Capital grants are restricted to finance investment in capital assets.

z. Future Adoption of Accounting Standards

The GASB has issued the following accounting standards that have effective dates after June 30, 2021:

GASB Statement No. 87, *Leases*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 98, The Annual Comprehensive Financial Report, establish the term annual comprehensive financial report on its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 99, Omnibus 2022, establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements (SBITAs), the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance

Program (SNAP) (formerly, food stamps), nonmonetary transactions, pledges of future revenues, the focus of government-wide financial statements, and terminology. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, Accounting Changes and Error Corrections, establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). The requirements of this Statement do not apply to the initial application of U.S. generally accepted accounting principles (GAAP) established by the GASB as a financial reporting framework in circumstances in which a government is asserting for the first time that its financial statements are prepared in accordance with U.S. GAAP established by the GASB. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101 , Compensated Absences . The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this statement are effective for fiscal year beginning after December15, 2023, and all reporting periods thereafter. Earlier applications is encouraged.
The Authority is evaluating the impact that these standards may have on its future financial statements.

3. PROMESA AND OTHER LEGISLATION RELATED TO DEBT RESTRUCTURING

The Commonwealth and many of its component units, including the Authority have suffered an economic and fiscal crisis, which has caused, among other things, the initiation of financial measures directed to reinstate fiscal and financial stability, including a number of Commonwealth and federal laws that have been passed in recent years. On June 30, 2016, the U.S. Congress enacted PROMESA to address these problems. During the fiscal years subsequent to June 30, 2016, the Commonwealth and other governmental entities including the Authority, as well as COFINA, PRHTA, ERS, and PREPA initiated PROMESA proceedings at the request of the Governor to restructure or adjust their existing debt. Following are the most relevant Commonwealth and federal legislation enacted to address the fiscal crisis and to initiate the economic recovery:

(a) Fiscal Measures Before PROMESA

(i) Puerto Rico Emergency Moratorium and Financial Rehabilitation Act, Financial Emergency and Fiscal Responsibility of Puerto Rico Act and Related Executive Orders

On April 6, 2016, the Commonwealth enacted Act No. 21 of 2016, known as the *Puerto Rico Emergency Moratorium and Financial Rehabilitation Act* (the Moratorium Act). Pursuant to the Moratorium Act, the Governor issued a series of executive orders declaring an emergency period, a moratorium and various other measures with respect to certain obligations of the Commonwealth and several of its instrumentalities. Pursuant to these executive orders, certain Commonwealth entities have either: (i) not made debt service payments, (ii) made debt service payments with funds on deposit with the trustees of their bonds, and/or (iii) not received or transferred certain revenues. Such executive orders also placed significant restrictions on the disbursement of funds deposited at GDB and suspended the disbursement of loans by GDB.

The implementation of the Moratorium Act and its related executive orders is the subject of ongoing litigation. Upon the enactment of PROMESA on June 30, 2016, the Title IV Stay (discussed below) applied to stay this litigation until the Title IV Stay expired on May 1, 2017. Since the commencement of the Commonwealth's Title III case on May 3, 2017**,** the automatic stay under Title III of PROMESA has applied to continue the stay of this litigation and prevent debt service payments to bondholders, including bondholders of the Authority.

(b) PROMESA and Other Puerto Rico Legislation

(i) PROMESA

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

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

Upon PROMESA's enactment, the Oversight Board was established for Puerto Rico. As stated in PROMESA, "the purpose of the Oversight Board is to provide a method for a covered territory to achieve fiscal responsibility and access to the capital markets." On August 31, 2016, the President of the United States announced the appointment of the Oversight Board members. Each Oversight Board member is required to have "knowledge and expertise in finance, municipal bond markets, management, law, or the organization or operation of business or government." The Oversight Board was "created as an entity within the territorial government for which it was established" and is expressly not an entity of the federal government, but it was also established to act independently from the Commonwealth government, such that neither the Governor nor the Legislature may "(1) exercise any control, supervision, oversight, or review over the Oversight Board or its activities; or (2) enact, implement, or enforce any statute, resolution, policy, or rule that would impair or defeat the purposes of [PROMESA], as determined by the Oversight Board."

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

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

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

In furtherance of the foregoing duties, PROMESA contains a provision that grants the Oversight Board powers to monitor compliance with certified fiscal plans and budgets and undertake certain actions, including spending reductions and the submission of recommended actions to the Governor that promote budgetary compliance. Please refer to the language of PROMESA for a complete description of the Oversight Board's powers related to fiscal plan and budgetary compliance.

(c) *Title III – In-Court Restructuring Process*

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

The Oversight Board has sole authority to file a voluntary petition seeking protection under Title III of PROMESA, subject to the prerequisites therein.
In a Title III case, the Oversight Board acts as the debtor's representative and is authorized to take any actions necessary to prosecute the Title III case. Immediately upon filing the Title III petition, Bankruptcy Code section 362 (which is incorporated into Title III cases under PROMESA) applies to automatically stay substantially all litigation against the debtor (the Title III Stay). A Title III case culminates in the confirmation of a plan of adjustment of the debts of the debtor. The Oversight Board has the exclusive authority to file and modify a plan of adjustment prior to confirmation.

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

Title IV of PROMESA contains several miscellaneous provisions, including a temporary stay of litigation related to "Liability Claims," relief from certain wage and hour laws, the establishment of a Congressional Task Force on Economic Growth in Puerto Rico (the Task Force), the requirement that the Comptroller General of the United States submit two reports to Congress regarding the public debt levels of the U.S. territories, and expansion of the federal government's small business HUBZone program in Puerto Rico. Pursuant to PROMESA section 405, the enactment of PROMESA immediately and automatically imposed a temporary stay (the Title IV Stay) from June 30, 2016 (the date of PROMESA's enactment) through February 15, 2017, of all "Liability Claim" litigation commenced against the Commonwealth and its instrumentalities after December 18, 2015. A "Liability Claim" is defined as any right to payment or equitable remedy for breach of performance related to "a bond, loan, letter of credit, other borrowing title, obligation of insurance, or other financial indebtedness for borrowed money, including rights, entitlements, or obligations whether such rights entitlements, or obligations arise from contract, statute, or any other source of law related [thereto]" for which the Commonwealth or one of its instrumentalities was the issuer, obligor, or guarantor and such liabilities were incurred prior to June 30, 2016. The Title IV Stay was subject to a one-time 75-day extension by the Oversight Board or a one-time 60-day extension by the United States District Court. On January 28, 2017, the Oversight Board extended the Title IV Stay by 75 days to May 1, 2017, at which time the Title IV Stay expired. Title IV of PROMESA also required several federal government reports. First, PROMESA established the Task Force within the legislative branch of the U.S. federal government. The Task Force submitted its report to Congress on December 20, 2016. Second, PROMESA required the U.S. Comptroller General, through the Government Accountability Office (GAO), to submit a report to the House and Senate by December 30, 2017, regarding: (i) the conditions that led to Puerto Rico's current level of debt; (ii) how government actions improved or impaired its financial condition; and (iii) recommendations on new fiscal actions or policies that the Commonwealth could adopt. The GAO published this report on May 9, 2018. Third, PROMESA required the U.S. Comptroller General, through the GAO, to submit to Congress by June 30, 2017, a report on public debt of the U.S. territories. In addition to its initial report, the GAO must submit to Congress updated reports on the public debt at least once every two years. The GAO published its initial report on October 2, 2017. On June 28, 2019, the GAO published its latest biannual report on the public debt of the U.S. territories.

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

(f) Title VI – Consensual, Out-of-Court Debt Modification Process
Title VI of PROMESA establishes an out-of-court process for modifying Puerto Rico's debts. Under PROMESA section 601(d), the Oversight Board is authorized to establish "pools" of bonds issued by each Puerto Rico government-related issuer based upon relative priorities. After establishing the pools, the government issuer or any bondholder or bondholder group may propose a modification to one or more series of the government issuer's bonds. If a voluntary agreement exists, the Oversight Board must issue a certification and execute a number of additional processes in order to qualify the modification. Finally, the United States District Court for the District of Puerto Rico must enter an order approving the Qualifying Modification and vesting in the issuer all property free and clear of claims in respect of any bonds.

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

(ii) Puerto Rico Legislation and Other Fiscal Measures
Act No. 2-2017, the *Puerto Rico Fiscal Agency and Financial Advisory Authority Act*, was enacted to expand AAFAF's powers and authority (as initially established under the Moratorium Act) so that AAFAF has the sole responsibility to negotiate, restructure, and reach agreements with creditors on all or part of the public debt or any other debt issued by any Commonwealth entity. AAFAF is also responsible for the collaboration, communication, and cooperation efforts between the Commonwealth and the Oversight Board under PROMESA. In addition, Act No. 2-2017 established AAFAF as the Commonwealth entity responsible for carrying out the roles inherited from the GDB along with additional duties and powers, which include, among other things: (i) oversight of the Commonwealth budget; (ii) an administrative presence on every board or committee where the GDB president is currently a member; (iii) authority to conduct audits and investigations; and (iv) authority to freeze budgetary items, appoint trustees, redistribute human resources, and change procedures.

Act No. 3-2017, the *Fiscal Crisis Management Act*, was enacted to extend most of the fiscal measures that had been adopted under Act No. 66-2014 through July 1, 2021, including a 10-year extension of the excise tax on acquisitions by foreign corporations under Act No. 154-2010.

Act No. 5-2017, the *Puerto Rico Fiscal Responsibility and Financial Emergency Act*, authorized the Commonwealth to segregate funds that would eventually be used to fund the payment of public debt. Act No. 5-2017 states that the Governor may pay debt service as long as the Commonwealth is able to continue to fund essential services, that is, those related to the health, safety, and well-being of the people of Puerto Rico, including providing for their education and assistance to residents. Act No. 5-2017 continued to declare the Commonwealth to be in a state of emergency and increased the Governor's powers to manage the Commonwealth's finances. The emergency period under Act No. 5-2017 was set to expire on May 1, 2017, to coincide with the expiration of the Title IV Stay (as discussed above), unless extended by an additional three months by executive order. On April 30, 2017, the Governor issued executive order OE-2017-031, which extended the Act No. 5-2017 emergency period to August 1, 2017.

On July 19, 2017, the Legislature enacted Act No. 46-2017, which further extended the Act No. 5-2017 emergency period through December 31, 2017. Act No. 46-2017 allowed the Governor to sign executive orders to extend the emergency period for successive periods of six months as long as the Oversight Board remains established for Puerto Rico under PROMESA. On June 27, 2019, the Governor issued executive order EO-2019-030 extending the emergency period until December 31, 2019. On December 31, 2019, the Governor issued executive order EO-2019-066 extending the emergency period until June 30, 2020.

Act No. 106-2017, the *Act to Guarantee the Payment to Our Pensioners and Establish a New Plan for Defined Contributions for Public Servants*, reformed the Commonwealth's pensions by replacing the governing boards of the Retirement Systems with a single Retirement Board of the Commonwealth of Puerto Rico (Retirement Board) and established a separate "Account for the Payment of Accrued Pensions" to implement a PayGo method by which the Commonwealth's General Fund makes direct pension payments to government pensioners and then gets reimbursed for those payments by the applicable employers (including the Authority) through the PayGo fee. Act 106-2017 created the legal framework so that the Commonwealth can make payments to pensioners through the Pay Go system.

Act No. 53-2021, the Law to End the Bankruptcy of Puerto Rico, was enacted on October 26, 2021 to, among other things, approve the issuance of the New GO Bonds and CVIs (each as defined and discussed in Note 18) necessary to implement the restructuring transactions contemplated in the Seventh Amended Plan. In addition to approving the Commonwealth's restructuring transactions, Act 53 conditioned the effectiveness of the Government's approval on the preservation of all accrued pension benefits owed to current public pension participants, which required the elimination of the pension cuts proposed in the Seventh Amended Plan. In response to Act 53, the Oversight Board modified the Seventh Amended Plan and proposed the Eighth Amended Plan with zero pension cuts to accrued pension benefits. The Title III Court confirmed that version of the plan on January 18, 2022 and it became effective on March 15, 2022.

(c) PROMESA Title III Cases

(i) Overview of Title III Cases

(a) Oversight Board Commencement of Title III Cases

On May 1, 2017, the Title IV Stay expired, permitting litigation brought by bondholders and other creditors against the Commonwealth and its instrumentalities to resume and new matters to be initiated.

On May 3, 2017, the Oversight Board, at the request of the Governor, commenced a Title III case for the Commonwealth by filing a petition for relief under Title III of PROMESA in the United States District Court for the District of Puerto Rico (the Title III Court).

On May 5, 2017, the Oversight Board, at the request of the Governor, commenced a Title III case for COFINA by filing a similar petition for relief under Title III of PROMESA in the Title III Court.

On May 21, 2017, the Oversight Board, at the request of the Governor, commenced Title III cases for PRHTA and ERS by filing similar petitions for relief under Title III of PROMESA in the Title III Court.
On July 3, 2017, the Oversight Board, at the request of the Governor, commenced a Title III case for PREPA by filing a similar petition for relief under Title III of PROMESA in the Title III Court.

On September 27, 2019, the Oversight Board, at the request of the Governor, commenced a Title III case for the Authority by filing a similar petition for relief under Title III of PROMESA in the Title III Court.
All of the foregoing Title III cases have been consolidated for procedural purposes only and are being jointly administered under Case No. 17-3283-LTS in the Title III Court. The Title III cases were commenced in part due to the May 1, 2017 expiration of the Title IV Stay. Title III of PROMESA incorporates the automatic stay provisions of Bankruptcy Code section 362 and 922, which are made applicable to the Title III cases pursuant to PROMESA section 301(a). Accordingly, upon the filing of the Title III cases, the Title III Stay immediately went into effect to stay creditor litigation. All claims against any Title III debtor that arose prior to the filing of the debtor's Title III case (whether or not discussed herein) may be subject to the laws governing Title III.

4. GOING CONCERN, UNCERTAINTIES, AND LIQUIDITY RISK

On March 15, 2022 (the Effective Date), the conditions precedent to the Effective Date of the Commonwealth Plan of Adjustment (Including Public Building Authority and Employees Retirement System) were satisfied and/or waived by the Oversight Board, and the plan became effective. Accordingly, the Commonwealth Plan of Adjustment has been confirmed and is currently effective as of the date hereof. PBA bonds, obligations and guarantees related thereto were discharged.

PBA management has no doubt about the continuity of its operations without uncertainties or liquidity problems.

For further information, refer to the final versions of the Eighth Amended Plan, Findings of Fact, and Confirmation Order, which are available at https://cases.primeclerk.com/puertorico/HomeDocketInfo.

5. CASH AND CASH EQUIVALENTS

The Commonwealth requires that public funds deposited in commercial banks in Puerto Rico must be fully collateralized for the amount deposited in excess of federal depository insurance. Cash and cash equivalents on June 30, 2021, consisted of the following:

	Unrestricted	Restricted	Total
Cash:			
Deposited in accounts with:			
Commercial banks in Puerto Rico	$ 79,120,059	$ 90,383,454	$ 169,503,513
Commercial banks in USA	-	10,996,786	10,996,786
	79,120,059	101,380,240	180,500,299
Cash equivalents:			
Deposited in commercial banks in Puerto Rico	1,500,168	-	1,500,168
	1,500,168	-	1,500,168
Total cash and cash equivalents (see page 14)	$ 80,620,227	$ 101,380,240	$ 182,000,467
Current portion	$ 80,620,227	$ -	$ 80,620,227
Noncurrent portion	-	101,380,240	101,380,240
Total	$ 80,620,227	$ 101,380,240	$ 182,000,467

Unrestricted cash and cash equivalents are deposited in two local banks and the US Bank. Restricted cash and cash equivalents deposited with US Bank consist of:

a. Bond sinking funds - Bond sinking funds consist of monies deposited under Resolution No. 468 and consist of two separate accounts: “Bond Service Account” and a “Redemption Account.” Revenues have historically been deposited in fiscal agent accounts in the following order:

1) To the Bond Service Account, in such amount as may be required to make the amount equal to the amount of interest then due and payable and the interest, which will become due and payable within the next ensuing six month, of all bonds of each series then outstanding and the principal of all serial bonds, if any, which will become payable within the next ensuing twelve months; and

2) To the Redemption Account, in such amount as may be required to make the amount so deposited in the current fiscal year equal to the amortization requirements, if any, for such fiscal year for the term bonds of each series then outstanding, plus the premium, if any, which would be payable on a like principal amount of bonds if such principal amounts of bonds should be redeemed on the next redemption date from monies in their Bond Sinking Fund.

   Bond Resolution No. 468 also requires funds to be invested and reinvested in government obligation, bankers’ acceptances, certificates or time deposits of any Commonwealth approved bank or national banking association, repurchase or reverse repurchase agreements or any other investment that is rated in one of the three highest rating categories.

In July 2017, the Authority defaulted on its bond service payments, and the insurer began covering the deficiencies. During the years ended June 30, 2021, and June 30, 2020, the Authority’s monoline insurers covered bond service payments in the aggregate amount of approximately $18.9 and $21.6 million, respectively. As further discussed in Note 18, pursuant to the Commonwealth Plan of Adjustment the PBA’s bonds are no longer outstanding and no additional funds are being deposited in the foregoing accounts.

b. Construction Funds – These funds are used for the payment of all or any part of the remaining cost of the initial facilities, or for payment of all or any part of the cost to the Authority of any additional facilities or improvements, in accordance with the Bonds resolutions, insurances proceeds and state or federal grants.

c. Custodial Credit Risk - Custodial credit risk related to deposits is the risk that in the event of a financial institution failure, the Authority's deposits might not be recovered. The Authority are authorized to deposit only in institutions approved by the Department of the Treasury of the Commonwealth of Puerto Rico ("Treasury"), and such deposits are maintained in separate bank accounts in the name of the Authority. Such authorized depositories collateralize the amount deposited in excess of the federal depository insurance of $750,000 ($250,000 for each bank) with securities that are pledged with the Department of the Treasury. There is no formal policy for custodial credit risk for cash accounts opened with commercial banks outside of Puerto Rico. The balances in cash accounts with commercial banks outside of Puerto Rico amounted to $10,746,786 at June 30, 2021 are uninsured and uncollateralized. These deposits are exposed to custodial credit risk.

As of June 30, 2021, the Authority's cash deposited in the banks amounted approximately $182 million.

6. RENT RECEIVABLE

This balance represents the amount due primarily from Commonwealth agencies and public corporations in accordance with the corresponding lease agreements and adjusted for the estimate of uncollectible amounts due to the current financial condition of the Commonwealth. Notwithstanding, minimum lease rentals are approximately as follows:

Fiscal Year Ending June 30,	Amount
2022	$ 306,865,890
2023	$ 123,866,737

Lease rental agreements provide for rate revisions each July 1st based on, among other things, debt service requirements for the upcoming fiscal year. As a result of the confirmed Commonwealth's POA these leases were rejected by the court effective June 30, 2022 and no new lease agreement have been signed as of the date of these financial statements.

The total amount of rent receivable includes approximately $1.9 million collected on or after June 30, 2021. All other receivables have been reserved as uncollectible.

Act No. 97, Article 15, of May 15, 2006, establishes that any rent to be paid to the Authority during any fiscal year by any Commonwealth department, agency or public corporation under the conditions of a rental contract in accordance of the dispositions of Act No. 56 of June 19, 1958, as amended, the Commonwealth will advance to the Authority the amount not paid. This Act requires the Secretary of Treasury Department to make an advance of any available funds committed by the full faith and credit of the Commonwealth. In case of the rent to be paid to the Authority by any municipality, this Act requires the Municipal Revenue Collection Center to make payments to the Authority from any property tax collection. There were no advances from the Commonwealth and the

Revenue Collection Center during the years ended June 30, 2021, and June 30, 2020. The financial requirements of the above Acts are superseded by the protections afforded under Title III of PROMESA (refer to Notes 3 and 19). Management estimates that all but the rent receivable collected after June 30, 2021, are uncollectible and has reserved them accordingly.

As a result of the confirmed Commonwealth's POA these leases will be rejected by the court effective June 30, 2022. No new lease agreements have been signed as of the date of these financial statements.

7. OTHER RECEIVABLES

Other receivables consist of billings for miscellaneous services performed by the Authority and claims against property insurance carriers and FEMA recovered after June 30, 2021. The amounts presented in the accompanying statement of net position are approximately $500 thousand for the year ended June 30, 2021.

8. CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2021, was as follows:

	Beginning Balance June 30, 2020	Increase	Decrease	Ending Balance June 30, 2021
Capital assets not being depreciated:				
Land	$ 130,911,907	$ -	$ -	$ 130,911,907
Construction in progress	-	14,000		14,000
Total capital assets not being depreciated	130,911,907	14,000	-	130,925,907
Capital assets being depreciated:				
Buildings	4,743,154,072	-	-	4,743,154,072
Equipment and vehicles	13,836,274	1,325,218	(276,863)	14,884,629
Total capital assets being depreciated	4,756,990,346	1,325,218	(276,863)	4,758,038,701
Less accumulated depreciation:				
Buildings	(1,785,898,296)	(89,732,025)	-	(1,875,630,321)
Equipment and vehicles	(11,445,084)	(590,055)	193,919	(11,841,220)
Total accumulated depreciation	(1,797,343,380)	(90,322,080)	193,919	(1,887,471,541)
Capital assets being depreciated, net	2,959,646,966	(88,996,862)	(82,944)	2,870,567,160
Capital assets, net	$ 3,090,558,873	$ (88,982,862)	$ (82,944)	$ 3,001,493,067

9. INTERGOVERNMENTAL PAYABLES

Intergovernmental payables as of June 30, 2021, consist of the following:

		2021
Amount payable from unrestricted assets:		
Puerto Rico Electric Power Authority	$	985,403
Puerto Rico Aqueduct and Sewer Authority		175,155
Employees's Retirement System		4,096,978
General Services Administration		485,724
Agencies Projects Retainage		650,101
Department of Treasury		227,981
Environmental Quality Board		78,475
Other		23,439
Total payable for unrestricted assets	$	6,723,256

10. BORROWING NOTES PAYABLE

The activity under notes payable agreements during the fiscal year ended June 30, 2021 is as follows:

	Fiscal Year Ended June 30, 2021				
	Balance June, 30 2020	Proceeds from Borrowings	Payments/ Decreases	Balance June 30, 2021	Current Portion
Lines of Credits used for:					
Operational activities	$ 48,821,233	$ -	$ -	$ 48,821,233	$ 48,821,233
Construction activities	88,592,916	-	-	88,592,916	5,140,744
Total	$ 137,414,149	$ -	$ -	$ 137,414,149	$ 53,961,977

The Authority maintained an operating note payable with DRA bearing interest at 150 basis points over the three-month LIBOR but not less than 5% at any time 5% at June 30, 2021. The proceeds from this note payable were used to finance the Authority's operational expenses for the year ended June 30, 2006. This note payable was due as of June 30, 2018. Payments of principal and interest are to be made from annual appropriations from the Commonwealth of Puerto Rico's general budget pursuant to the provisions of Resolution No. 387 of December 21, 2005. No payments were made for principal and interest amount during the years ended June 30, 2021. Balance outstanding under this note payable amounted to approximately $48.8 million at June 30, 2021. The outstanding balance is considered in default and past due.

The Authority maintained a note payable with DRA for the interim financing of its capital improvement program in an amount not to exceed $226 million, bearing interest at a variable rate of 1.50% over prime rate or at such other variable notes as determined by DRA but not less than 6.0%. The notes are due on June 30, 2044. The balance outstanding under this note payable amounted to approximately $50.1 million as of June 30, 2021. The outstanding balances are considered in default and past due.

Also, the Authority maintain an executed note payable agreements with DRA for the interim financing of its Capital Improvement Program in an amount not to exceed $93.6 million, bearing interest at a variable rate of 1.50% over prime rate or at such other variable rate as determined by DRA but not less than 6% at any time (6% at June 30, 2021. The notes payables are due on June 30, 2044. Balance outstanding under this line of credit amounted to approximately $ 38.5 million as of June 30, 2021. The outstanding balance is considered in default and past due.

Aggregate maturities of amortization requirements on notes payable with DRA, principal and related interest payment in future years are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	$ 53,961,977	$ 91,170,032	$ 145,132,009
2023	1,923,203	5,315,575	7,238,778
2024	2,038,595	5,193,074	7,231,669
2025	2,160,911	5,063,224	7,224,135
2026	2,290,565	4,925,583	7,216,148
2027-2031	13,686,827	22,256,264	35,943,091
2032-2036	18,316,102	17,431,852	35,747,954
2037-2041	24,511,076	10,765,261	35,276,337
2042-2045	18,524,893	2,405,733	20,930,626
Total	$ 137,414,149	$ 164,526,598	$ 301,940,747

The amounts reflected for the year ended June 30, 2021, include amounts in arrears.

As further discussed in Note 18, pursuant to the Commonwealth Plan of Adjustment, all of the foregoing obligations with the DRA have been discharged in exchange for a cash payment equal to 10% of such obligations and such obligations are no longer outstanding.

11. BONDS PAYABLE

Bonds payable as of June 30, 2021, consisted of:

	2021
Office Buildings Bond:	
Term bonds maturing through 2021 with interest rates ranging from 5.5% to 6.0%	$ 33,850,000
Government Facilities Revenue Bonds:	
Serial bonds maturing through 2027, with interest rates ranging from 3.0% to 6.75%	1,526,504,784
Term bonds maturing through 2042, with interest rates ranging from 3.0% to 7.0%	2,365,655,000
Capital Appreciation bonds, maturing through 2031, with interest rate a 5.45%	22,610,000
Total government facilities revenue bonds	3,914,769,784
Subrogated principal paid by monoline insurers	52,274,279
Total bonds outstanding	4,000,894,063
Add (Deduct):	
Bond discount	(18,490,613)
Bond premium	15,524,637
Bonds payable, net	3,997,928,087
Less current portion	422,316,099
Bonds payable long term portion	$ 3,575,611,988

The aggregate maturities of the Sinking Funds' amortization requirements (excluding discounts and premiums), accreted value of the bonds, and related interest payment in future years are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	$ 422,316,099	$ 1,106,815,586	$ 1,529,131,685
2023	101,515,000	154,900,073	256,415,073
2024	95,930,000	149,167,479	245,097,479
2025	103,255,000	143,440,720	246,695,720
2026	106,545,000	137,220,529	243,765,529
2027-2031	1,391,625,999	987,177,990	2,378,803,989
2032-2036	708,365,000	380,760,346	1,089,125,346
2037-2041	770,665,000	188,894,800	959,559,800
2042-2046	300,676,965	14,865,656	315,542,621
Total	$ 4,000,894,063	$ 3,263,243,179	$ 7,264,137,242

The full faith and credit of the Commonwealth was pledged for the payment or advance of such rentals. The payment of principal and interest on the bonds was further supported by the guaranty of the Commonwealth under which the Commonwealth pledged to draw from any funds available in the Department of Treasury of Puerto Rico such sums as may have been necessary to cover any deficiency in the amount required for the payment of principal and interest on the bonds, in an aggregate principal amount not exceeding $4,921 million.

The Authority bonds payable are subject to the arbitrage rebate regulations issued by the Internal Revenue Services of the United States of America that require rebate to the federal government of excess investment earnings on tax-exempt debt proceeds if the yield on those earnings exceeds the effective yield on the related tax-exempt debt issued. Excess earnings must be rebated every five years or upon maturity of the debt, whichever is earlier. Arbitrage calculations resulted in no liability as of June 30, 2021.

The Authority's bonds payable includes certain restrictive covenants. As of June 30, 2021, the Authority was not in compliance with certain covenants.

During the year ended June 30, 2021, monoline insurers of the Authority's bonds made principal and interest payments of approximately $18.9 million.

The monoline insurance policies include express subrogation rights that are limited to the amount actually paid for each of the missed payments of the insured bonds. Although a monoline insurance policy does not contain express subrogation rights and another states subrogation rights broadly, applicable non-bankruptcy legislation would limit these monoline insurers' rights to reimbursements of the actual amount paid to holders of insured bonds. In addition, for any insured bonds issued by a debtor under Title III of PROMESA, the monoline insurers' claims for repayment will be treated the same as any other insured bond claim under any confirmed Title III plan of adjustment, such that the monoline insurers may not recover the full amount paid.

The activity of bonds payable during the fiscal year ended June 30, 2021 is as follows:

	Fiscal Year Ended June 30, 2021					
	Balance June 30, 2020	Adjustments/ Corrections	Increase	Payments/ Decreases	Balance June 30, 2021	Current Portion
Office Building Bonds						
Terms bonds	$ 33,850,000	$ -	$ -	$ -	$ 33,850,000	$ 33,850,000
Government Facilities:						
Revenue bonds	-	-	-	-	-	-
Serial bonds	1,526,527,819	-	-	(23,035)	1,526,504,784	336,191,820
Term bonds	2,365,655,000	-	-	-	2,365,655,000	-
Capital apreciation bonds	22,610,000	-	-	-	22,610,000	-
Subrogated principal paid by monoline insurer	52,251,244	-	23,035	-	52,274,279	52,274,279
Total	$ 4,000,894,063	$ -	$ 23,035	$ (23,035)	$ 4,000,894,063	$ 422,316,099
Total bonds outstanding	$ 4,000,894,063	$ -	$ 23,035	$ (23,035)	$ 4,000,894,063	$ 422,316,099
Add (deduct):						
Bond discounts	(19,841,770)	-	-	1,351,157	(18,490,613)	-
Bond premiums	18,327,953	-	-	(2,803,316)	15,524,637	-
Bonds payable, net	$ 3,999,380,246	$ -	$ 23,035	$ (1,475,194)	$ 3,997,928,087	$ 422,316,099

The following table discloses the composition of the amounts included in the respective category as of June 30, 2021.

Bonds principal payable current portion as of June 30	2021
Due and payable	$ 270,481,820
Payable to monoline insurers	52,274,279
Payable July 1	99,560,000
Total current portion as of June 30,	$ 422,316,099

Interest payable as of June 30	2021
Due and payable	$ 837,236,295
Payable to monoline insurers	85,834,651
Accrued for payment July 1	91,549,324
Total interest payable on bonds as of June 30	$ 1,014,620,270
Payable in lines of credit	85,854,458
Total interest payable as of June 30	$ 1,100,474,728

The Authority has defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on its debts. Defeased debt, in-substance, and the related assets placed in trust to repay the debt are no longer reported on the face of the financial statements, in accordance with GASB Statement No. 7, *Certain Debt Extinguishment Issues*. As June 30, 2021, the outstanding balance of defeased bonds was approximately $635.1 million.

As further discussed in Note 18, pursuant to the Commonwealth Plan of Adjustment, PBA's bonds have been discharged and are no longer outstanding.

12. OTHER LONG-TERM LIABILITIES

Other long-term liabilities as of June 30, 2021 consist of:

	Fiscal Year Ended June 30, 2021			
	Balance June 30, 2020	Change	Balance June 30, 2021	Current Portion
Accrued legal contingencies	$ 21,381,979	$ (222,160)	$ 21,159,819	$ 4,551,826
Compensated absences	6,090,159	3,428,138	9,518,297	3,379,451
Total pension liability	409,341,038	52,982,781	462,323,819	22,434,770
Total other postemployment benefits	21,863,609	1,923,481	23,787,090	702,777
Voluntary termination benefits	11,355,265	(2,323,172)	9,032,093	2,102,113
Total	$ 470,032,050	$ 55,789,068	$ 525,821,118	$ 33,170,937

Advances from Other Governmental Entities – This amount represents the balance of the amount advanced by the other governmental entities primarily for the construction of facilities that will be owned by such entities. These projects typically include appropriations from the Commonwealth to finance the construction of facilities by these agencies, which in turn request the Authority to carry out the construction and the administration process. Upon completion, the project is taken over by the corresponding agency. The assets are not owned by the Authority.

a. **Compensated absences** – Employees earn annual vacation leave at the rate of 15 days per year up to a maximum permissible accumulation of 30 days for union employees and 75 days for management personnel. Employees accumulate sick leave at the rate of 18 days per year. The Authority records as a liability and as expense the vested accumulated vacation benefits accrued to employees. The cost of vacation expected to be paid in the next twelve months is classified as current and accrued liabilities, while amounts expected to be paid after twelve months are classified as non-current liabilities.
b. **Accrued Legal Contingencies –** This amount represents the Authority's estimates of possible legal and contractual settlements arising from normal litigation procedures. The estimated amount was based on the corresponding number of legal cases currently underway and based on the advice and consent of the Authority's legal division and external legal advisors. The actual amounts required to settle such cases may be materially different from the amount accrued.
c. **Other Post-Employment Benefits –** The Authority records a liability for its retirement health care benefits following GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. It includes the Authority's proportionate share of the Commonwealth Healthcare Benefit Plan to Retirees, considered a multi-employer plan, and the Authority's plans covered by collective bargaining agreements (CBA) and considered a single-employer plan. Both plans operate on a pay-as-you-go basis as further described in Note 15 to the basic financial statements.
d. **Voluntary Termination Benefits –** This amount represents the Authority's liability related to a program that provides benefits for early retirement or economic incentives for voluntary employment termination to certain eligible employees as further explained in Note 16 to the basic financial statements.

13. DUE TO CONTRACTORS

This amount represents the remaining balance due to contractors for projects under construction. Normally, the contractors submit progress billings for projects in progress and the Authority pays these invoices, except for the retainage portion. This withholding is used as guarantee that the contractor will complete the project in accordance with contract requirements. The retainage is typically paid upon completion and acceptance of the projects, as determined by the Authority's engineers.

14. RETIREMENT PLANS

1. Employee's Retirement System of the Government of Puerto Rico and its Instrumentalities

A. Plan Description

General - Prior to July 1, 2017, PBA was a participating employer in a retirement plan administered through a pension trust known as the Employee's Retirement System of the Government of Puerto Rico and its Instrumentalities (ERS). The ERS covered all regular full-time public employees working for the executive and legislative branches of the Commonwealth and the municipalities of Puerto Rico (including mayors); the firefighters and police of Puerto Rico and employees of certain public corporations not having their own retirement systems. During that period, ERS operated a pension plan under three benefits structures:

- a cost-sharing multiple employer's defined benefit plan under Act No. 447 of 1951 (Act 447) effective on January 1, 1952 for members hired up to March 31, 1990, and Act No. 1 of 1990 (Act 1) for members hired on or after April 1, 1990 and ending on or before December 31, 1999;

- a defined contribution plan known as System 2000 under Act No. 305 of 1999 (Act 305) for members hired from January 1, 2000 up to June 3, 2013;

- a defined contribution hybrid plan under Act No. 3 of 2013 (Act 3), for members hired after July 1, 2013, the Act's effective date. Furthermore, Act 3 moves all participants under the defined benefit pension plans (Act 447 and Act 1) and the defined contribution plan (System 2000) to the new defined contribution hybrid plan.

On September 30, 2016, ERS was designated by the Oversight Board as a "covered instrumentality" pursuant to the provisions of PROMESA. As a result of the ERS's severe fiscal and liquidity crisis, on May 21, 2017 the Oversight Board filed a voluntary petition under Title III of PROMESA in the United States District Court for the District of Puerto Rico (the "District Court").

Benefit terms - the following is a general description of the benefit terms under the different benefit structures:

1) Service Retirement Eligibility Requirements

   a) Eligibility for Act No. 447-1951 Members: Act 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, Act 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; (3) any age with 30 years of credited service; (4) for Public Officers in High Risk Positions (the Commonwealth Police and Firefighter Corps, the Municipal Police and Firefighter Corps and the Custody Office Corps), attainment of age 50 with 25 years of credited service; and (5) for Mayors of municipalities, attainment of age 50 with 8 years of credited service as a Mayor. In addition, Act No. 447-1951 members who would attain 30 years of credited service by December 31, 2013, would be eligible to retire at any time.

Act 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, Act 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 Act No. 1-1990 Members: Act 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, Act No. 1-1990 members could retire upon (1) attainment of age 55 with 25 years of credited service; (2) attainment of age 65 with 10 years of credited service; (3) for public officers in high-risk positions, any age with 30 years of credited service; and (4) for Mayors, attainment of age 50 with 8 years of credited service as a Mayor. Act No. 1-1990 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. In addition, Act No. 1-1990 public officers in high-risk positions who were not eligible to retire as of June 30, 2013, are eligible to retire directly from active service upon the attainment of age 55 with 30 years of credited service.

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 55 for public officers in high-risk positions and attainment of age 60 otherwise.

System 2000 members who were not eligible to retire as of June 30, 2013, are eligible to retire upon attainment of age 55 for public officers in high-risk positions and upon attainment of the retirement eligibility age shown in the table below otherwise.

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

d) Eligibility for Members Hired after June 30, 2013: Attainment of age 58 if a public officer in a high-risk position and attainment of age 67 otherwise.

2) Service Retirement Annuity Benefits

An annuity payable for the lifetime of the member equal to the annuitized value of the balance in the hybrid contribution account at the time of retirement, plus, for Act No. 447-1951 and Act 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 Act No. 447-1951 Members: The accrued benefit as of June 30, 2013, was determined based on the average compensation, as defined, for Act No. 447-1951 members, the years of credited service, and the attained age of the member all as of June 30, 2013. For Mayors, the highest compensation, as defined, for Act No. 447-1951 members, determined as of June 30, 2013. If the Act 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 Act 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 Act 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 Act 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. Except for the Commonwealth Police and Firefighters, the benefit was actuarially reduced for each year payment commences prior to age 58. 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 compensation in excess of $6,600 multiplied by years of credited service up to 20 years, plus 2.0% of average compensation in excess of $6,600 multiplied by years of credited service in excess of 20 years. Except for police and firefighters, the benefit was actuarially reduced for each year payment commences prior to age 58.

   For Act No. 447-1951, Mayors with at least 8 years of credited service as a Mayor, the accrued benefit was not to be less than 5% of highest compensation, as defined, as a Mayor for each year of credited service as a Mayor up to 10 years, plus 1.5% of highest compensation as Mayor for each year of non-Mayoral credited service up to 20 years, plus 2.0% of highest compensation as Mayor for each year of non-Mayoral credited service in excess of 20 years. Non-Mayoral credited service included service earned as a Mayor in excess of 10 years. Maximum benefit was 90% of highest compensation as a Mayor.

b) Accrued Benefit as of June 30, 2013, for Act No. 1-1990 Members: The accrued benefit as of June 30, 2013, is determined based on the average compensation for Act No. 1-1990 members, the years of credited service, and the attained age of the member all as of June 30, 2013. For Act No. 1-1990 Mayors, the highest compensation as a Mayor was determined as of June 30, 2013.
If the Act No. 1-1990 member is a police officer or firefighter member that had at least 30 years of credited service as of June 30, 2013, the accrued benefit equaled 65% of average compensation if the member was under age 55 as of June 30, 2013, or 75% of average compensation if the member was at least age 55 as of June 30, 2013.

For all other Act No. 1-1990 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.

For Act No. 1-1990 Mayors with at least 8 years of credited service as a Mayor, the accrued benefit was not to be less than 5% of highest compensation as a Mayor for each year of credited service as a Mayor up to 10 years, plus 1.5% of highest compensation as Mayor for each year of non-Mayoral credited service up to 20 years, plus 2.0% of highest compensation as Mayor for each year of non-Mayoral credited service in excess of 20 years. Non-Mayoral credited service included service earned as a Mayor in excess of 10 years. Maximum benefit is 90% of highest compensation as a Mayor.

3) Compulsory Retirement

All Act No. 447-1951 and Act No. 1-1990 Public Officers in High-Risk Positions were required to retire upon attainment of age 58 and 30 years of credited service. A two-year- extension may be requested by the member from the Superintendent of the Commonwealth Police, the Chief of the Firefighter Corps, or supervising authority as applicable.

4) 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 Act No. 447-1951 and Act 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 Act No. 447-1951 and Act No. 1-1990 members, the accrued benefit determined as of June 30, 2013.

5) 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 Act No. 447-1951 and Act No. 1-1990 members.

   b) 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 (Act No. 105, as amended by Act 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 Act No. 105 of 1969, as amended by Act 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 contributions less the lifetime annual income paid and (2) $1,000. ERS pays for the rest. See Article 2-113 of Act No. 447- 1951, as amended by Act No. 524-2004.

   c) 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 Act No. 447-1951 and Act 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.

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

6) 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. Act No. 447-1951 and Act 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 Act No. 127-1958
Eligibility: Police, firefighters, and other employees in specified high-risk positions who are disabled in the line of work due to reasons specified in Act No. 127-1958 (as amended).
Benefit: 80% (100% for Act 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 (Act 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.

7) Special Benefits

a) Minimum Benefits

i. Minimum Benefit for Members Who Retired before July 1, 2013 (Act No. 156- 2003, Act No. 35-2007, and Act 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.

ii. 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. Under the Eight Amended POA, upon its effective date of March 15, 2022, these COLA benefits will be eliminated.

c) Special "Bonus" Benefits

i. Christmas Bonus (Act No. 144-2005, as Amended by Act 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.

ii. Medication Bonus (Act No. 155-2003, as Amended by Act 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.

Before July 1, 2017, the Commonwealth made contributions to the ERS for the special benefits granted by special laws. Special benefits to eligible Act 447-1951 participants are being paid by each employer as they become due since July 1, 2017.

Employees covered by benefit terms - identification of employees included in the actuarial valuation (measurement date June 30, 2020) by categories:

Category	Total members	Total members, PBA
Active members	96,001	919
Inactive members in pay status (retirees, disabled members, beneficiaries)	123,784	1,133
Total	219,785	2,052

Pension reform, termination of Trust and implementation of GASB Statement No. 73 - On August 23, 2017 the Commonwealth enacted Act No. 106 (Act 106-2017) to reform the Commonwealth retirement systems and, among other dispositions, provide the necessary legal and operational structure of the determination and payment of accrued pension benefits as of June 30, 2017, the reform of ERS's governance and administration and the creation and transition to a new defined contribution plan:

1) Act 106 created a Retirement Board composed of thirteen (13) members (government officials, representatives of teachers, judicial system, public corporations and mayors) which replaces the Board of Trustees and perform overall governance of all retirement systems, including ERS, the Teachers and Judiciary Retirement Systems.

2) Effective July 1, 2017, the Trust is terminated as a pension trust fund, participants ceased to accrue new pension benefits and are no longer able to make direct credit payments or to make additional contributions to the ERS. All benefits including retirement, disability, death, and other pensioner additional benefits will be determined in accordance to the specific benefit structures under Act 447, Act 1, Act 305 and Act 3, as discussed above.
After that date, retirement benefits for retirees of the Commonwealth, the Municipalities and other participants of the ERS are guaranteed through a PayGo funding system. Under the PayGo funding, the participant employers directly pay the pension benefits as they are due rather than attempt to build up assets to pre-fund future benefits. Payments are made by the Commonwealth and reimbursed by the employers

(PBA) through a PayGo fee. During the fiscal year 2020-2021 PBA recorded as PayGo expenditures the amount of $23,137,579 of which $3,784,723 was recorded as intergovernmental payable to Commonwealth Government as of June 30, 2021 and subsequently paid.

3) The reform included the creation and procedures for transition to a new defined contribution plan. Act 106-2017 terminated the previous pension programs as of June 30, 2017. The members of the prior programs and the new system members hired on or after July 1, 2017 will be enrolled in the new program. (Discussed later in section 2 of this Note).

As disclosed above, pursuant to Act 106-2017, the previous ERS's pension programs were terminated as of June 30, 2017 and effective July 1, 2017 the benefit payments are made through a PayGo funding system. The Trust was terminated as a pension trust fund and was required by Act 106-2017 to liquidate its assets and transfer the net proceeds to the PRDT. Paragraph 4 of GASB Statement No. 68 establishes requirements for pensions that are provided through pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) in which the following criteria are met:

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

Since no assets are accumulated in a Trust that meet the above GASB 68 criteria, the Authority follows the guidance of GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68".

The Authority's GASB Statement 73 information for reporting period ending on June 30, 2021, is based on an actuarial valuation report dated July 6, 2022, prepared for ERS by Milliman, Inc.

B. **Significant assumptions**

The actuarial valuation was determined using the following actuarial methods and assumptions:

Valuation date	July 1, 2019, projected forward to June 30, 2020
Measurement date	June 30, 2020
Actuarial cost method	Entry age normal method
Actuarial assumptions compensation increase	3.0% per year, no compensation increases are assumed until July 1,2021 as a result of the Act 3-2017 four year extension of the Act 66-2014 salary freeze and the current general economy. Based on professional judgment and System input.
Discount rate	2.21%
Municipal bond rate	2.21% based on Bond General Obligation 20-Bond Municipal Bond Index
Mortality	Pre-retirement mortality: For general employees not covered under Act 127-1958, the PubG-2010 employee rates, adjusted by 100% for males and 110% for females, projected using MP-2020 on a generational basis. For members covered under Act 127-1958, the PubS-2010 employee rates for males and females, projected using MP-2020 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date. 100% of deaths while in active service are assumed to be occupational for members covered under Act 127-1958. Post-retirement retiree mortality: The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2020 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date. This assumption is also used for beneficiaries prior to the member's death. Post-retirement disabled mortality: The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females, projected using MP-2020 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-2020 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

C. Changes in total pension liability

Changes in total pension liability as of June 30, 2021 (measurement date June 30, 2020) was as follows:

	Amount
Balance at July 1, 2019	$ 409,341,038
Change for the measurement year:	
Service cost	1,303,972
Interest on total pension liability	14,997,060
Effect of plan changes	(1,766,677)
Effect of economic/demographic gains and losses	(3,463,376)
Effect of assumptions changes or inputs	63,727,242
Benefit payments	(21,815,440)
Net changes	52,982,781
Balance at June 30, 2020 (measurement date)	$ 462,323,819

D. Sensitivity analysis

The following presents the total pension liability calculated using the discount rate of 2.21%, as well as what the total pension liability would be if it was calculated using a discount rate that is 1 percentage point lower (1.21%) or 1 percentage point higher (3.21%) than the current rate:

	1% Decrease 1.21%	Discount rate 2.21%	1% Increase 3.21%
Total pension liability as of June 30,2020 (measurement date)	$ 530,323,768	$ 462,323,819	$ 407,488,308

E. Changes in assumptions

Following is a description of changes in assumptions that affected measurement of the total pension liability since the prior measurement date:

1) The index rate and resulting discount rate decreased from 3.50% as of June 30, 2019 to 2.21% as of June 30, 2020 (measurement date)

2) The postretirement mortality assumptions were revised based on an experience study covering the period from July 1, 2013 through June 30, 2018. The base mortality rates reflect the Society of Actuaries Pub-2010 mortality tables, which were published in January 2019 and are based on public plan experience. For healthy retirees and beneficiaries prior to the member's death, the postretirement mortality base rates were revised to 100% and 110% of the Pub-2010 general healthy retiree mortality table for males and females, respectively. For disabled retirees, the postretirement mortality base rates were revised to 80% and 100% of the Pub-2010 general disabled retiree mortality table for males and females, respectively. For beneficiaries after the retiree's death, the postretirement mortality base rates were revised to 110% and 120% of the Pub-2010 general below median contingent survivor mortality table for males and females, respectively.

3) The preretirement mortality assumption was also revised. For general employees not covered under Act 127-1958, the preretirement mortality base rates were revised to 100% and 110% of the Pub-2010 general employee mortality table for males and females, respectively. For members covered under Act 127-1958, the preretirement mortality base rates were revised to the Pub-2010 public safety employee rates.

4) The projected mortality improvement scale was updated from Scale MP-2019 to Scale MP-2020.

F. Pension expense

Following are the components of the Authority's pension expense recognized in the accompanying statement of activities for the year ended June 30, 2021 (measurement period ending June 30, 2020):

		Amount
Service cost	$	1,303,972
Interest on total pension liability		14,997,060
Effect of plan changes		(1,766,677)
Recognition (amortization) of deferred inflows/outflows of resources		
Effect of economic/demographic gains and losses		(3,463,376)
Effect of assumptions changes or inputs		13,609,657
Pension expense	$	24,680,636

G. Deferred Outflows of Resources and Deferred Inflows of Resources from Pension Activities

Deferred outflows and deferred inflows of resources from pension activities by source reported by the Authority in the statement of net position as of June 30, 2021(measurement date as of June 30, 2020) follows:

		Deferred Outflows of Resources		**Deferred Inflows of Resources**
Differences between actual and expected experience	$	953,610	$	10,407,331.00
Changes in assumptions		58,040,202		7,936,113
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		7,081,143		2,115,607
Net differences between projected and actual earnings on plan investments				
Benefits pay subsequent the measurement date		22,434,770		-
Total	$	88,509,725	$	20,459,051

Deferred outflows of resources related to pensions resulting from the payment of benefits subsequent to the measurement date of June 30, 2020 (year ended June 30, 2021) were approximately $22,434,770 and will be recognized as a reduction of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows/inflows of resources from pension activities are scheduled to be recognized in pension expense as follows:

Year Ended June 30,		Amount
2021	$	11,122,693
2022		11,122,693
2023		11,122,692
2024		12,247,826
Total	$	45,615,904

2. Defined Contribution Plan

As discussed above, the retirement systems' reform included the creation and procedures for transition to a new defined contribution plan. Act 106-2017 terminated the previous pension programs as of June 30, 2017. The members of the prior programs and the new system members hired on or after July 1, 2017 will be enrolled in the new program. Effective June 20, 2020, the participants have on-line access to their accounts and may manage their investment options. The following description provides general information of the new Plan:

General - Effective August 23, 2017, a new defined contribution plan (the Plan) was created and maintained in a separate trust. It covers all active participants of the ERS as of that date and participants enrolled in the public service after that date. The Retirement Board is responsible for oversight of the Plan. A third-party plan administrator has been appointed by the Retirement Board, which will perform the Plan's recordkeeping and Management functions. The Retirement Board also appointed the Plan's trustee and the custodian of the Plan assets.

Participant accounts and contributions - Funds are maintained in individual accounts for each participant which are credited with participant's pre-tax contributions and investment earnings. Participants have the opportunity to gain on-line access to their accounts and select and manage their investment options. The accumulated balance on the accounts of the prior program (Act 3) were transferred to the participant accounts. Participants are required to contribute at least 8.5% of gross salary. The Plan provides for voluntary additional pre-tax contributions up to 20% of annual earnings up to $15,000, as permitted by the Puerto Rico Internal Revenue Code of 2011 ("2011 PR Code").

The Plan permit additional catch-up contributions of $1,500 to participants that are 50 years and older in accordance with the 2011 PR Code. As stated by the Plan documents, the Employer (PBA) is not required and is not making matching contributions.

Payment of benefits - Upon termination of service a participant or the participant beneficiaries may elect to receive an amount equal to the value of the participant's interest in his or her account in a lump-sum amount, maintain his or her account in the Act 106-2017 Retirement Plan, or roll-over their account to a qualified plan under the 2011 PR Code. Upon participant's death the account balance will be distributed to its designated beneficiaries. Distributions are subject to income tax in accordance with the provisions of the 2011 PR Code. For participants of the Act 106-2017 Retirement Plan with accrued pension benefits as of June 30, 2017, benefits will include amounts of participant's interest in his or her account plus accrued pension benefits funded through the PayGo system.

15. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Employee's Retirement System of the Government of Puerto Rico and its Instrumentalities Medical Insurance Plan Contribution

1. Plan description

General - PBA The Authority provides healthcare benefits to its retirees under two plans: one covered by Collective Bargaining Agreements (CBA) and considered a single-employer plan, and the other through the postemployment benefit plan of the Commonwealth of Puerto Rico for retired participants of ERS, a multi-employer plan. Both plans operate on a pay-as-you-go basis. The Plan administered by the Authority Benefits consist of a maximum monthly payment (annuity) to cover medical expenses. Based on the Plan's features and its functions, and for the purpose of the actuarial valuation, it has been identified as a single-employer defined benefit healthcare plan. Participant groups covered are (i) employees under a Collective Labor Agreement with "Union Independiente de Empleados de la Autoridad de Edificios Públicos" (UIEAEP), and (2) the Authority's management employees.

Benefits provided – The Authority's contribution is limited to $200 monthly per single retired employee up to a period of thirty-six months (twelve months for managerial employees). This benefit is included in the collective bargaining agreement and will be re-evaluated when the collective bargain agreements are up for renewal. Milliman an international actuarial and consulting firm (Milliman) provide actuarial estimates for active employees and those employees who retired early. Milliman used a measurement date of June 30, 2021.

Once the postemployment benefits covered by collective bargain agreements expire, the Authority's retirees commence participation in the plan administered by the Commonwealth. Milliman provided actuarial estimates for retirees participating in the plan administered by the Commonwealth. Milliman used a measurement date of June 30, 2021. This group of retirees was not included in prior years' liability for post-employment benefits.

The postemployment benefit plan of the Commonwealth of Puerto Rico covers a payment of up to $100 per month to the eligible medical insurance plan selected by each member, provided that the member retired prior to July 1, 2013 (Act No. 483, as amended by Act No. 3). The Plan is financed by the Commonwealth through legislative appropriations. However, the Commonwealth claims reimbursements 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 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.

Under leveled benefits provided in each plan, the medical cost increases reside with the retiree and, therefore, result in a lower OPEB liability for the Authority.

GASB 75 requires participating employers to recognize their proportionate share of the collective total OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense.

OPEB of Commonwealth

Funding - This OPEB Plan is financed by the Commonwealth on a pay-as-you-go basis. The funding of the OPEB benefits is provided to the ERS through legislative appropriations each July 1 by the Commonwealth. The legislative appropriations are considered estimates of the payments to be made by the ERS for the healthcare benefits throughout the year. After benefits are funded, the Commonwealth claims reimbursement from each employer. The Authority's contribution is financed through the monthly PayGo charge. There is no contribution requirement from the plan member during active employment. Retirees contribute the amount of the healthcare insurance premium not covered by the Commonwealth contribution. As a result, these OPEB are 100% unfunded.

Employees covered by benefit terms - identification of employees included in the actuarial valuation (measurement date June 30, 2020) by categories:

Category	Total members
Active members	-
Retirees members	94,590

The Authority's GASB Statement 75 information for reporting period ending on June 30, 2021, is based on an actuarial valuation report dated July 6, 2022, prepared for ERS by Milliman, Inc.

2. Significant assumptions

The actuarial valuation was determined using the following actuarial methods and assumptions:

Valuation date	July 1, 2019, projected forward to June 30, 2020
Measurement date	June 30, 2020
Actuarial cost method	Entry age normal method
Actuarial assumptions:	
Discount rate	2.21%, based on Bond Buyer General Obligation 20-Bond Municipal Bond Index
Mortality	Pre-retirement mortality: For general employees not covered under Act 127-1958, the PubG-2010 employee rates, adjusted by 100% for males and 110% for females, projected using MP-2020 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date. 100% of deaths while in active service are assumed to be occupational for members covered under Act 127-1958. Post-retirement retiree mortality: The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2020 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date. This assumption is also used for beneficiaries prior to the member's death. Post-retirement disabled mortality: The PubG-2010 disabled retiree rates, adjusted by 80% for males and

100% for females, projected using MP-2020 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-2020 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

3. Changes in Total OPEB liability of OPEB Plan

Changes in total OPEB liability as of June 30, 2021 (measurement date June 30, 2020) was as follows:

		Amount
Balance at July 1, 2019	$	8,608,602
Change for the measurement year:		
Interest on total OPEB liability		290,531
Effect of economic/demographic gains and losses		(60,695)
Effect of assumptions changes or inputs		919,739
Benefit payments		(705,650)
Net changes		443,925
Balance at June 30, 2020 (measurement date)	$	9,052,527

4. Sensitivity analysis

The following presents the total OPEB liability calculated using the discount rate of 2.21%, as well as what the total OPEB liability would be if it was calculated using a discount rate that is 1 percentage point lower (1.21%) or 1 percentage point higher (3.21%) than the current rate:

	1% Decrease 1.21%	Discount rate 2.21%	1% Increase 3.21%
Total OPEB liability as of June 30,2020 (measurement date)	$ 9,980,327	$ 9,052,527	$ 8,268,578

5. OPEB expense

Following are the components of the Authority's OPEB expense recognized in the accompanying statement of activities for the year ended June 30, 2021 (measurement period ending June 30, 2020):

	Amount
Interest on total OPEB liability	$ 290,531
Recognition of deferred inflows/outflows of resources	
Effect of economic/demographic gains and losses	(60,695)
Effect of assumptions changes or inputs	919,739
OPEB expense	$ 1,149,575

6. Deferred Outflow of Resources related to OPEB

Deferred outflow resources related to OPEB pension activities reported by the Authority in the statement of net position as of June 30, 2021(measurement date as of June 30, 2020) follows:

	Deferred Outflow of Resources
Benefit payments made subsequent to measurement date	$ 702,777

Deferred outflows of resources related to pensions resulting from the payment of benefits subsequent to the measurement date of June 30, 2020 (year ended June 30, 2021) were $702,777 and will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2022. Because all participants of ERS-OPEB are inactive, there are no deferred outflows or inflows of resources for changes in actuarial assumptions, economic or demographic gains and losses, and changes in proportionate share since these factors are recognized immediately during the measurement year.

Actuarial assumptions (CBA)

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

Mortality

- Pre-retirement Mortality — For general employees not covered under Act No. 127, RP-2014 Employee Mortality Rates for males and females were adjusted to reflect Mortality Improvement Scale MP-2021 on a generational basis. For members covered under Act No. 127, RP-2014 Employee Mortality Rates are assumed with blue collar adjustments for males and females adjusted to reflect Mortality Improvement Scale MP-2021 from the 2006 base year and projected forward using MP-2021 on generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.

- Post-retirement health mortality — Rates, which vary by gender, are assumed for healthy retirees and beneficiaries based on a study of the plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rates from the Uninsured Pensioner (UP) 1994 Mortality Table for Males and 95% of the rates from the UP 1994 Mortality Table for Females, both projected from 1994 to 2010 using Scale AA. The base rates are projected using

Mortality Improvement Scale MP-2021 on a generation basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

- Post-retirement disabled mortality — Rates, which vary by gender, are assumed for disabled retirees based on a study of the plan's experience from 2007 to 2012 and updated expectation regarding future mortality improvement. The 2010 base rates are equal to 105% of the rates from the UP 1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. The base rates are projected using Mortality Improvement Scale MP-2021 on a generation basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The following presents the collective total allocated OPEB liability of CBA Plan at June 30, 2021, were calculated using the discount rate of 2.16%, respectively, as well as the Plan's total allocated OPEB liability if it were calculated using the discount rate of one percentage point lower 1.16%) and (3.16%), than current rate:

	1% Decrease 1.16%	Current discount rate 2.16%	1% Increase 3.16%
Total OPEB liability	$ 17,246,204	$ 14,734,563	$ 12,670,246

Deferred outflows of resources and deferred inflows of resources

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

	Deferred outfows of resources	Deferred inflows of resources
Differences between actual and expected experience	$ 792,052	$ 5,719,196
Changes in assumptions	2,430,597	627,995
Total	$ 3,222,649	$ 6,347,191

Amounts reported as deferred outflows/inflows of resources from pension activities as of June 30, 2021 will be recognized in the pension expense as follows:

Year ended June 30	Amount
2022	$ (356,641)
2023	(356,641)
2024	(356,641)
2025	(356,641)
2026	(356,641)
Thereafter	(1,341,337)
Total	$ (3,124,542)

OPEB Obligation

The net OPEB obligation change for the years ended June 30, 2021, is as following:

Service cost	$ 482,727
Interest on total OPEB liability	300,956
Effect of economic/demographic gains	871,257
Effect of assumptions changes or inputs	65,616
Benefits payment	(241,000)
Net change in total OPEB liability	1,479,556
Total OPEB liability, beginning	13,255,007
Total OPEB liability, ending	$ 14,734,563

Additional information on the Other Postemployment Benefit Plan of the Commonwealth of Puerto Rico for Retired Participants of the Employee Retirement System is provided on its standalone Schedules of Employer Allocations and Schedules of OPEB Amounts by Employer for the years ended June 30, 2021, a copy of which can be obtained from the Employee Retirement System of the Commonwealth of Puerto Rico, P.O. Box 42004, San Juan PR 00940-2004.

16. VOLUNTARY TERMINATION BENEFITS

On July 2, 2010, the Commonwealth enacted Act No. 70 to establish a program that provided benefits for early retirements or economic incentives for voluntary employment termination to eligible employees, as defined, including employees of the Authority. Act No. 70 was a voluntary selection for the public corporations, such as the Authority, and established that early retirement benefits will be provided to eligible employees that have completed between 20 to 29 years of credited service in the Retirement System, between 48 and 55 years to age, and will consist of biweekly benefits of 50% of each employee' salary, as defined. In this early retirement benefits program, the Authority will make the employee and the employer contribution to the Retirement System and pay the corresponding pension until the employee complies with the requirements of age and 30 years of credited service in the Retirement System. Economic incentives are available to eligible employees who have a least 30 years of credited service in the Retirement System who have attained the age for retirement. Economic incentives will consist of a lump-sum payment of six months of salary based on employment years. For eligible employees that choose the economic incentives to employees who have 30 years of service or who have reached retirement age, the Authority will make the employee and the employer contributions to the Retirement System for a five-year period.

Additionally, eligible employees who choose to participate in the early retirement benefit program or who choose the economic incentive and have at least 20 years of credited services in the retirement system are eligible to receive health plan coverage for up to 12 months in a health plan selected by management of the Authority. The financial impact resulting was the recognition of a liability of approximately $9 and $11.4 million in the balance sheets as June 30, 2021 and 2020. At June 30, 2021, unpaid long-term benefits granted through this program were discounted at 2.73%, depending on the employee voluntary termination benefits selected.

17. CONTINGENT LIABILITIES

a. Litigation – The Authority is a defendant or co-defendant in various lawsuits for alleged breach of contract and torts in cases related to construction projects. In addition, the Authority is a defendant or co-defendant in other cases related to public liability and labor related matters. Some of the cases related to public liability are covered by insurance.

The Authority, based on legal advice, recorded an adequate provision to cover probable losses on the claims not fully covered by insurance. In the opinion of legal counsel, any liability in excess of insurance coverage and/or the recorded provision that may arise from such claims would not affect the Authority's financial position or operations, particularly since any claims that arose prior to the Authority's Title III case are prepetition claims and the only payment on such claims is pursuant to the Commonwealth Plan of Adjustment. Refer to Note 18 regarding additional information on the Commonwealth Plan of Adjustment.

b. Grants- In the normal course of operations, the Authority receives grants from FEMA. The grant program is subject to audit, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. The expenditures financed by grants are subject to program compliance audits by the grantor and passed-through agencies authority in accordance with the requirements of the U.S. Office of Management and Budget Uniform Guidance 2 CFR Part 200, in order to assure compliance with grant requirements. If expenditures are disallowed due to noncompliance with grant program requirements, the Authority may be required to reimburse the grantor or pass-through agencies. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

18. SUBSEQUENT EVENTS

A. Plan of Adjustment

On March 15, 2022, the Effective Date of the Commonwealth Plan of Adjustment was satisfied and/or waived by the Oversight Board, and the plan became effective. Accordingly, the Commonwealth Plan of Adjustment has been confirmed and is currently effective as of the date hereof. As of the Effective Date, all of the legacy Commonwealth general obligation bonds, ERS bonds, and PBA bonds were discharged, and all of the Commonwealth, ERS, and PBA obligations and guarantees related thereto were discharged. In addition, all Commonwealth laws that required the transfer of funds from the Commonwealth to other entities are deemed preempted, and the Commonwealth has no obligation to transfer additional amounts pursuant to those laws. All of PBA's obligations to the DRA were also discharged in exchange for a 10% cash recovery.

Various categories of PBA bond claims (Classes 1-12, 14): 79% recovery in cash in addition to the New GO Bonds and GO CVIs that PBA bondholders receive on account of their guarantee claims against the Commonwealth. The Commonwealth Plan of Adjustment does not implement any changes to the PBA governance structure or PBA collective bargaining agreements.

Based on the agreements in the adjustment plan, PBA estimate a gain of $5,189 million which is broken down as follows:

Description	Amount in million
Bonds payable	$ 3,900
Lines of credit with DRA	137
Principal and interest paid by insurers for defaulted debt	52
Accrued interest payable	1,100
Estimated gain	$ 5,189

There are claims pending of litigation that may affect this estimated gain.

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

B. PBA LEASES

The Confirmation Order provides that the PBA leases (including PBA leases with private entities) shall be deemed rejected effective upon the earliest to occur of:

1. June 30, 2022;
2. the date upon which such PBA lease expires in accordance with its terms;
3. the date upon which PBA enters into a new or amended lease with respect to the leased property subject to such PBA Lease;
4. such other date of which PBA, as lessor, provides written notice to the counterparty to a PBA Lease; and
5. the date upon which AAFAF, on behalf of the Commonwealth or any Commonwealth agency that is a lessee with respect to a PBA Lease, provides written notice to PBA that such PBA lease is rejected (the "Notice Date").

Accordingly, each of the PBA leases will be deemed rejected no later than June 30, 2022, unless a new lease is entered before that time.

From the Effective Date through the rejection/renegotiation date (*i.e*. June 30, 2022 or the Notice Date), with respect to any PBA lease between PBA, as lessor, and the Commonwealth or any Commonwealth agency, public corporation or instrumentality, as lessee, the monthly lease payments shall be limited to the lower of (i) the amount budgeted and approved pursuant to a certified fiscal plan and (ii) the monthly costs and expenses associated with the applicable leased property.

Any past due accruals on PBA or any Commonwealth entity for Debt Service Rent under a PBA lease is deemed released under the Plan.

C. TRANSFER OF FUNDS TO PUERTO RICO TREASURY DEPARTMENT

On January 27,2022 PBA received joint circular letter AAFAF/DH/OGP Núm. 2022-01 with instruction to transfer outstanding balance of certain banks accounts to Puerto Rico Treasury Department on or before February 11,2022 in order for the Commonwealth to make the payments required by the Commonwealth Plan of Adjustment. As result of this request between February 9 and April 4, 2022, $69.4 million was transferred by PBA to the Treasury Department.

D. INCREASE IN SALARIES AND FRINGE BENEFITS

On June 28, 2021, PBA received 532 employees from the electric power authority according to the mobility plan established in Act 120-2018, known as the Puerto Rico Power System Transformation Act. This increase in our workforce will represent wages spending and fringe benefits of over $20 million in the fiscal year 2022.

The Authority has evaluated subsequent events through February 20, 2023 which is the date the basic financial statements were available to be issued. The subsequent events disclosed are principally those which management believes are of sufficient public interest for disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

PUBLIC BUILDINGS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2021

	2020	2019	2018
Proportion of the Collective Total Pension Liability	1.64705%	1.64722%	1.66054%
Proportionate Share of the Collective Total Pension Liability	$ 462,323,819	$ 409,341,038	$ 406,659,098

Notes:

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

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

2.The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. The numbers were derived from valuation and actuarial reports. The full reports are available by the Employees' Retirement System. Such preparation requires management of ERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

3. The total pension liability as of June 30, 2021 was measured as of June 30, 2020 and was determined by an actuarial valuation with beginning-of-year census data as of July 1, 2019 that was updated to roll forward the total pension liability to June 30, 2020 and assuming no gains or losses.

4. The information presented relates solely to the Authority and not to the Employee's Retirement System of the Government of the Commonwealth of Puerto Rico as a whole.

5. This information is intended to help users assess the Authority's pension plan's status on a going- concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employers.

This schedule is required to illustrate 10-years of information. However, until an 10-year trend has been completed, information is presented only for the years for which the required supplementary information is available

PUBLIC BUILDINGS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE OF CHANGES IN TOTAL OTHER POST EMPLOYMENT BENEFIT (OPEB) LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2021

	2020	2019	2018
Proportion of the Collective Total OPEB Liability	1.03501%	1.03440%	1.05174%
Proportionate Share of the Collective Total OPEB Liability	$ 9,052,527	$ 8,608,602	$ 8,857,277

Notes:

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

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

2.The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. The numbers were derived from valuation and actuarial reports. The full reports are available by the Employees' Retirement System. Such preparation requires management of ERS to make number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

3. The OPEB liability as of June 30, 2021 was measured as of June 30, 2020 and was determined by an actuarial valuation with beginning-of-year census data as of July 1, 2019 that was updated to roll forward the total pension liability to June 30, 2020 and assuming no gains or losses.

4. The information presented relates solely to the Authority and not to the Employee's Retirement System of the Government of the Commonwealth of Puerto Rico as a whole.

5. This information is intended to help users assess the Authority's OPEB plan's status on a going- concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employers.

This schedule is required to illustrate 10-years of information. However, until 10-year trend has been completed, information is presented only for the years for which the required supplementary information is available.

Collective Bargaining Agreement (CBA)			Fiscal Year Ended June 30		
	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	$ 482,727	$ 344,231	$ 310,819	$ 709,728	$ 895,113
Interest on total OPEB liability	300,956	373,652	659,520	610,136	520,844
Effect of economic/demographic gains or (losses)	871,257	-	(7,625,578)	(17)	(4,633,911)
Effect of assumption changes or inputs	65,616	2,319,550	583,986	(821,223)	448,893
Benefits payment	(241,000)	(226,000)	(168,600)	(106,448)	(153,054)
Net change in total OPEB liability	1,479,556	2,811,433	(6,239,853)	392,176	(2,922,115)
Total OPEB liability, beginning	13,255,007	10,443,574	16,683,427	16,291,251	19,213,366
Total OPEB liability, ending	$ 14,734,563	$ 13,255,007	$ 10,443,574	$ 16,683,427	$ 16,291,251
Covered payroll	$ 34,644,369	$ 34,924,579	$ 34,924,579	$ 26,997,294	$ 26,997,294
Total OPEB liability as of a % of covered payroll	42.53%	37.95%	29.90%	61.80%	60.34%

Notes:

1. The above information represents the Authority's Collectively Bargaining Agreements OPEB liabilities. The OPEB plan is a single employer OPEB plan. The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. The numbers were derived from valuation and actuarial reports. Due to the inherent nature of these estimates, actual results could differ from those estimates.

2. The OPEB liability as of June 30, 2021 was measured as of June 30, 2021 and was determined by an actuarial valuation with beginning-of-year census data as of July 1, 2021 that was updated to roll forward the total pension liability to June 30, 2021 and assuming no gains or losses.

This schedule is required to illustrate 10-years of information. However, until 10-year trend has been completed, information is presented only for the years for which the required supplementary information is available.

SUPPLEMENTARY INFORMATION

PUBLIC BUILDINGS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE OF BOND SINKING FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

		2021
Governmental Facilities Bonds:		
Balance at July 1,	$	20,540
Receipts:		
Investment income		77
Deposits from other accounts		18,880,280
Disbursements:		
Payment of bonds interest on bonds		(18,857,245)
Payment of bond prinicipal on bonds		(23,035)
Balance at June 30,	$	20,617

PUBLIC BUILDINGS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE OF OPERATING RENTAL REVENUES
FOR THE YEAR ENDED JUNE 30, 2021

Office Buildings		
Debt Service Rental - bonds and notes	$	64,256,415
Operating and administrative		55,049,510
Equipment reserve rentals		17,291,315
Total office buildings		136,597,240
Public Education Buildings		
Debt service rental- bonds and notes		190,175,793
Operating and administrative		52,711,960
Equipment reserve rentals		4,907,743
Total public education buildings		247,795,496
Health Facilities		
Debt service rental - bonds andnNotes		6,196,092
Operating and administrative		2,569,910
Equipment reserve rentals		933,087
Total health facilities		9,699,089
Total operating rental revenues		394,091,825
Less Uncollectible amounts		271,370,796
Total operating rental revenue, net	$	122,721,029