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

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

For the fiscal year ended June 30, 2022

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

Jerry De Córdova, CPA, Esq.
Eduardo González-Green, CPA, CFF, CFE, FCPA
Maritza Rivera Serrano, CPA

INDEPENDENT AUDITOR'S REPORT

To: Board of Directors and Management
of the Public Buildings Authority
San Juan, Puerto Rico

Opinion

We have audited the accompanying financial statements of the business-type activities of the *Public Buildings Authority* (the Authority), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of June 30, 2022, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

P.O. Box 70262, San Juan, Puerto Rico 00936-8262 • Cecilia's Place Suite C-1, #7 Rosa Street
Isla Verde, P.R. 00979 • Phone (787) 253-9595 • Fax (787) 253-9511

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Carolina, Puerto Rico
November 9, 2023

Aquino, De Córdova, Alfaro + Co., LLP
by Eduardo González-Green
Lic. # 3171

Stamp number E550176
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, 2022. 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, 2022 taken as a whole.

Financial Highlights

- Debt from lines of credit ($137.4 million), bonds ($3,944.8 million), insurers ($157.1 million) and other miscellaneous settlements and write-offs ($1,078.4 million) for a total of $5,317.7 million were discharged on March 15, 2022 as part of the implementation of PBA's debt restructuring plan approved under PROMESA.

- The Authority's net position as of June 30, 2022 was $2.6 billion which represents an increase of $5.1 billion or 204%, as compared with the prior fiscal year deficit of $2.5 billion.

- For the year ended June 30, 2022, the Authority reported a decrease in rental and lease income of $.343 million as compared to the prior fiscal year. All rent and lease receivable other than those amounts subsequently collected after June 30, 2022 are reserved as uncollectible.

- The Authority's operating loss increased from approximately $93.5 million for the fiscal year ended June 30, 2021 to an operating loss of $135.9 million for the year ended June 30, 2022.

- The Authority's non-operating revenues (expenses) decreased from ($156.2) million for the fiscal year ended June 30, 2021 to ($136.3) million for the fiscal year ended June 30, 2022.

- As further discussed in Note 16 to the basic financial statement, on January 18, 2022, the Title III Court confirmed the Commonwealth Plan of Adjustment. On 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 $5,317,703,106 to zero, representing a total debt reduction of 100%. This debt reduction will also reduce the Commonwealth's maximum annual debt service (inclusive of COFINA debt service), representing a total debt service reduction of 100%. 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, 2022, 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 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 – In fiscal year 2022, the Authority adopted GASB Statement No. 87, *Leases* (GASB Statement No. 87) which establishes a uniform approach for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Refer to next section "Overview of the Basic Financial Statements-*New Accounting Standards Adopted*, for changes in the financial statements as required by GASB Statement No. 87.

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 this case we can observed a change in net position from a net deficit position as of June 30, 2021 of $2,472.6 million to a net position (in superavit) of $2,572.9 million as of June 30, 2022 representing an improvement in the net position by $5,045.5 million.

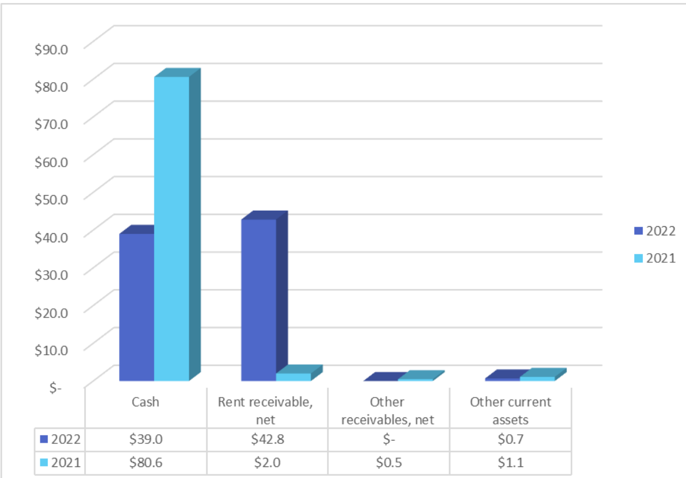
Statement of Net Position

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

	June 30,			
	2022	2021	Change in amount	Change
Assets				
Current assets	$ 82,411,566	$ 84,206,301	$ (1,794,735)	-2%
Capital assets	2,910,913,389	3,001,493,067	(90,579,678)	-3%
Other non-current assets	64,118,062	106,141,885	(42,023,823)	-40%
Total assets	3,057,443,017	3,191,841,253	(134,398,236)	-4%
Deferred outflows of resources	79,820,320	150,129,914	(70,309,594)	-47%
Total assets and deferred outflows of resources	3,137,263,337	3,341,971,167	(204,707,830)	-6%
Liabilities				
Current liabilities	53,500,641	1,628,598,966	(1,575,098,325)	-97%
Non-current liabilities	482,385,935	4,159,134,822	(3,676,748,887)	-88%
Total liabilities	535,886,576	5,787,733,788	(5,251,847,212)	-91%
Deferred Inflows of Resources	28,449,039	26,806,242	1,642,797	6%
Total liabilities and deferred inflows of resources	564,335,615	5,814,540,030	(5,250,204,415)	-90%
Net position				
Net investment in capital assets	2,910,913,389	(989,426,199)	3,900,339,588	394%
Restricted for debt service	-	12,930,450	(12,930,450)	-100%
Restricted for other purpose	54,515,573	71,919,341	(17,403,768)	-24%
Unrestricted (deficit)	(392,501,240)	(1,567,992,455)	1,175,491,215	75%
Total net position	$ 2,572,927,722	$ (2,472,568,863)	$ 5,045,496,585	204%

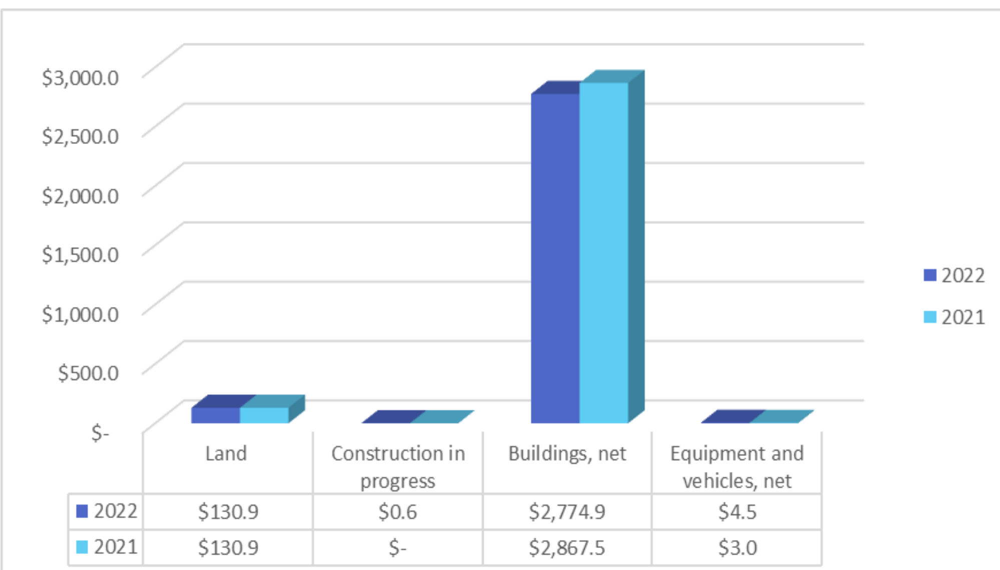
In fiscal year 2022, the Authority adopted GASB Statement No. 87, Leases which establishes a uniform approach for lease accounting based on the principle that leases are financings of the right to use an underlying asset. As of June 30, 2022, the Authority has recognized the following lease activities: the Authority recorded a lease receivable of $ .1 million and a deferred inflow of resources of $ .1 million.

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



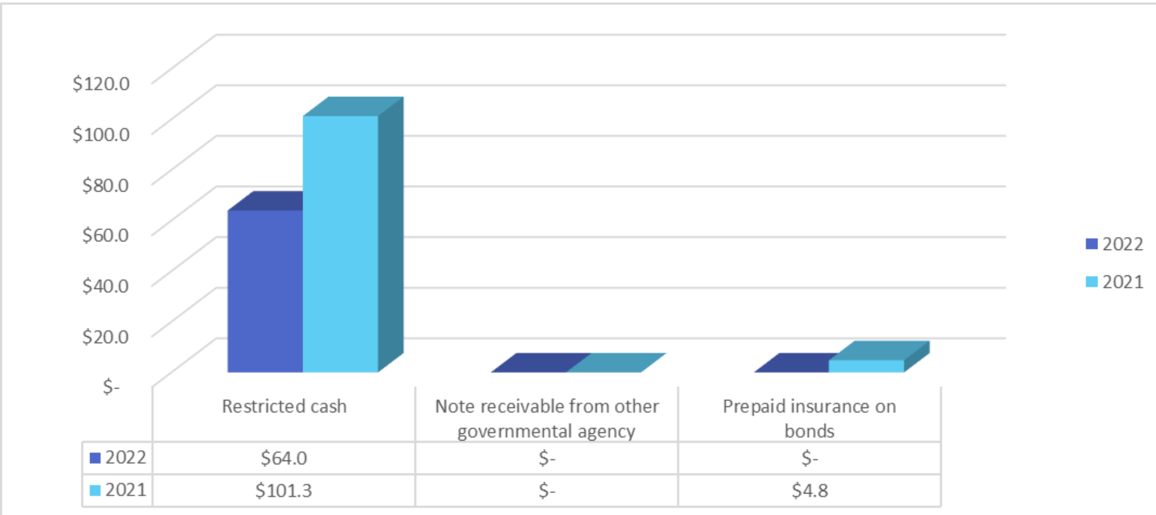
Current assets (in million)

During the fiscal year ended June 30, 2022, current assets decreased by $1.8 million or 2% as compared to the prior fiscal year ended June 30, 2021. Within current assets, (i) cash as of June 30, 2022, was $41.6 million or 52% less than as of June 30, 2021, (ii) net rent receivable was $40.8 million more than as of June 30, 2021 and (iii) net other receivables is $.4 million less than as of June 30, 2021.



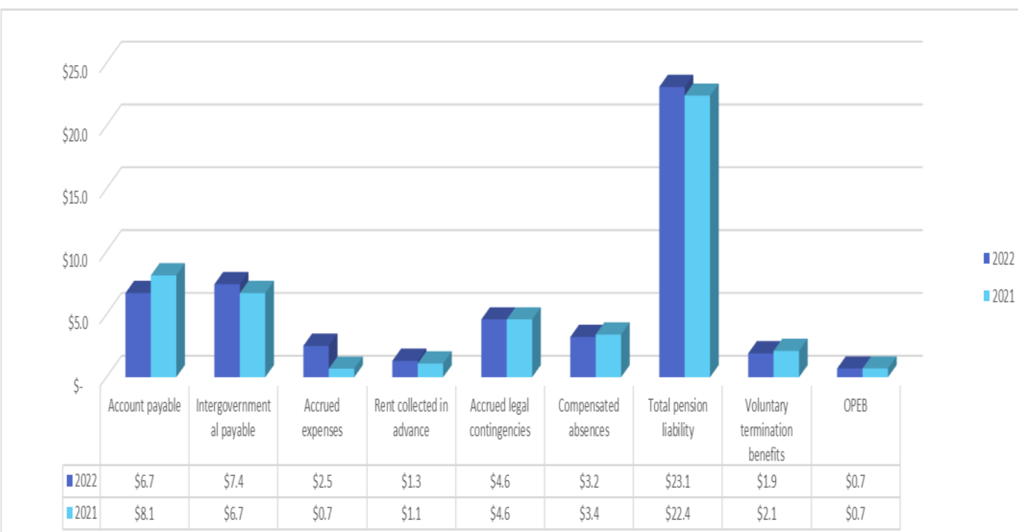
Capital assets (in million)

Building decreased by $92.6 million as of June 30, 2022, compared to prior fiscal year, due mostly to depreciation expenses of $92.0 million.



Non-current assets (in million)

During the fiscal year ended June 30, 2022, non-current assets decreased by approximately $42.1 million or 40%, as compared to the prior fiscal year ended June 30, 2021. 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 16 to the basic financial statements.



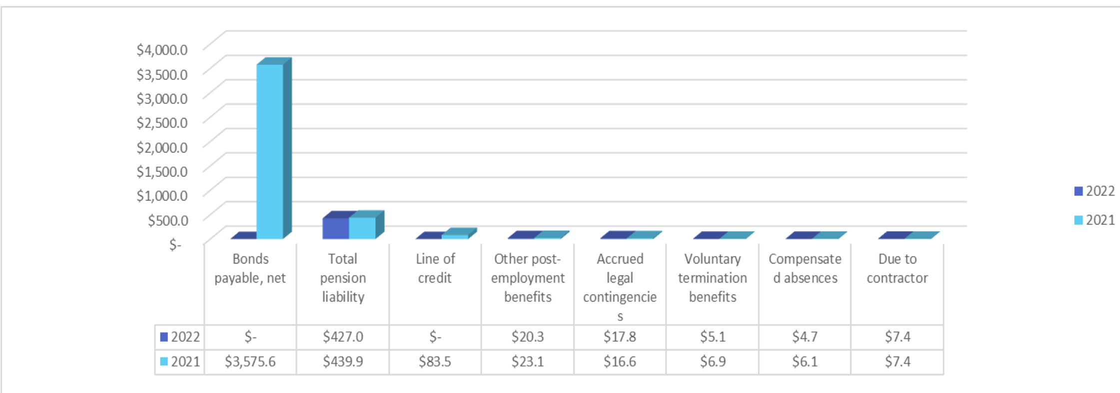
Current liabilities payable from unrestricted assets (in million)

During the fiscal year ended June 30, 2022, total current liabilities payable from unrestricted assets increased by approximately $1.6 million or 3% as compared to the prior fiscal year.

- Accounts payable as of June 30, 2022 decreased by approximately $2.1 million when compared with June 30, 2021.
- Intergovernmental payables increased by approximately $.7 million and June 30, 2022 with respect to the prior year.
- Voluntary termination benefits as of June 30, 2022 decreased by approximately $.2 million when compared with June 30, 2021.
- Compensated absences decreased by approximately $.2 million during the year ended June 30, 2022.

Current liabilities payable from restricted assets (in million)

Current total liabilities due from restricted assets decreased by approximately $1,576.8 million in the year ended June 30, 2022. This decrease is primarily due to the discharge of bankruptcy.



Non-current liabilities (in million)

Non-current liabilities as of June 30, 2022 decreased by approximately $3,676.8 million, mostly due to the discharge of bankruptcy. Non currents liabilities consist mainly of the Other post-employment benefits and accrued legal contingencies.

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Statement of Revenues, Expenses and Changes in Net Position

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

	Years Ended June 30,			
	2022	2021	Change in amount	Change
Revenues:				
Operating	$ 122,377,835	$ 122,721,029	$ (343,194)	0%
Non-operating	224,397,674	67,124,218	157,273,456	234%
Total revenues	346,775,509	189,845,247	156,930,262	83%
Expenses and losses:				
Operating	258,305,656	216,173,304	42,132,352	19%
Non-operating	360,676,374	223,346,266	137,330,108	61%
Total expenses and losses	618,982,030	439,519,570	179,462,460	41%
Change in net position	(272,206,521)	(249,674,323)	(22,532,198)	9%
Extraordinary Gain	5,317,703,106	-	5,317,703,106	100%
Net position:				
Beginning of year	(2,472,568,863)	(2,222,894,540)	(249,674,323)	11%
End of year	$ 2,572,927,722	$ (2,472,568,863)	$ 5,045,496,585	204%

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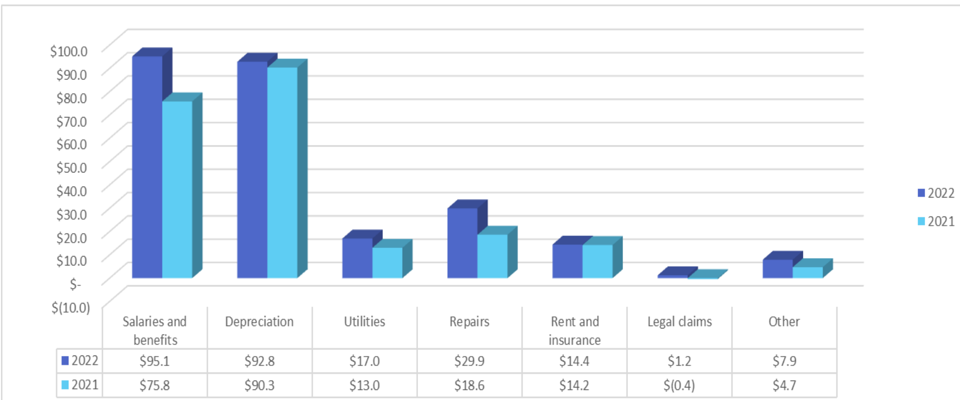
Operating revenues

Operating revenues consist of rent charges to Commonwealth agencies, public corporations, and municipalities. Operating revenue decreased approximately $.343 million during the year ended June 30, 2022, as compared to the prior year.



Expenses (in million)

The following chart discloses the major components of operating expenses for the fiscal years ended June 30, 2022, and June 30, 2021.

During the fiscal year ended June 30, 2022, operating expenses increased by approximately $42.1 million, or 19%, as compared to the prior fiscal year ended June 30, 2021.

Notable changes in expenses during the year ended June 30, 2022, include:

- Salaries and benefits increased by approximately $19.3 million, or 25%.
- Utility expenses increased by approximately $4 million, or 31%.
- The repairs and maintenance expenses increased by approximately $10.5 million, or 55%.
- Insurance increased by approximately $1 million, or 7%.
- Other expenses increased by approximately $3 million, or 98%.

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

Non-operating revenue and expenses consist mostly of Operating grants from Commonwealth of Puerto Rico and Interest income from leases. Net non-operating revenues/expenses increased approximately $20.2 million or 13% during the fiscal year ended June 30, 2022.

During the years ended June 30, 2022, and June 30, 2021, appropriations from the Commonwealth to the Authority for the financing of operating expenses amounted to approximately $31.3 million and $19 million, respectively.

Other facts 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 represents wages spending and fringe benefits of over $20 million in fiscal year 2022 and subsequent fiscal years.

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 reported an extraordinary gain of $5,317 million at the end of fiscal year 2022, as further discuss in Note 17.

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
AS OF JUNE 30, 2022

ASSETS		
Current assets:		
Cash and cash equivalents	$	38,961,085
Rent receivables, net		42,756,322
Lease receivable		29,911
Interest receivable		525
Other assets		663,723
Total current assets		82,411,566
Non-current assets:		
Restricted cash and cash equivalents:		
Construction funds		64,037,935
Lease receivable		80,127
Capital assets:		
Non depreciable		131,477,325
Depreciable, net		2,779,436,064
Subtotal		2,910,913,389
Total non-current assets		2,975,031,451
Total assets		3,057,443,017
Deferred Outflows of Resources:		
Related to pension plans		76,240,134
Related to post employment benefits		3,580,186
Total deferred outflows of resources		79,820,320
Total assets and deferred outflows of resources	$	3,137,263,337

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

Continued

LIABILITIES AND NET POSITION

Current liabilities:		
Accounts payable	$	6,722,219
Intergovernmental		7,439,144
Accrued expenses		2,510,043
Rent collected in advance		1,348,166
Accrued legal contingencies		4,551,826
Compensated absences		3,219,255
Total pension liability		23,056,278
Total other postemployment benefits		684,669
Voluntary termination benefits		1,867,893
Current liabilities payable from restricted assets:		
Due to contractors		2,101,148
Total current liabilities		53,500,641
Non-current liabilities:		
Due to contractors		7,421,214
Accrued legal contingencies		17,831,346
Compensated absences		4,748,481
Total pension liability		427,045,078
Total other postemployment benefits		20,277,730
Voluntary termination benefits		5,062,086
Total non-current liabilities		482,385,935
Total Liabilities		535,886,576
Deferred Inflows of Resources:		
Related to leases		107,452
Related to pension plan		20,141,387
Related to other postemployment benefits		8,200,200
Total deferred Inflows of Resources:		28,449,039
Total liabilities and deferred inflows of resources		564,335,615
Net position		
Investment in capital assets		2,910,913,389
Restricted for other purposes		54,515,573
Unrestricted (deficit)		(392,501,240)
Net position	$	2,572,927,722

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
FOR THE YEAR ENDED JUNE 30, 2022

Operating revenues:		
Lease revenues from governmental agencies	$	193,915,117
Less: uncollectible amounts expense		(71,537,282)
Lease revenues from governmental agencies, net		122,377,835
Operating expenses:		
Salaries and employees benefits, including pension expense		95,121,175
Depreciation		92,793,314
Utilities		17,022,939
Repairs and maintenance		29,849,223
Security services		1,692,868
Insurance		14,439,401
Legal claims		1,223,353
Other expenses		6,163,383
Total operating expenses		258,305,656
Operating loss		(135,927,821)
Non-operating revenue (expense):		
Operating grants from Commonwealth of Puerto Rico		31,299,307
Contribution to Commonwealth of Puerto Rico		(69,455,562)
Interest income from leases		188,892,339
Uncollectible interest amounts expense		(69,684,919)
Interest on bonds and notes		(144,342,518)
Federal Grants		2,513,813
Loss on capital assets disposition		(788,838)
Loss on early leases termination		(76,404,537)
Service charges and other		95,571
Interest		26,914
Proceeds from insurance for natural disaster claims		1,569,730
Total non-operating expenses, net		(136,278,700)
Change in net position before extraordinary item		(272,206,521)
Extraordinary item - Gain on discharge of bonds and notes payable		5,317,703,106
Net position:		
At beginning of year		(2,472,568,863)
At end of year	$	2,572,927,722

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

Operating activities:		
Receipts from tenants	$	81,857,877
Payment to employees and related benefits		(97,841,717)
Payment for goods and services		(68,867,787)
Net cash used in operating activities		(84,851,627)
Noncapital related financing activities:		
Grant from Commonwealth of Puerto Rico		31,299,307
Federal Grants		2,513,813
Interest received on leases		42,802,879
Contribution to Commonwealth of Puerto Rico		(69,455,562)
Other		95,573
Net cash provided by noncapital financing activities		7,256,010
Capital and related financing activities:		
Proceeds from insurance for natural disaster claims		1,569,730
Purchases of capital assets		(3,002,474)
Net cash used in capital assets and related financing		(1,432,744)
Investing activities:		
Collections from interest earned		26,914
Net cash provided by investing activities		26,914
Net decrease in cash and cash equivalents		(79,001,447)
Cash and cash equivalents:		
At beginning of year		182,000,467
At end of year (see page 30)	$	102,999,020

Continues

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 CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022

Continued

Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(135,927,821)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation		92,793,314
Allowance for doubtful accounts		71,537,582
Change in operating assets and liabilities:		
Decrease in other current assets		466,738
Decrease in other receivables, net		465,617
Increase in rent receivable		(112,414,470)
Decrease in deferred outflows related to pension plans		12,269,591
Decrease in deferred outflows related to post employment benefits		345,272
Increase in amount due to contractors		733
Increase in accounts payable and accrued expenses		1,196,015
Increase in accrued legal contingencies		1,223,353
Decrease in compensated absences		(1,550,560)
Increase in rent collected in advance		249,479
Decrease in their post-employment benefits		(2,824,691)
Decrease in total pension liability		(12,222,463)
Increase in deferred inflow related to leases		107,452
Decrease in voluntary termination benefits		(2,102,113)
Increase in deferred inflows related to pension plans		1,535,345
Net cash provided by operating activities	$	(84,851,627)
Supplemental schedule of noncash investing, capital and financing activities		
Loss on capital assets disposition	$	788,838
Discharge of bonds and line of credits payable principal and interest by plan of adjustment of debt under bankruptcy proceedings	$	5,317,703,106
Loss on early cancellations on leases contracts	$	76,404,537

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

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 (or PBA) 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 16.

As further discussed in Note 16 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 the 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 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 will be 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 will be presented as deferred outflows in the accompanying statement of net position and the related amortization will be 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, 2021.

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. 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. 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. 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.

   2) *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.

   3) *Unrestricted* – This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." .

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

v. **Non-operating Revenues** include Federal grants 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. 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.

   The Authority lease revenues are billed on a monthly basis. Rental revenues are recognized as earned over the appropriate time period under GASB 87 provisions.

   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 with 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 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, 2022, and June 30, 2021.

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

z. New Accounting Standard Adopted

GASB Statement No. 87, *Leases* (GASB Statement No. 87).

Effective July 1, 2021, the Authority changed its method of accounting for leases with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivables are reduced by the principal portion of lease payments received. The deferred inflow of resources for deferred lease receipts is initially measured as the initial amount of the lease receivable.

Lessor Activity

As a lessor, the Authority leases its buildings, the majority of which are leased to the Commonwealth's departments, agencies, public corporations and instrumentalities and municipalities. Effective July 1, 2021, the Authority implemented GASB 87 "Leases". During the year, all of the Authority's leases were long-term as defined in GASB 87 and accordingly the Authority determined a Lease Receivable and a Deferred Inflow of Resources amounting to $4,173,223,276. On January 18, 2022, pursuant to the confirmation of the Eighth Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, the Employees Retirement System of the Government of the Commonwealth of Puerto Rico, and the Public Buildings Authority, the Authority received a mandate to terminate its leases at a date not later than June 30, 2022. Accordingly, the Authority registered a loss on contract termination amounting to $76,404,537.

On June 30, 2022, the Authority had minimum principal and interest lease receivable payment requirements, on contracts that were not cancelled as per above, in its lessor activity as follows:

Years ending June 30,	Principal	Interest
2023	$ 29,911	$ 5,789
2024	31,756	3,944
2025	33,715	1,985
2026	14,656	221
Total	$ 110,038	$ 11,939

aa. Future Adoption of Accounting Standards

The GASB has issued the following accounting standards that have effective dates after June 30, 2022:

GASB Statement No. 91, Conduit Debt Obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021 (As postponed by GASB Statement No. 95).

GASB Statement No. 92, *Omnibus 2020*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. (As postponed by GASB Statement No. 95).

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. 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 are 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

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 16) 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 was effective on March 15, 2022.

(c) PROMESA Title III Cases

Overview 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 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 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. 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, 2022, consisted of the following:

	Unrestricted	Restricted	Total
Cash:			
Commercial bank in Puerto Rico	$ 37,460,159	$ 64,037,935	$ 101,498,094
Cash equivalent:			
Cerificates of deposits	1,500,926	-	1,500,926
Total cash and equivalents deposited in comercial banks	$ 38,961,085	$ 64,037,935	$ 102,999,020

	Unrestricted	Restricted	Total
Current portion	$ 38,961,085	$ -	$ 38,961,085
Noncurrent portion	-	64,037,935	64,037,935
Total	$ 38,961,085	$ 64,037,935	$ 102,999,020

Unrestricted cash and cash equivalents are deposited in two local banks. Restricted cash and cash equivalents deposited with local 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.

Because there is no bond payable outstanding balance as of June 30, there no money deposit in the Bond Sinking Fund at end of year.

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's 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 $250,000 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.

As of June 30, 2022, the Authority's cash deposited in the banks amounted to approximately $103 million.

5. 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.

Total rent receivable amount $239.7 million which includes approximately $42.8 million collected near after June 30, 2022. All other receivables have been reserved as uncollectible.

Although the Authority implemented GASB 87 during the fiscal year, as a result of the implementation of the bankruptcy Plan of Adjustment on March 15, 2022, almost all lease agreements were cancelled, and new short-term agreements were prepared. For this reason, the rent receivable is mostly related to short-term leases.

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6. CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2022, was as follows:

	Beginning Balance June 30, 2021	Increase	Decrease	Ending Balance June 30, 2022
Capital assets not being depreciated:				
Land	$ 130,911,907	$ -	$ -	$ 130,911,907
Construction in progress	14,000	551,418	-	565,418
Total capital assets not being depreciated	130,925,907	551,418	-	131,477,325
Capital assets being depreciated:				
Buildings	4,743,154,072	-	(4,785,616)	4,738,368,456
Equipment and vehicles	14,884,629	2,451,056	(1,900,072)	15,435,613
Total capital assets being depreciated	4,758,038,701	2,451,056	(6,685,688)	4,753,804,069
Less accumulated depreciation:				
Buildings	(1,875,630,321)	(91,991,101)	4,161,754	(1,963,459,668)
Equipment and vehicles	(11,841,220)	(802,213)	1,735,096	(10,908,337)
Total accumulated depreciation	(1,887,471,541)	(92,793,314)	5,896,850	(1,974,368,005)
Capital assets being depreciated, net	2,870,567,160	(90,342,258)	(788,838)	2,779,436,064
Capital assets, net	$ 3,001,493,067	$ (89,790,840)	$ (788,838)	$ 2,910,913,389

7. INTERGOVERNMENTAL PAYABLES

Intergovernmental payables as of June 30, 2022, consist of the following:

Puerto Rico Electric Power Authority	$ 1,669,886
Puerto Rico Aqueduct and Sewer Authority	186,140
Employees's Retirement System	347,117
PayGo	3,743,668
General Services Administration	275,309
Department of Human Resources	60,000
Department of Treasury	408,610
Department of Transportation	3,567
Land Authority	5,000
Environmental Quality Board	78,475
Puerto Rico Infraestructure Financing Authority	11,271
Other agencies projects	650,101
Total	$ 7,439,144

8. LONG-TERM LIABILITIES

Long-term liabilities as of June 30, 2022 consist of:

	Fiscal Year Ended June 30, 2022				
	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022	Current Portion
Bonds payable	$ 3,948,619,784	$ -	$ (3,948,619,784)	$ -	$ -
Subrogated principal paid by monoline insurer	52,274,279	118,633	(52,392,912)	-	-
Lines of credits	137,414,149	-	(137,414,149)	-	-
Due to Contractors	9,521,629	163,768	(163,035)	9,522,362	2,101,148
Accrued legal contingencies	21,159,819	2,029,443	(806,090)	22,383,172	4,551,826
Compensated absences	9,518,297	-	(1,550,562)	7,967,735	3,219,255
Total pension liability	462,323,819	9,470,307	(21,692,770)	450,101,356	23,056,278
Total other postemployment benefits	23,787,090	18,705,374	(21,530,065)	20,962,399	684,669
Voluntary termination benefits	9,032,093	-	(2,102,114)	6,929,979	1,867,893
Total	$ 4,673,650,959	$ 30,487,525	$ (4,186,271,481)	$ 517,867,003	$ 35,481,069

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 12 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 13 to the basic financial statements.

e. **Total Pension Liability –** This amount represents the proportionate share of the difference between the total amount due to retirees and the actual amount of money in the Puerto Rico Employees Retirement System to make those payments.

9. 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 a 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.

11. 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 pen``sion 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.

<u>Compulsory Retirement</u>

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.

3) <u>Termination Benefits</u>
   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.

4) <u>Death Benefits</u>
   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.

5) 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.

6) 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, 2021) by categories:

Category	Total members	Total members, PBA
Active members	90,139	898
Inactive members in pay status (retirees, disabled members, beneficiaries)	123,171	1,140
Total	213,310	2,038

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 with 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 2021-2022 PBA recorded as PayGo expenditures

the amount of $23,015,223 of which $3,743,668 was recorded as intergovernmental payable to Commonwealth Government as of June 30, 2022 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, 2022, is based on an actuarial valuation report dated January 17, 2023, prepared for ERS by Milliman, Inc.

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B. **Significant assumptions**

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

Valuation date	July 1, 2020, projected forward to June 30, 2021
Measurement date	June 30, 2021
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	2.16%
Municipal bond rate	2.16% 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-2021 on a generational basis. For members covered under Act 127-1958, the PubS-2010 employee rates for males and females, projected using MP-2021 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date. 100% of deaths while in active service are assumed to be occupational for members covered under Act 127-1958. Post-retirement retiree mortality: The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date. This assumption is also used for beneficiaries prior to the member's death. Post-retirement disabled mortality: The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date. Post-retirement beneficiary mortality: Prior to the retiree's death, beneficiary mortality is assumed to be the same as the post-retirement retiree mortality. For periods after the retiree's death, the PubG-2010(B) contingent survivor rates, adjusted by 110% for males and 120% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

C. Changes in total pension liability

Changes in total pension liability as of June 30, 2022 (measurement date June 30, 2021) was as follows:

	Amount
Balance at July 1, 2020	$ 462,323,819
Change for the measurement year:	
Service cost	3,885,633
Interest on total pension liability	30,473,143
Effect of plan changes	-
Effect of economic/demographic gains and losses	(25,058,801)
Effect of assumptions changes or inputs	12,743,767
Benefit payments	(34,266,205)
Net changes	(12,222,463)
Balance at June 30, 2021 (measurement date)	$ 450,101,356

D. Sensitivity analysis

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

	1% Decrease 1.16%	Discount rate 2.16%	1% Increase 3.16%
Total pension liability as of June 30, 2021 (measurement date)	$ 514,243,769	$ 450,101,356	$ 398,011,429

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 2.21% as of June 30, 2020 to 2.16% as of June 30, 2021 (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-2020 to Scale MP-2021.

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, 2022 (measurement period ending June 30, 2021):

	Amount
Service cost	$ 3,885,633
Interest on total pension liability	30,473,143
Effect of plan changes	-
Recognition (amortization) of deferred inflows/outflows of resources	
Effect of economic/demographic gains and losses	(25,058,801)
Effect of assumptions changes or inputs	12,743,767
Pension expense	$ 22,043,742

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, 2022(measurement date as of June 30, 2021) follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 718,980	$ 13,409,476.00
Changes in assumptions	46,075,889	5,318,650
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	6,388,987	1,413,261
Net differences between projected and actual earnings on plan investments		
Benefits paid after to measurement date	23,056,278	-
Total	$ 76,240,134	$ 20,141,387

Deferred outflows of resources related to pensions resulting from the payment of benefits subsequent to the measurement date of June 30, 2021 (year ended June 30, 2022) were approximately $20,998,046 and will be recognized as a reduction of the total pension liability in the year ended June 30, 2023. 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
2022	$ 10,634,203
2023	10,634,202
2024	11,774,064
	$ 33,042,469

12. 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 consists 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, 2022.

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 the 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, 2021) by categories:

Category	Total members
Active members	926,000
Retirees members	90,003

The Authority's GASB Statement 75 information for reporting period ending on June 30, 2022, is based on an actuarial valuation report dated January 17, 2023, prepared for ERS by Milliman, Inc.

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Significant assumptions

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

Valuation date	July 1, 2020, projected forward to June 30, 2021
Measurement date	June 30, 2021
Actuarial cost method	Entry age normal method
Actuarial assumptions:	
Discount rate	2.16% based on Bond General Obligation 20-Bond Municipal Bond Index
Mortality	Pre-retirement 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-2021 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date. 100% of deaths while in active service are assumed to be occupational for members covered under Act 127-1958.

Post-retirement retiree mortality:

The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date. This assumption is also used for beneficiaries prior to the member's death.

Post-retirement disabled mortality:

The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Post-retirement beneficiary mortality:

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

2. Changes in Total OPEB liability of OPEB Plan

Changes in total OPEB liability as of June 30, 2022 (measurement date June 30, 2021) was as follows:

		Amount
Balance at July 1, 2020	$	9,052,527
Changes for the measurement year:		
Interest on total pension liability		(522,530)
Effect of economic/demographic gains or losses		899,659
Effect of assumptions changes or inputs		(183,057)
Benefit payments		(704,009)
Net changes		(509,937)
Balance at June 30, 2021 (measurement date)	$	8,542,590

3. Sensitivity analysis

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

	1% Decrease 1.16%	Discount Rate 2.16%	1% Increase 3.16%
Total OPEB Liability as of June 30, 2021 (measurement date)	$ 9,371,115	$ 8,542,590	$ 7,836,360

4. 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, 2022 (measurement period ending June 30, 2021):

		Amount
Interest on total OPEB liability	$	(522,530)
Recognition of deferred inflows/outflows of resources		
Effect of economic/demographic gains and losses		899,659
Effect of assumptions changes or inputs		(183,057)
OPEB expense	$	194,072

5. 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, 2022(measurement date as of June 30, 2021) follows:

	Deferred Outflows of Resources
Benefits payments subsequent to measurement date (approximately)	$ 684,669

Deferred outflows of resources related to pensions resulting from the payment of benefits subsequent to the measurement date of June 30, 2021 (year ended June 30, 2022) were $684,669 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, 2022, was 3.54%. 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.

Salary increases – 3% per year. No compensation increases were assumed until June 30, 2021 as a result of the Act 3-2017 four year extension of the Act 66-2014salary freeze and the current general economy.

Monthly reimbursement benefit - All eligible future retirees are assumed to receive the maximum monthly reimbursement. The monthly reimbursement for current retirees was assumed to remain at the current level.

Termination – Withdrawal rates vary by employment category, age and service.

Retirement – Rates of retirement vary by employment category, age, and service, and whether the member was eligible to retire as of June 30, 2013 for Act 447, Act 1, and System 2000 members.

Disability – Rates are 75% of the six month elimination period rates in the 1987 Commissioners Group Disability Table. Rate cease upon eligibility for retirement.

Mortality – All mortality rates are projected on generational basis using the mortality improvement scale MP-2021. As a generational table, it reflects mortality improvements both before and after the measurement date.

Preretirement – PubG.H-2010 Employee Mortality Rates for males and females.
Postretirement Healthy Lives – PubG.H-2010 Retiree Mortality Rates for males and females.

Basis for salary increase and demographic assumptions – Except for the mortality assumptions, the assumptions described earlier are those utilized in the actuarial valuation of the Puerto Rico Government Employees Retirement System for Act 447, Act 1, System 2000 and Act 3 members. The Act 3 members’ assumptions were also used for

Act 106 members (who participant in the governmental defined contribution plan). As Authority employees hired before July 1, 2017 participate in the Puerto Rico Government Employees Retirement System, we believe that using those assumptions provides a reasonable estimate of the Authority's Total OPEB liability. The mortality assumption reflects the Pub-2010 headcount-weighted general mortality tables from the Society of Actuaries study of public plan experience that published in 2020. The mortality improvement scale MP-2021 was published by the Society of Actuaries in the fall of 2011. We believe that using these Pub-2010 mortality tables provide a reasonable estimate of the Authority's Total OPEB liability.

Special Data Adjustments – Service is based on the elapsed time from data of hire to the valuation date. All employees were assumed to be general employees. All retirees were assumed to be eligible for lifetime benefits.

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, 2022, were calculated using the discount rate of 3.54%, respectively, as well as the Plan's total allocated OPEB liability if it were calculated using the discount rate of one percentage point lower 2.54%) and (4.54%), than current rate:

	1% Decrease 2.54%	Discount rate 3.54%	1% Increase 4.54%
Total OPEB liability as of June 30, 2021 (measurement date)	$ 14,367,151	$ 12,419,809	$ 10,806,288

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	$ 712,847	$ 5,083,730
Changes in assumptions	2,182,670	3,116,470
Total	$ 2,895,517	$ 8,200,200

Amounts reported as deferred outflows/inflows of resources from pension activities as of June 30, 2022 will be recognized in the pension expense as follows:

Year ended June 30	Amount
2023	$ (610,319)
2024	(610,319)
2025	(610,319)
2026	(610,319)
2027	(610,319)
Thereafter	(2,253,088)
Total	$ (5,304,683)

OPEB Obligation

The net OPEB obligation change for the year ended June 30, 2022, is as following:

Service cost	$ 467,741
Interest on total OPEB liability	324,965
Effect of economic/demographic gains	-
Effect of assumptions changes or inputs	(2,790,460)
Benefits payment	(317,000)
Net change in total OPEB liability	(2,314,754)
Total OPEB liability, beginning	14,734,563
Total OPEB liability, ending	$ 12,419,809

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, 2022, 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.

13. VOLUNTARY TERMINATION BENEFITS

On December 08, 2015, the Commonwealth enacted Act No. 211 to establish a program to eligible employees, as defined of the Commonwealth of Puerto Rico voluntary retire of their employment in an incentivized program until they comply with the requirements to retire.

Act 211 early retirement benefits to eligible employees, as defined, consist of a compensation equivalent to sixty percent (60%) of each employee salary, the liquidation of vacations and sick leave accrued balances, considering the top limit established by Act. No. 66 of 2014. In addition, employees maintain health plan coverage and employer contribution for a maximum term of two (2) years.

On August 23, 2017, the Commonwealth enacted Act No. 106 that repealed Act. No. 211, however, articles 7.1 (a), (b), (c) and (d) of Act No. 106 guarantee all the rights and obligations created under Act No. 211.

At June 30, 2022 the financial impact resulting was the recognition of a liability of approximately $6.9 million in the balance sheet.

At June 30, 2022, unpaid long-term benefits granted through this program were discounted at 2.73%, depending on the employee voluntary termination benefits selected.

14. 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.

   Grants - In the normal course of operations, the Authority receives grants from different Federal Agencies. 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.

15. CAPITAL AND OTHER COMMITMENTS

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances outstanding at year end do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year or years.

At June 30, 2022, the Authority's outstanding encumbrances totaled $2.915 million principally for capital expenditures ($ .430 million) and maintenance and repairs activities ($2,485 million).

16. BANKRUPTCY

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.

B. PBA LEASES

The Confirmation Order provides that the PBA leases 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 was 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.

17. EXTRAORDINARY ITEM

As a result of the Authority bankruptcy during the year, an extraordinary item is recorded. See Note 16.

Based on the agreements in the adjustment plan, PBA gain of $5,317,703,106 which is broken down as follows:

Extraordinary Items Description		Amount
Bond Principal Forgiven	$	3,948,501,151
Line of Credit Principal Forgiven		137,414,149
Insurers Principal Forgiven		52,392,912
Interest on Debt Forgiven		1,244,817,246
Other Miscellaneous Settlements and Write-offs		(65,422,352)
Total	$	5,317,703,106

There are claims pending of litigation that may affect this 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.

18. SUBSEQUENT EVENTS

The Authority has assessed subsequent events up to November 9, 2023, which is the date when the fundamental financial statements became available for issuance. The disclosed subsequent events primarily pertain to matters that management deems to be of significant public interest, necessitating disclosure. The PBA has introduced new protocols for lease contract negotiations and management, striking a balance between lease contract expenses and revenues. Additionally, with regards to outstanding lease contract debts and related matters, the PBA has instituted a comprehensive customer service procedure to address unresolved accounts receivables, facilitating the closure of outstanding invoices and the reduction of receivables. In summary, the PBA has initiated a comprehensive operational overhaul aimed at enabling the Authority to conduct a thorough assessment of resource and maintenance requirements while concurrently mitigating risks and reducing costs for both the organization and its clients.

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, 2022

	2021	2020	2019	2018
Proportion of the Collective Total Pension Liability	1.65574%	1.64705%	1.64722%	1.66054%
Proportionate Share of the Collective Total Pension Liability	$450,101,356	$ 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, 2022 actuarial valuation, there was a decrease relating to the discount rate from 2.21% in 2020 to 2.16% in 2021.

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, 2022 was measured as of June 30, 2021 and was determined by an actuarial valuation with beginning-of-year census data as of July 1, 2020 that was updated to roll forward the total pension liability to June 30, 2021 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 a 10-years 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, 2022

	2021	2020	2019	2018
Proportion of the Collective Total Pension Liability	1.07034%	1.03501%	1.03440%	1.05174%
Proportionate Share of the Collective Total Pension Liability	$ 8,542,590	$ 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, 2021 actuarial valuation, there was a decrease relating to the discount rate from 2.21% in 2020 to 2.16% in 2021.

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 OPEB liability as of June 30, 2022 was measured as of June 30, 2021 and was determined by an actuarial valuation with beginning-of-year census data as of July 1, 2020 that was updated to roll forward the total pension liability to June 30, 2021 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.

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, 2022

Collective Bargaining Agreement (CBA)	Fiscal Year Ending June 30					
	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	$ 467,741	$ 482,727	$ 344,231	$ 310,819	$ 709,728	$ 895,113
Interest on total OPEB liability	324,965	300,956	373,652	659,520	610,136	520,844
Effect of plan changes	-	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	871,257	-	(7,625,578)	(17)	(4,633,911)
Effect of assumption changes or inputs	(2,790,460)	65,616	2,319,550	583,986	(821,223)	448,893
Benefits payment	(317,000)	(241,000)	(226,000)	(168,600)	(106,448)	(153,054)
Net change in total OPEB liability	(2,314,754)	1,479,556	2,811,433	(6,239,853)	392,176	(2,922,115)
Total OPEB liability, beginning	14,734,563	13,255,007	10,443,574	16,683,427	16,291,251	19,213,366
Total OPEB liability, ending	$ 12,419,809	$ 14,734,563	$ 13,255,007	$ 10,443,574	$ 16,683,427	$ 16,291,251
Covered payroll	$ 34,644,369	$ 34,644,369	$ 34,924,579	$ 34,924,579	$ 26,997,294	$ 26,997,294
Total OPEB liability as of a % of covered payroll	35.85%	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, 2022 was measured as of June 30, 2021 and was determined by an actuarial valuation with beginning-of-year census data as of July 1, 2022 that was updated to roll forward the total pension liability to June 30, 2022 and assuming no gains or losses.

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