Kevane
Grant Thornton

Puerto Rico Maritime Shipping Authority

(A Component Unit of the
Commonwealth of Puerto Rico)

BASIC FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

With Independent Auditors' Report

PUERTO RICO MARITIME SHIPPING AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

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Independent Auditors' Report

To the Board of Directors of
Puerto Rico Maritime Shipping Authority:

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the governmental activities, the General Fund and the Debt Service Fund of the **Puerto Rico Maritime Shipping Authority** (the Authority) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the General Fund and the Debt Service Fund of the Authority as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The Authority's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Authority will continue as a going concern. As discussed in Note 3 to the basic financial statements, the Authority has been practically inactive since 1995 and its role limited only to processing the remaining legal requirements regarding its former operations, principally in connection with the payment of its long-term debt. Effective July 1, 2015, the Legislature of the Commonwealth of Puerto Rico discontinued appropriating funds to pay the debt service on the bonds outstanding issued by the Public Finance Corporation (PFC). Therefore, the Authority has not been able to make the required debt service payment on its underlying notes since fiscal year 2017. In addition, under the Commonwealth Plan of Adjustment (as defined below), all Commonwealth laws that required the transfer of funds from the Commonwealth to other entities, including laws providing appropriations to PFC and the Authority, are deemed preempted, and the Commonwealth has no obligation to transfer additional amounts pursuant to those laws. The Authority also has no cash balance as of June 30, 2021, and only has a claim of $1.2 million against the Public Entity Trust (PET), which recovery is contingent on the realization of certain underlying assets of the PET. The ultimate realization of the PET assets is highly uncertain. This raises substantial doubt about the Authority's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages4 through 8, the schedule of proportionate share of the collective total pension liability and related ratios on page 51 and the schedule of proportionate share of the collective total other postemployment benefit liability and related ratios on page 52, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Kevane Grant Thornton LLP

San Juan, Puerto Rico
November 22, 2022.

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This section represents management's discussion and analysis of the Puerto Rico Maritime Shipping Authority's (the "Authority") financial performance for the fiscal year ended June 30,2021, and is presented as a narrative overview and analysis in conjunction with the basic financial statements.

On June 16, 1993, the Governor of Puerto Rico issued Executive Order OE-1993-25, formally recommending efforts be initiated to facilitate the sale of the Authority's operations. Pursuant to the authority conferred by this Executive Order, on March 3, 1995, the Authority sold certain assets to a private party. The operations of the Authority after the sale have been limited to addressing the remaining legal requirements related to its former operations, and to service the repayment of principal and interest on the Authority's debt, which is payable solely from the Commonwealth of Puerto Rico's (the Commonwealth) appropriations.

1. Financial Highlights

- The Authority's deficit in net position increased by approximately $8 million during fiscal year 2021. The Authority does not have operations, but it has debt outstanding of approximately $132 million. The increase in net deficit is mostly attributed to interest accrued during the year on such debt. There were no debt service payments during fiscal year 2021 because the certified budget of the Commonwealth did not include appropriations for such purpose.

- Total assets and deferred outflows of resources of the Authority amounted to approximately $0 and $6.2 million, respectively, and total liabilities and deferred inflows of resources amounted to approximately $179.6 million and $792,000 as of June 30, 2021, respectively, for a net deficit of approximately $174.3 million.

- The Authority has debt outstanding (the PFC Notes) related to bonds issued by the Puerto Rico Public Finance Corporation (PFC), a component unit of the Government Development Bank for Puerto Rico (GDB), with an outstanding balance of approximately $132 million. Interest expense on bonds payable was approximately $6.8 million during the fiscal year 2021. In addition, approximately $1.1 million of amortization of deferred loss for debt refunding was recognized within interest expense during the fiscal year 2021.

2. Financial Statements Overview

The financial statements include management's discussion and analysis section, the independent auditors' report, and the basic financial statements of the Authority. The financial statements also include notes that explain in more detail some of the information in the financial statements. The Authority's basic financial statements comprise three components: a) government-wide financial statements, b) fund financial statements, and c) notes to the basic financial statements.

3. Required Financial Statements

The statement of net position provides information about the nature and amounts of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the net balance representing its net deficit. Revenues and expenses are accounted for in the statement of activities. This statement measures the results of the Authority's operations during the reporting period.

Governmental funds financial statements present the financial position and results of operations of governmental fund types using a current financial resources measurement focus. The statement of revenue, expenditures, and changes in fund balances can be used to determine, for example, whether and how the Authority met its debt service requirements for the year.

4. Government-Wide Financial Analysis

The statement of net deficit and the statement of activities report information about the Authority's activities in a way that will help determine whether the Authority is better or worse financially because of this fiscal year's activities. Both statements present the net position of the Authority as of the fiscal year ended June 30, 2021, and the changes from the prior year. Over time, increases or decreases in the Authority's net deficit are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, and new or changed government legislation.

Condensed statements of net deficit are presented below (in thousands):

	2021	2020	Amount	Percent
Assets-Current assets	$ -	$ -	$ -	0.00%
Deferred Outflows of Resources	6,152	6,691	(539)	(8.06)%
Liabilities				
Current liabilities	42,357	35,266	7,091	20.11%
Non-current liabilities	137,269	137,132	137	0.10%
Total Liabilities	179,626	172,398	7,228	4.19%
Deferred Inflows of Resources	792	510	282	55.29%
Net Deficit	$ (174,266)	$ (166,217)	$ (8,049)	4.84%

The activities of the Authority are limited to accounting for the resources contributed by the Commonwealth for the payment of principal and interest on the PFC Notes. Increase in current liabilities was due to an increase in accrued interest payable on the indebtedness to PFC of approximately $6.8 million, as no interest payments were made during the year. There was no principal payment scheduled for the fiscal year 2021. In addition, the amounts due to the Commonwealth increased by approximately $262,000 when compared to the prior year due to PayGo pension related expenses, and other postemployment benefits payments made by the Commonwealth on behalf of the Authority.

The decrease in deferred outflow of resources was principally due to the scheduled amortization of the deferred loss on refunding of debt for fiscal year 2021 of approximately $1.052 million, offset for additions of approximately $513,000 (net of the aforementioned PayGo payments of $262,000) related to the proportionate share of the components of the pension-related deferred outflows of resources. The increase of $282,000 in the deferred inflows of resources was also related to the accounting and financial reporting of the proportionate share of the related liabilities of pensions. The Authority recognizes its proportionate share of the total pension liability, total postemployment liability, deferred outflows of resources, deferred inflows of resources and pension and other postemployment benefits expenses.

Condensed program revenues, expenses, and change in net deficit are presented below (in thousands):

	Year Ended June 30,		Change	
	2021	2020	Amount	Percent
GOVERNMENTAL ACTIVITIES				
Program Revenues - Contribution from Commonwealth of Puerto Rico	$ 4	$ 3	$ 1	33.33 %
Expenses:				
Interest on bonds payable	7,889	7,889	-	0.00%
Pension and other postemployment benefits	153	164	(11)	(6.71)%
Other expenses	11	8	3	37.50 %
Total expenses	8,053	8,061	(8)	(0.10)%
Loss from governmental activities	(8,049)	(8,058)	9	(0.11)%
Change in net defict	(8,049)	(8,058)	9	(0.11)%
Net Deficit, Beginning of year	(166,217)	(158,159)	(8,058)	5.09 %
Net Deficit, End of year	$ (174,266)	$ (166,217)	$ (8,049)	4.84 %

Comparative statements of net deficit show the change in financial position of the Authority, and the statements of activities provides guidance as to the nature and source of these changes. The net deficit increased by approximately $8 million of which $7.9 million are due to the effect of interest expense of approximately $6.8 million for which no appropriation from the Commonwealth was received during fiscal year 2021 and approximately $1.1 million of amortization of deferred loss for debt refunding during the fiscal year 2021.

5. Governmental Fund Financial Statements Analysis

The Authority has two governmental funds: the general fund and the debt service fund, both of which are major funds. Governmental funds are used to account for essentially the same functions reported as government-wide financial statements. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The governmental fund deficit as of June 30, 2021, and June 30, 2020, amounted to approximately $42.1 million and $34.9 million, respectively, an increase caused mainly by the aggregated effect of interest expense of approximately $6.8 million, and increase of approximately $262,000 in the due to the Commonwealth related to the PayGo payments made by the Commonwealth on behalf of the Authority for pensions and other postemployment benefits.

6. Debt Administration

The current objective of the Authority is to service the repayment of principal and interest on its debt, which is payable solely from the Commonwealth's appropriations. There were no debt service payments during fiscal year 2021, as previously discussed.

In addition, as discussed above, although the Commonwealth Plan of Adjustment does not grant a release of the PFC Notes, as a result of the Commonwealth Plan of Adjustment's discharge and preemption provisions, there will not be future appropriations related to the PFC Notes. As a result, the contingency that would trigger the Authority's contingent obligation to pay the PFC Notes once it receives appropriations will not occur. For further information on the Commonwealth Plan of Adjustment refer to Note 11.

7. Currently Known Facts and Events

Notes Payable

There was no appropriation for the payment of the PFC Notes in the Commonwealth's annual budget for fiscal years 2022 and 2023. As such, none of the payments on the PFC Notes or the corresponding payments on the PFC Bonds that have come due and payable on subsequent fiscal years have been made in full as of the date hereof.

Commonwealth Plan of Adjustment

Commonwealth of Puerto Rico, et al. [ECF No. 19812] (the Commonwealth Plan of Adjustment) went effective on March 15, 2022. Under the Commonwealth Plan of Adjustment, all Commonwealth laws that required the transfer of funds from the Commonwealth to other entities, including laws providing appropriations to PFC and the Authority, are deemed preempted, and the Commonwealth has no obligation to transfer additional amounts pursuant to those laws. In addition, the Commonwealth Plan of Adjustment discharges any claim related to budgetary appropriations, including appropriations to PFC or the Authority.

Although the Commonwealth Plan of Adjustment does not grant a release of the Authority's debt to PFC (i.e. the PFC Notes), as a result of the Commonwealth Plan of Adjustment's discharge and preemption provisions, there will not be future appropriations related to the PFC Notes. As a result, the contingency that would trigger the Authority's contingent obligation to pay the PFC Notes once it receives appropriations will not occur.

Puerto Rico Finance Corporation's Restructuring Support Agreement

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

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

The amended PFC RSA also contains various other terms and conditions, including important releases and obtaining the solicitation votes required by Title VI of PROMESA and court approval of the restructuring. The voting deadline is November 21, 2002, unless extended.

Request for Information

This financial report is designed to provide all interested parties with a general overview of the Authority's finances. If you have questions about this report or need additional information, contact the Puerto Rico Maritime Shipping Authority, PO Box 42001, San Juan, Puerto Rico, 00940-2001.

PUERTO RICO MARITIME SHIPPING AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF NET DEFICIT
JUNE 30, 2021

Assets and Deferred Outflows of Resources		
Deferred Outflows of Resources		
Loss on bonds refundings	$	5,108,806
Pension related		1,034,579
Other postemployment benefits related		8,300
Total deferred outflows of resources		6,151,685
Total assets and deferred outflows of resources		6,151,685
Liabilities and Deferred Inflows of Resources		
Current liabilities:		
Accounts payable and accrued liabilities		6,800
Due to Government Development Bank		7,500
Due to Commonwealth of Puerto Rico		1,066,494
Accrued interest payable		41,023,014
Total pension liability		244,726
Total other postemployment benefit liability		8,300
Total current liabilities		42,356,834
Non-Current liabilities		
Total pension liability		5,477,102
Total other postemployment benefit liability		98,178
Bonds payable		131,694,000
Total non-current liabilities		137,269,280
Total liabilities		179,626,114
Deferred Inflows of Resources		
Pension related		792,014
Total deferred inflows of resources		792,014
Total liabilities and deferred inflows of resources		180,418,128
Net Deficit - unrestricted	$	(174,266,443)

See accompanying notes to basic financial statements

PUERTO RICO MARITIME SHIPPING AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF ACTIVITIES
JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues, Operating Grants and Contributions	Net Expenses and Change in Net Deficit
Governmental Activities:			
Contributions from Commonwealth	$ -	$ 3,999	$ 3,999
Interest on bonds payable	7,889,307	-	(7,889,307)
Other expenses	10,799	-	(10,799)
Pension and other postemployment benefits expenses	153,425	-	(153,425)
Total governmental activities	$ 8,053,531	3,999	(8,049,532)
Change in Net Deficit			(8,049,532)
Net Deficit, Beginning of year			(166,216,911)
Net Deficit, End of year			$ (174,266,443)

See accompaying notes to the basic financial statements.

PUERTO RICO MARITIME SHIPPING AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Debt Service Fund	Total Governmental Funds
Assets			
None	$ -	$ -	$ -
Total assets	$ -	$ -	$ -
Liabilities and Fund Balances (Deficit)			
Liabilities			
Accounts payable and other liabilities	$ 6,800	$ -	$ 6,800
Due to Government Development Bank	7,500	-	7,500
Due to Commonwealth of Puerto Rico	1,066,494	-	1,066,494
Accrued interest payable	-	41,023,014	41,023,014
Total liabilities	1,080,794	41,023,014	42,103,808
Fund Deficit			
Unassigned	(1,080,794)	(41,023,014)	(42,103,808)
Total fund deficit	(1,080,794)	(41,023,014)	(42,103,808)
Total Liabilities and Fund Deficit	$ -	$ -	$ -

See accompanying notes to basic financial statements.

PUERTO RICO MARITIME SHIPPING AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET DEFICIT – GOVERNMENTAL ACTIVITIES
JUNE 30, 2021

Total fund deficit - governmental funds:	$ (42,103,808)
Amounts reported for governmental activities in the statement of net deficit are different because:	
Deferred loss on bond refundings is not reported as an expenditure in the governmental fund financial statements; however, such loss is deferred and amortized over the remaining life of the refunded bonds	5,108,806
Deferred outflows of resources do not constitute current financial resources and, therefore, are not reported in the funds	
Other postemployment benefits	8,300
Pension related	1,034,579
Liabilities are not due and payable in the current period, and, therefore, are not reported in the fund financial statements	
Total pension liability	(5,721,828)
Total other postemployment liability	(106,478)
Deferred inflows of resources are not reported as revenue in the governmental fund financial statements, therefore, are not reported in the funds financial statements	(792,014)
Bonds and notes payable are not due and payable in the current period, and, therefore, are not reported in the fund financial statements	(131,694,000)
Net deficit of governmental activities	$ (174,266,443)

See accompanying notes to basic financial statements.

PUERTO RICO MARITIME SHIPPING AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN DEFICIT – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Debt Service Fund	Total Governmental Funds
Revenues			
Contributions from Commonwealth	$ 3,999	$ -	$ 3,999
Total revenues	3,999	-	3,999
Expenditures			
Interest on bonds payable	-	6,837,169	6,837,169
Other expenses	10,799	-	10,799
Pension and other postemployment benefits	262,353	-	262,353
Total expenditures	273,152	6,837,169	7,110,321
Net Change in Fund Balances	(269,153)	(6,837,169)	(7,106,322)
Fund Deficit, Beginning of year	(811,641)	(34,185,845)	(34,997,486)
Fund Deficit, End of year	$ (1,080,794)	$ (41,023,014)	$ (42,103,808)

See accompanying notes to basic financial statements.

PUERTO RICO MARITIME SHIPPING AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

RECONCILIATION OF STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN DEFICIT - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES- GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Net changes in fund deficit - total governmental funds:	$	(7,106,322)
Amounts reported for governmental activities in the statement of activities are different because:		
Some expenses (benefit) reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds		108,928
The amortization of loss on bond refundings does not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		(1,052,138)
Change in net deficit of governmental activities	$	(8,049,532)

See accompanying notes to basic financial statements.

1. REPORTING ENTITY

The Puerto Rico Maritime Shipping Authority (the Authority) is a component unit of the Commonwealth, created by Act No. 62 of the Legislature of the Commonwealth on June 10, 1974 (Act 62), and an affiliate of the GDB, another component unit of the Commonwealth.

On March 23, 2018, GDB ceased its operations and management initiated an orderly wind down process, which included a restructuring of GDB's debts pursuant to a Qualifying Modification under Title VI of PROMESA (the GDB Qualifying Modification). On November 6, 2018, the United States District Court for the District of Puerto Rico approved GDB Qualifying Modification, which became effective on November 29, 2018.

On June 16, 1993, the Governor of Puerto Rico issued the Executive Order OE-1993-25, formally recommending efforts be initiated conducive to the sale of the Authority's operations. Pursuant to the authority conferred by this Executive Order, on March 3, 1995, the Authority sold certain assets to a private party. The operations of the Authority after the sale have been limited to processing the remaining legal requirements regarding its former operations, principally in connection with the payment of the PFC Notes.

The current objective of the Authority is to service the repayment of principal and interest on its debt, which is payable solely from Commonwealth appropriations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Authority conform to Accounting Principles Generally Accepted in the United States of America (GAAP) for governments, as prescribed by the Governmental Accounting Standards Board (GASB). Specifically, the Authority has adopted GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment— the hierarchy of GAAP. The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative, and non-authoritative literature if the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

Below is a description of the more significant accounting policies followed by the Authority:

***Government-Wide Financial Statements* —**The statement of net deficit and the statement of activities report information on all activities of the Authority. Only governmental activities are presented in the Authority's financial statements. Governmental activities are financed through intergovernmental revenue and occasionally other financing sources.

Following is a description of the Authority's government-wide financial statements:

- The statement of net deficit presents the Authority's assets, deferred outflows and liabilities and deferred inflows, with the difference reported as net deficit.

- The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues often include grants and contributions that are restricted to meeting the operational, or capital requirements of a particular function. Other items not meeting the definition of program revenues are reported as general revenues.

Governmental Fund's Financial Statements — Fund accounting is designed to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. All of the financial activities of the Authority have been classified as governmental, and all funds are reported in separate columns in the fund financial statements.

Fund balances for each governmental fund may be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable — amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts), or are legally or contractually required to be maintained intact.
- Restricted — amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.
- Committed — amounts that can be spent only for specific purposes determined by a formal action of the government’s highest level of decision-making authority.
- Assigned — amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
- Unassigned — amounts that are available for any purpose.

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, and then, unrestricted resources, as needed.

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

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

The statement of net position (deficit) presents the Authority’s assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position (deficit).

Net position (deficit) is reported in three categories:

- Net investment in capital assets – consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets, if any. The Authority has no investment in capital assets.

- Restricted – results when constraints placed on net position use are either externally imposed by creditors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and the unrestricted resources, as needed.

- Unrestricted – consists of net position (deficit) that does not meet the definition of the two preceding categories. Unrestricted net deficit often is designated to indicate that management does not consider it to be available for general operations. Unrestricted net deficit often has constraints on resources, which are imposed by management, but can be removed or modified.

Governmental Fund's Financial Statements — The governmental fund's financial statements are reported using the current financial resources measurement focus, and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Revenues are considered to be available when it is collectible within the current period, or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are to be collected within 60 days after the end of the current fiscal year-end. Expenditures are recorded when the related liability is incurred. An exception to this general rule includes principal and interest on general long-term debt, which is recognized when due, including principal and interest due on July 1 of the following fiscal year, if resources are available for its payment as of June 30, 2021.

The financial activities of the Authority that are reported in the accompanying basic financial statements have been classified into the following major governmental funds:

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

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

Use of Estimates — The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Restricted Assets — Funds set aside for the payment and guarantee of bonds and interest payable, and for other specified purposes, are classified as restricted assets since their use is limited for this purpose by applicable agreements or required by law.

Deferred Outflows/Inflows of Resources — In addition to assets, the statement of net deficit will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net deficit that applies to a future period(s), and so will not be recognized as an outflow of resources (expense/expenditure) until then. On the government-wide financial statements, there are three major captions that qualify for reporting in this category: (i) the unamortized balance of losses on bond refunding, (ii) pension-related items; and (iii) other postemployment benefit related items. A loss on refunding of debt results from the difference between the reacquisition price and the net carrying amount of the old debt. This amount is capitalized and amortized over the shorter of the life of the refunded or refunding debt and the amortization recognized as a component of interest expense in a systematic and rational manner. Of the pension-related items (further disclosed in Note 9), changes in assumptions are capitalized, and recognized over a period equal to the expected remaining working lifetime of active and inactive participants, while changes in proportion are recognized over the average of the expected remaining service lives of all plan members, which is 6 years for 2019 (measurement date). Pension benefit payments made subsequent to the measurement date will be recognized as a reduction of the total pension liability after the next measurement date. Of the other postemployment benefit related items (further disclosed in Note 10), only other postemployment benefit payments made subsequent to the measurement date are presented as a deferred outflow item, which will be recognized as a reduction of the other postemployment benefit liability after the next measurement date.

In addition to liabilities, the statement of net deficit will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net deficit and resources that applies to a future period(s), and so will not be recognized as an inflow of resources (revenue) until that time. On the government-wide financial statements, there is one major caption that qualifies for reporting in this category, which consists of pension-related items. With respect to the pension-related items (further disclosed in Note 9), changes in assumptions, and differences between expected and actual experience, are capitalized and recognized over a period equal to the expected remaining working lifetime of active and inactive participants.

Long-Term Debt — The liabilities reported in the government-wide financial statements include the Authority's outstanding debt, which consist of notes that, together with notes of department, agencies, instrumentalities, and public corporations, serve as the sole source of repayment of bonds issued by PFC. As a result of the issuance of the PFC 2012 Series A Bonds, and the refunding of certain PFC bonds with the proceeds of the 2012 Series A Bonds, the Authority recognized during June 2012, $131.7 million of outstanding bonds liability. The PFC 2012 Series A Bonds bear interest from 3.10% to 5.35%, and interest is payable on a monthly basis starting on August 1, 2012.

Bond Issue Costs and Premium/Discount on Bonds — Premium (discounts) on bonds are amortized in a systematic manner over the life of the debt in the government-wide financial statements. Premium (discounts) are recognized in the period when the related long-term debt is issued in the governmental funds' financial statements, and therefore are not accounted for in subsequent periods. Bond issue costs are expensed as incurred in both government-wide, and governmental fund financial statements.

Interfund Transactions — Transfers represent flows of assets (such as cash or goods) without equivalent flows of assets in return, and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the fund making transfers, and as other financing sources in the funds receiving transfers.

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

As a result of the implementation of the PayGo system, the Authority started to applying the guidance of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No 68, an amendments of Certain Provisions of GASB Statements No. 67 and 68* (GASB Statement 73). Statement No. 73 maintains the "accrual basis" model under Statement 68, where the Total Pension Liability is actuarially determined. GASB Statement No. 73 requires a liability for pension obligations, known as the Total Pension Liability, to be recognized on the balance sheets of participating employers. Changes in Total Pension Liability are immediately recognized as pension expenses. As Act 106-2017 eliminated all contribution requirements for the Plan, and converted it into a PayGo system while the corresponding actuarial calculation of the total pension liability and related accounts changed to one based on benefit payments rather than contributions. As a result, the Authority recognizes a Total Pension Liability, pension expenses and related accounts, accordingly. Further details on the accounting for pension costs are disclosed in Note 9.

The Central Government and its component units are considered to be one employer, and are classified for financial reporting purposes as a single employer defined benefit pension plan. Other employers also participate in the Plan. Because certain employers that are component units of the Commonwealth, such as the Authority, prepare individual financial statements, a proportionate share of pension related amounts is determined for these employers. Statement No. 73 requires that such proportionate share should be consistent with the manner in which amounts that are paid as benefits come due are determined. The proportionate share as of each measurement date is based on the ratio of each agency, and component unit's actual benefit payments to the total actual benefit payments paid during the year ending on the measurement date.

ERS elected to use July 1 of each fiscal year as the measurement date for financial information. Based on this election, the June 30, 2020, actuarial measurement data was used for the pension benefits financial reporting recognition, as of, and for the fiscal year ended June 30, 2021.

The Authority's pension expense (benefit) for the year ended June 30, 2021, amounted to approximately $153,000, and the Total Pension Liability, as of June 30, 2021, amounted to approximately $5.7 million. Disclosures required under GASB Statement No. 73 can be found in Note 9.

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

GASB Statement No. 75 employs an "accrual basis" model, where the total OPEB obligation (actuarially determined) is compared to the plan net position and the difference represents the Net OPEB Liability (Total OPEB Liability for unfunded plans). Further details on the accounting for OPEB costs are disclosed in Note 10.

The Central Government and its component units are considered to be one employer. Other employers also participate in the ERS OPEB Plan. Because certain employers that are component units of the Commonwealth, such as the Authority, prepare individual financial statements, a proportionate share or OPEB expense is determined for these employers. Statement No. 75 requires that such proportionate share should be consistent with the manner in which amounts that are paid as benefits come due are determined. The proportionate share as of each measurement date is based on the ratio of each agency and component unit's actual benefit payments to the total actual benefit payments paid during the year ending on the measurement date.

Because all participants in the ERS OPEB plan are inactive, there are no deferred inflows and outflows as any changes due to changes in actuarial assumptions or economic or demographic gains and losses are recognized immediately during the measurement year. However, a deferred outflow has been recognized only for the amount of the benefit payments made by the Commonwealth on behalf of the Authority subsequent to the measurement date, of $8,300.

ERS elected to use July 1 of each fiscal year as the measurement date for financial information. Based on this election, the June 30, 2020, actuarial measurement data was used for the OPEB financial reporting recognition as of and for the fiscal year ended June 30, 2021.

The Authority's annual OPEB expense (benefit) for the year ended June 30, 2021, amounted to approximately $800 and the OPEB liability as of June 30, 2021, amounted to approximately $106,000. Disclosures required under GASB Statement No. 75 can be found in Note 10.

GASB Statement No. 75 requires certain disclosures if an actuarially determined contribution has been calculated.

Encumbrances — Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by the General Fund during the fiscal year to control expenditures. The unencumbered balance of any appropriation of the General Fund at the end of the fiscal year lapses immediately.

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New Accounting Standards Adopted and Accounting Pronouncements Issued But Not Yet Effective

New Accounting Standards Adopted

During the fiscal year ended on June 30, 2021, certain governmental accounting pronouncements became effective, none of which had any impact in the results of the operations, or in the presentation of the financial statements of the Authority.

Accounting Pronouncements Issued But Not Yet Effective

- GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting, and financial reporting for leases by governments. This Statement 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. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021, as amended by GASB Statement No. 95, *Postponement of the effective dates of Certain Authoritative Guidance*, which allowed for an eighteen-month postponement of its effective date. Earlier application is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period; and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and* AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which allowed for a one-year postponement of its effective date. Earlier application is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

- GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments, and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

  This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations, and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized, and how the liabilities changed during the reporting period.

  The requirements of this Statement are effective for reporting periods beginning after December 15, 2021, as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which allowed for a one-year postponement of its effective date. Earlier application is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

- GASB Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; the applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, to reporting assets accumulated for postemployment benefits; the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements; measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and terminology used to refer to derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged.

- GASB Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*. The objective of this Statement is to address accounting, and financial reporting implications that result from the replacement of an IBOR most notably the London Interbank Offered Rate (LIBOR).

  As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022, as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative* Guidance, which allowed for a one-year postponement of its effective date. Earlier application is encouraged and is permitted to the extent specified in each pronouncement as originally issued. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021, as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which allowed for a one-year postponement of its effective date. Earlier application is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

- GASB Statement No. 94, *Public-Private and Public-Public Partnership and Availability Payment Arrangement*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA): (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve, which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA).* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans, or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

  This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or another employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform. This Statement also requires that the financial burden criterion in paragraph 7 of GASB Statement No. 84, *Fiduciary Activities,* be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of GASB Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively.

The requirements of this Statement (1) exempt primary governments performing duties that a governing board typically performs, from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans; and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans, and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of GASB Statement 67 or paragraph 3 of GASB Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs, the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic, and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

- GASB Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report, and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report, and its acronym is generally accepted accounting principles for state and local governments. This statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged.

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

    - Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument
    - Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease,

recognition and measurement of a lease liability and a lease asset, and identification of lease incentives
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term; and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government
- Clarification of provisions in Statement No. 34, *Basic Financial Statements*—and Management's Discussion and Analysis—for State and Local Governments, as amended, related to the focus of the government-wide financial statements
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this Statement that are effective as follows:

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

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

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

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

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

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

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

- GASB Statement No. 101, *Compensated Absences* -The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used; and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

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

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

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

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

3. GOING CONCERN

As described in Note 1, the operations of the Authority have been practically inactive since 1995 and its role limited only to processing the remaining legal requirements regarding its former operations, principally in connection with the payment of its long-term debt to PFC.

The Authority has an outstanding debt related to notes and bonds issued by PFC, for which repayment of interest and principal come from the Commonwealth's budget appropriations. The Commonwealth 2021 budget did not include appropriations for the debt service payments on the PFC Notes or the PFC Bonds. In addition, the Commonwealth budget ultimately approved for fiscal years 2022 and

2023 did not include appropriations to pay the PFC Notes or the PFC bonds. In addition, as a result of the Commonwealth Plan of Adjustment's discharge and preemption provisions, there will not be future appropriations related to the PFC Notes or the PFC Bonds. As a result, the contingency that would trigger the Authority's contingent obligation to pay the PFC Notes once it receives appropriations will not occur.

The Authority has no cash balance as of June 30, 2021. The Authority held deposits at GDB of approximately $1.2 million, and a custodial credit loss on these deposits was recorded in previous years resulting in an impairment of the entire balance. As a result of the execution of the GDB Qualifying Modification, the Authority received beneficial units of the PET amounting to $1.2 million in exchange for the deposits held at GDB. The units received and the custodial credit loss were reclassified to deposits claim receivable from PET, and into an impairment, with a net carrying amount of zero. The Authority's recovery of the PET units will depend on the payment of the claim filed in the Commonwealth's Title III case. For additional information on the PET Claim refer to Note 4.

In light of the foregoing, management believes that there is substantial doubt about the Authority's ability to continue as a going concern.

4. CLAIM RECEIVABLE FROM PUBLIC ENTITY TRUST (PET)

On August 10, 2018, GDB commenced an action to restructure certain of its indebtedness pursuant to the GDB Qualifying Modification under Title VI of PROMESA. The United States District Court for the District of Puerto Rico approved the GDB Qualifying Modification on November 6, 2018, and the GDB Qualifying Modification became effective on November 29, 2018.

Pursuant to Act No. 109-2017, also known as the *Government Development Bank for Puerto Rico Debt Restructuring Act* (the GDB Restructuring Act), and the terms of the GDB Qualifying Modification, claims on account of deposits held by the Commonwealth and other public entities, including the Authority, were exchanged for beneficial units in the PET created pursuant to the GDB Restructuring Act. Specifically, under the provisions of the GDB Restructuring Act, on the closing date of the GDB Qualifying Modification, *i.e.*, November 29,2018 (the Closing Date), the balance of liabilities owed between the Commonwealth and its agencies, instrumentalities and affiliates, including the Authority (each a Non-Municipal Government Entity) and GDB was determined by applying the outstanding balance of any deposits held at GDB in a Non-Municipal Government Entity's name against the outstanding balance of any loan of such Non-Municipal Government Entity owed to GDB, or of any bond or note of such Non-Municipal Government Entity held by GDB as of such date. Those Non-Municipal Government Entities having net claims against GDB, after giving effect to the foregoing adjustment, received their pro rata share of interests in the PET, which was deemed to be in full satisfaction of any and all claims such Non-Municipal Government Entity may have had against GDB.

The Authority held deposits at GDB of approximately $1.2 million, a custodial credit loss on these deposits was recorded in previous years resulting in an impairment of the entire balance as of June 30, 2019. As a result of the execution of the GDB Qualifying Modification, the Authority received beneficial units of the PET amounting to $1.2 million in exchange for the deposits held at GDB. The deposit claim from PET and the custodial credit loss were reclassified to deposits claim receivable from PET and into an impairment, respectively, with a net carrying amount of zero.

The assets of the PET (the PET Assets) consist of, among other items, a claim in the amount of approximately $578 million against the Commonwealth (the PET Claim), which is the subject of a proof of claim filed in the Commonwealth's Title III case. As of the date hereof, the Court has not determined if the PET Claim is an allowed claim that will be entitled to a distribution.

In addition, as discussed in Note 11, the Commonwealth Plan of Adjustment discharges any claim related to budgetary appropriations, including appropriations for the repayment of certain loans held by the PET.

The Authority's recovery of the PET units will depend on the payment of the claim filed in the Commonwealth's Title III case. As result, units received from the PET are fully reserved.

PET claim receivable and its corresponding impairment as of June 30, 2021 follows:

	Claim Balance	Impairment	Carrying Amount
PET Claim Receivable	$ 1,232,149	$ (1,232,149)	$ -

5. DUE TO COMMONWEALTH

The Commonwealth has made PayGo pension related and other postemployment benefits payments on behalf of the Authority amounting to approximately $1,030,464 and $36,030, respectively. Accordingly, a due to the Commonwealth has been recorded in the fund financial statements because amounts were due and payable as of June 30, 2021.

6. RELATIONSHIP WITH FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY (FAFAA)

The Puerto Rico Emergency Moratorium and Financial Rehabilitation Act, Act No. 21-2016 (the Moratorium Act), as amended, created the FAFAA as an independent public corporation to assume GDB's role as fiscal agent, financial advisor, and reporting agent for the Commonwealth and its instrumentalities. Act No. 2 of 2017 subsequently repealed and replaced the provisions of the Moratorium Act regarding FAFAA. FAFAA has also been assigned the tasks of overseeing matters related to the restructuring or adjustment of the Commonwealth's financial liabilities, coordinating liability management or other transactions with respect to such obligations, and ensuring compliance with fiscal plans and budgets approved by the Oversight Board pursuant PROMESA. During the year ended June 30, 2021, FAFAA provided certain management, and administrative services to the Authority at no cost.

In addition, FAFAA has assumed the cost of certain professional services, including the annual fees for the external audit of the Authority that have been accounted for as contributions from the Commonwealth.

7. BONDS PAYABLE

On September 27, 1994, the Legislature of the Commonwealth approved Act No. 113 (Act 113), which authorized the Authority to refinance its outstanding debt and required deposits to reserve accounts, for an amount not to exceed $310 million.

Act No. 113 also provides that the Commonwealth will honor the payment of principal and interest on the refinanced debt, and that the Director of the Office of Management and Budget (OMB) will include annually in the budget of the Commonwealth to be submitted to the Legislature an amount sufficient to cover principal and interest on the restructured debt and related expenses.

During June 2012, the Authority refinanced and defeased $114 million of its outstanding debt through the proceeds of bonds issued by PFC. As a result of the issuance of the PFC 2012 Series A Bonds, and the refunding of certain PFC bonds with the proceeds of the 2012 Series A Bonds, the Authority recognized during June 2012, $131.7 million of outstanding bonds liability. The PFC 2012 Series A Bonds bear interest from 3.10% to 5.35%, and interest is payable on a monthly basis starting on August 1, 2012.

Changes in bonds payable for the year ended June 30, 2021, are summarized as follows (in thousands):

Description	Balance as of June 30, 2020	Additions	Deductions	Balance as of June 30, 2021	Due Within One Year
Bonds payable					
2012 Series A Bonds	$ 131,694	$ -	$ -	$ 131,694	$ -

As of June 30, 2021, the outstanding bonds debt service requirements are as follow:

Year Ending June 30,	Principal	Interest	Total
2022 (including balance in arrears)	$ -	$ 47,860,183	$ 47,860,183
2023	-	6,837,169	6,837,169
2024	27,999,000	5,647,212	33,646,212
2025	16,095,000	4,725,183	20,820,183
2026	18,420,000	3,805,525	22,225,525
2027-2031	20,870,000	13,100,320	33,970,320
2032	48,310,000	430,764	48,740,764
	$ 131,694,000	$ 82,406,356	$ 214,100,356

The PFC Bonds are limited obligations of PFC payable solely from the proceeds of payments of principal of and interest on certain promissory notes (collectively, the “Notes”) issued to PFC by certain departments, agencies, instrumentalities, and public corporations (the "Authorized Debtors") of the Commonwealth, which Notes are in turn payable solely from budgetary appropriations approved annually by the Legislature of Puerto Rico pursuant to certain legislation (the "Appropriation Acts"). The Authority is one of the Authorized Debtors under the Notes.

The Appropriation Acts require the OMB to include the amounts required to pay debt service on the Notes in the proposed annual budget of the Commonwealth that is submitted by the Governor to the Legislature of Puerto Rico. However, the Legislature of Puerto Rico is not legally required to appropriate funds for such payments. The non-appropriation of funds for payments on the Notes resulted in a lack of proceeds available under the Notes to pay the principal and interest due on the PFC Bonds. The debt service payments of the PFC Bonds are payable solely from the proceeds of the Notes, and the PFC Bonds are limited obligations of PFC and not of any Commonwealth entity. Therefore, in the event of a non-appropriation of funds and the resulting lack of payment of the PFC Bonds, bondholders have no recourse to other assets of the Authorized Debtors or of PFC, nor do they have recourse against the Legislature of Puerto Rico, the Commonwealth, or other governmental entities of the Commonwealth.

On November 3, 2021, the Oversight Board filed the Commonwealth Plan of Adjustment, which provides that claims against the Commonwealth arising from, or related to, indebtedness only payable from appropriations of the Commonwealth Legislature under existing loans or legislative resolution shall not receive any recovery under the Commonwealth Plan of Adjustment, and all such claims shall be discharged upon the Effective Date. Although the Commonwealth Plan of Adjustment does not grant a release of the PFC Notes, as a result of the Commonwealth Plan of Adjustment's discharge and preemption provisions, there will not be future appropriations related to the PFC Notes. As a result, the contingency that would trigger the Authority's contingent obligation to pay the PFC Notes once it receives appropriations will not occur. For further information on the Commonwealth Plan of Adjustment refer to Note 11, and the Commonwealth Plan of Adjustment, Findings of Fact, and Confirmation Order, which are available at https://cases.primeclerk.com/puertorico/Home-DocketInfo.

Due to the non-appropriation of funds for the payment of the PFC Notes in the annual budget for prior fiscal years, none of the payments on the PFC Notes, nor the corresponding payments on the PFC Bonds that have come due and payable in prior and current years have been made. On May 18, 2018, the PFC Bonds trustee, filed a proof of claim in the Commonwealth's Title III proceeding under PROMESA with respect to the Notes.

On January 20, 2022, FAFAA, on behalf of PFC, entered into the PFC RSA with holders of a majority of the PFC Bonds. The PFC RSA contemplates a restructuring and discharge of the PFC Bonds under Title VI of PROMESA. The PFC RSA further contemplates that those promissory notes that were issued to the order of PFC by certain Commonwealth instrumentalities, including by the Authority, for the repayment of the PFC Bonds will be cancelled and extinguished and the Authority will be discharged from any liability arising from or related to the PFC Notes.

The restructuring contemplated by the PFC RSA remains subject to the occurrence of various conditions, including obtaining the requisite votes required by Title VI of PROMESA and Court approval of the restructuring.

8. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Changes in deferred outflows and inflows of resources for the year ended June 30, 2021, are summarized (in thousands) as follows:

Deferred outflows of resources	Balance as of June 30, 2020	Additions	Reductions	Balance as of June 30, 2021
Loss on bonds refundings	$ 6,161	$ -	$ (1,052)	$ 5,109
Pension related	521	774	(260)	1,035
Other postemployment benefits	9	8	(9)	8
Total	$ 6,691	$ 782	$ (1,321)	$ 6,152
Deferred inflows of resources				
Pension related	$ 510	$ 282	$ -	$ 792
Total	$ 510	$ 282	$ -	$ 792

9. EMPLOYEES RETIREMENT SYSTEM OF THE GOVERNMENT OF THE COMMONWEALTH OF PUERTO RICO

Plan Description

The Defined Benefit Pension Plan for Participants of the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (the Plan) was created pursuant to Act No. 447 on May 15, 1951, as amended (Act No. 447) to provide pension and other benefits to retired employees of the Commonwealth, its public corporations, and municipalities. Prior to the effect of Act No. 106 of August 23, 2017 (Act No. 106-2017), the Plan was administered by ERS. Effective July 1, 2017, all employer contributions were eliminated pursuant to Act No. 106-2017, and the Commonwealth implemented a PayGo system for the payment of pensions. In addition, pursuant to Act No. 106-2017, ERS was required to liquidate its assets and transfer the net proceeds to the Department of Treasury of the Commonwealth to pay pension benefits.

On January 18, 2022, the Title III Court entered an order confirming the Commonwealth Plan of Adjustment. The Commonwealth Plan of Adjustment preserves all accrued pension benefits for current retirees and employees at ERS, TRS, and JRS. However, upon the Effective Date of the Commonwealth Plan of Adjustment, pension benefits at TRS and JRS were frozen and cost-of-living adjustments eliminated, among other things. For further information on the Commonwealth Plan of Adjustment's impact on pension benefits, refer to Note 11 and the final versions of the Commonwealth Plan of Adjustment, Findings of Fact, and Confirmation Order, which are available at https://cases.ra.kroll.com/puertorico/Home-DocketInfo

Pension Benefits

The benefits provided to the Plan participants are established by Commonwealth law and may be amended only by the Legislature with the Governor's approval, or by court decision.

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

- Members of Act No. 447 are generally those members hired before April 1, 1990 (contributory, defined benefit program).
- Members of Act No. 1 of February 16, 1990 (Act No. 1) are generally those members hired on or after April 1, 1990 and on or before December 31, 1999 (contributory, defined benefit program).
- Members of Act No. 305 of September 24, 1999 (Act No. 305 or System 2000) are generally those members hired on or after January 1, 2000, and on or before June 30, 2013 (defined contribution program).

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

Pursuant to a settlement incorporated in the Commonwealth Plan of Adjustment, on the Effective Date (i.e. March 15, 2022) , all participants in the System 2000 Program received a one-time payment in the amount of their contributions (plus accrued interest) as of the Commonwealth's petition date in their defined contribution accounts established under Act No. 106-2017. Upon the payment of these refunds, all claims related to the System 2000 Program were discharged.

(a) Service Retirement Eligibility Requirements

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

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

Date of birth	Attained age as of June 30, 2013	Retirement eligibility age
July 1, 1957 or later	55 or less	61
July 1, 1956 to June 30, 1957	56	60
Before July 1, 1956	57 and up	59

In addition to the requirements of the table above, as per Act No. 447, public officers in high-risk positions who were not eligible to retire as of June 30, 2013, and did not attain 30 years of credited service by December 31, 2013, are eligible to retire directly from active service upon the attainment of age 55 with 30 years of credited service.

(2) *Eligibility for Act No. 1 Members* – Act No. 1 members who were eligible to retire as of June 30, 2013 continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 1 members could retire upon (1) attainment of age 55 with 25 years of credited service, (2) attainment of age 65 with10 years of credited service, (3) for public officers in high-risk positions, any age with 30 years of credited service, and (4) for Mayors, attainment of age 50 with 8 years of credited service as a Mayor.

Act No. 1 members who were not eligible to retire as of June 30, 2013, are eligible to retire upon attainment of age 65 with 10 years of credited service. In addition, pursuant to Act No. 1, public officers in high-risk positions who were not eligible to retire as of June 30, 2013, are eligible to retire directly from active service upon the attainment of age 55 with 30 years of credited service.

(3) *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

(4) *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.

(b) **Compulsory Retirement**

All Act No. 447 and Act No. 1 public officers in high-risk positions must retire upon attainment of age 58, and 30 years of credited service. A two-year extension may be requested by the member from the Superintendent of the Puerto Rico Police, the Chief of the Firefighter Corps, or supervising authority, as applicable.

(c) **Service Retirement Annuity Benefits**

Retirement annuity benefits include an annuity payable for the lifetime of the member equal to the annuitized value of the balance in the Defined Contribution Hybrid Contribution Account at the time of retirement, plus, for Act No. 447 and Act No. 1 members, the accrued benefit determined as of June 30, 2013. If the balance in the Defined Contribution Hybrid Contribution Account is $10,000 or less, it shall be paid as a lump sum instead of as an annuity. For System 2000 participants this service retirement annuity benefit is not available.

(1) Accrued Benefit as of June 30, 2013, for Act No. 447 Members – The accrued benefit as of June 30, 2013, shall be determined based on the average compensation, as defined, for Act No. 447 members, the years of credited service, and the attained age of the member, all as of June 30, 2013. For Act No. 447 Mayors, the highest compensation, as defined, as a Mayor is determined as of June 30, 2013.

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

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

If the Act No. 447 member had less than 30 years of credited service as of December 31, 2013, the accrued benefit equals 1.5% of average compensation multiplied by years of credited service up to 20 years, plus 2% of average compensation multiplied by years of credited service in excess of 20 years. Maximum benefit is 75% of average compensation. Except for the Commonwealth Police and Commonwealth Firefighters, the benefit is actuarially reduced for each year payment commences prior to age 58. For participants selecting the Coordination Plan, the basic benefit is re-calculated at SSRA as 1% of average compensation up to $6,600 multiplied by years of credited service up to 20 years, plus 1.5% of average compensation up to $6,600 multiplied by years of credited service in excess of 20 years, plus 1.5% of average compensation in excess of $6,600 multiplied by years of credited service up to 20 years, plus 2.0% of average compensation in excess of $6,600 multiplied by years of credited service in excess of 20 years. Except for Police and Firefighters, the benefit is actuarially reduced for each year payment commences prior to age 58.

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

(2) *Accrued Benefit as of June 30, 2013, for Act No. 1 Members* – The accrued benefit as of June 30, 2013, shall be determined based on the average compensation for Act No. 1 members, the years of credited service, and the attained age of the member all as of June 30, 2013. For Act No. 1 Mayors, the highest compensation as a Mayor is determined as of June 30, 2013.

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

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

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

(d) Special Benefits

(1) Minimum Benefits

– Past Ad Hoc Increases

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

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

The minimum monthly lifetime income for members who retired or 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).

– Coordination Plan Minimum Benefit

A minimum monthly benefit is payable upon attainment of SSRA such that the benefit, when added to the Social Security Benefit, is not less than the benefit payable prior to SSRA.

(2) Cost-of-Living Adjustments (COLA) to Pension Benefits

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

Under the Commonwealth Plan of Adjustment, these COLAs were eliminated from and after the Effective Date. For further information on the Commonwealth Plan of Adjustment's s impact on pension benefits, refer to the final version of the Commonwealth Plan of Adjustment, which is available at https://cases.primeclerk.com/puertorico/Home-DocketInfo.

(3) Special "Bonus" Benefits

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

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

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

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

Total Pension Liability Allocation Methodology

GASB Statement No. 73 requires that the primary government, and the component units that provide pensions through the same defined benefit pension plan of its primary government, recognize their proportionate share of the total pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense (benefit). The employer allocation percentage are based on the ratio of each participating entity's actual benefit payments for allocation to the aggregate total of benefit payments for allocation paid by all participating entities during the year ending on the measurement date.

Total Pension Liability and Actuarial Information

The Commonwealth's total pension liability was approximately $28 billion of which $5.7 million are the proportionate share of the Authority as of June 30, 2020. The total pension liability as of June 30, 2020, was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020 (measurement date as of June 30, 2020).

(a) Actuarial Methods and Assumptions

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

Discount Rate

The discount rate for June 30, 2021 was 2.21%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer GO 20-Bond Municipal Bond Index,which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality

The mortality tables used in the June 30, 2021, actuarial valuations were as follows:

— *Pre-retirement Mortality*

For general employees not covered under Act No. 127, PubG-2010 Employee Mortality Rates, adjusted by 100% for males and 110% for females projected to reflect Mortality Improvement Scale MP-2020 on generational basis. For members covered under Act No. 127, the PubG-2010 Employee Mortality Rates are assumed for males and females, projected to reflect Mortality Improvement Scale MP-2019 from the 2006 base year and projected forward using MP-2020 on a generational basis. As generational tables, they reflect mortality improvements, both before and after the measurement date. 100% of deaths while in active service are assumed to be occupational for members covered under Act No. 127.

One hundred percentage of deaths while in active service are assumed to be occupational for members covered underAct 127.

— *Post-retirement Healthy Mortality*

Rates, which vary by gender, are assumed for healthy retirees and beneficiaries based on a study of Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2020 on a generational basis. Prior to retiree's death, beneficiary mortality is assumed to be the same as the post-retirement healthy retiree mortality. For periods after the retiree's death, the PubG-2010(B) contingent survivor rates, adjusted by 110 for males and 120% for females, projected using MP-2020 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

— *Post-retirement Disabled Mortality*

Rates, which vary by gender, are assumed for disabled retirees based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females. The base rates are projected using Mortality Improvement Scale MP-2020 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Other Assumptions as of June 30, 2021

Actuarial cost method	Entry age normal
Inflation rate	Not applicable
Salary increases	3.00% per year. No compensation increases are assumed until July 1, 2021, as a result of Act No. 3-2017, four-year extension of Act No. 66-2014, and the current general economy.

(b) **Sensitivity of the Total Pension Liability to Changes in the Discount Rate**

The following presents the total pension liability calculated using the discount rate of 2.21%, as well as what it would be if it were calculated using the discount rate of one percentage point lower (1.21%) or one percentage-point higher (3.21%) than the current rate (dollars in thousands):

	1% Decrease or (1.21%)	**Current discount rate of (2.21%)**	**1% Increase or (3.21%)**
Total pension liability	$ 6,562,031	5,721,828	5,042,110

Deferred Outflows of Resources and Deferred Inflows of Resources

The following presents a summary of changes in the deferred outflows of resources and deferred inflows of resources for the year ended June 30, 2021.

Source		Deferred outflows of resources		Deferred inflows of resources
Differences between expected and actual experience in measuring total pension liability	$	11,802	$	128,804
Changes in assumptions		718,319		98,219
Changes in proportion		59,732		564,991
Employer contributions made subsequent to the measurement date		244,726		–
Total	$	$1,034,579		$792,014

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) at June 30, 2021, will be recognized in pension expense (benefit) in future years as follows:

		Amount
Year ending June 30:		
2022	$	(117,112)
2023		(117,112)
2024		(117,112)
2025		(151,762)
Total	$	(503,098)

The previous amounts do not include employer specific deferred outflows and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 6 years for 2020. The deferred outflows of resources related to benefit payments made by the Authority subsequent to the measurement date, which amounted to $244,726, is also not included in the table above.

Pension Expense

The pension expense of the Authority for the year ended June 30, 2021 amounted to $152,634.

10. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

OPEB Liability Allocation Methodology

GASB Statement No. 75 requires that the primary government, and its component units that provide OPEB benefits through the same defined benefit OPEB plan recognize their proportionate share of the total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense (benefit). The employer allocation percentage is based on the ratio of each participating entity's actual benefit payments to the total actual benefit payments paid by all participating entities during the year ending on the measurement date.

Total OPEB Liability and Actuarial Information

The Commonwealth's total OPEB liability was approximately $874.6 million, of which $106,478 is the proportionate share of the Authority as of June 30, 2021. The total OPEB liability as of June 30, 2020, was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020 (measurement date as of June 30, 2020). The actuarial valuation used the following actuarial assumptions applied to all periods in the measurement period.

Actuarial Assumptions

Discount Rate

The discount rate for June 30, 2021, was 2.21%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality

Pre-retirement Mortality

For general employees not covered under Act No. 127, PubG-2010 Employee Mortality Rates, adjusted by 100% for males and 110% for females projected to reflect Mortality Improvement Scale MP-2020 on generational basis. For members covered under Act No. 127, the PubG-2010 Employee Mortality Rates are assumed for males and females, projected to reflect Mortality Improvement Scale MP-2019 from the 2006 base year and projected forward using MP-2020 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.

100% of deaths while in active service are assumed to be occupational for members covered under Act No. 127.

Act 127 Post-retirement Healthy Mortality

Rates, which vary by gender, are assumed for healthy retirees and beneficiaries based on a study of Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2020 on a generational basis. Prior to retiree's death, beneficiary mortality is assumed to be the same as the post-retirement healthy retiree mortality. For periods after the retiree's death, the PubG-2010(B) contingent survivor rates, adjusted by 110% for males and 120% for females, projected using MP-2020 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Post-retirement Disabled Mortality

Rates, which vary by gender, are assumed for disabled retirees based on a study of the Plan's experience from 2013 to 2018, and updated expectations regarding future mortality improvement. The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females. The base rates are projected using Mortality Improvement Scale MP-2020 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

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

The following presents the total OPEB liability of the Plan at June 30, 2021, calculated using the discount rate of 2.21%, as well as the Plan's total OPEB liability if it were calculated using the discount rate of one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current rate:

		1% Decrease or (1.21%)	Current discount rate of (2.21%)	1% Increase or (3.21%)
Total OPEB Liability	$	117,352	106,478	97,224

Deferred Outflows of Resources and Deferred Inflows of Resources

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

OPEB Expense

The OPEB expense of the Authority for the year ended June 30, 2021 amounted to $791.

11. SUBSEQUENT EVENTS

Subsequent events were evaluated through November 22, 2022 to determine if any such events should either be recognized or disclosed in the 2020 basic financial statements. Management believes that the subsequent events disclosed below are intrinsically related to the financial statements of the Authority. These might have been disclosed elsewhere in these financial statements, but management believes they require specific mentioning based on their relevance and materiality.

Bonds Payable

As described in Notes 3 and 7, there was no appropriation for the payment of the PFC Notes in the Commonwealth's annual budget for fiscal years 2022 and 2023. As such, none of the payments on the Notes, nor the corresponding payments on the PFC Bonds, that have come due and payable on subsequent fiscal years have been made in full as of the date hereof.

Commonwealth Plan of Adjustment

Prior to March 15, 2022, the Commonwealth and many of its component units suffered a fiscal, economic and liquidity crisis, the culmination of many years of significant governmental deficits, an economic recession that persisted since 2006, prior liquidity challenges, a high unemployment rate, population decline, and high levels of debt and pension obligations. As the Commonwealth's tax base shrunk and its revenues were affected by prevailing economic conditions, an increasing portion of the Commonwealth's general fund budget consisted of health care and pension-related costs and debt service requirements through fiscal year 2019, resulting in reduced funding for other essential services. The Commonwealth's historical liquidity constraints, among other factors, adversely affected its credit ratings and its ability to obtain financing at reasonable interests' rates.

On June 30, 2016, the United States Congress enacted PROMESA to address these problems, which included the establishment of the Oversight Board, an in-court restructuring process under Title III of PROMESA, and an out-of-court restructuring process under Title VI of PROMESA. Thereafter, the Commonwealth and other governmental entities, including the Puerto Rico Sales Tax Financing Corporation (COFINA), the Employees Retirement System of the Government of the Commonwealth of Puerto Rico (ERS), the Puerto Rico Highways and Transportation Authority (HTA), the Puerto Rico Electric Power Authority (PREPA), and the Public Building Authority (PBA) initiated proceedings under Title III, and the Government Development Bank (GDB), the Puerto Rico Infrastructure Financing Authority (PRIFA), and Puerto Rico Convention Center District Authority (CCDA) initiated proceedings under Title VI, each at the request of the Governor to restructure or adjust their existing debt.

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 Title III Court. The deadline by which all creditors were required to file their proofs of claim against the Commonwealth was June 29, 2018. Approximately 118,397 claims were filed against the Commonwealth in the total aggregate asserted amount of approximately $33.3 trillion. Of this amount, approximately 86,598 claims in the total aggregate asserted amount of approximately $33.1 trillion have been withdrawn or expunged by an omnibus objection order entered by the Title III Court. As a result, approximately 8,932 claims in the total aggregate asserted amount of approximately $139.5 billion remain outstanding (excluding claims pending objection, marked for future objection, or transferred or waiting to be transferred into ACR). The validity of these remaining claims has not yet been determined and such claims remain subject to the claims reconciliation process described in section (vii) below. Accordingly, the numbers and amounts of claims identified above will change over time as objections are filed and determined by the Title III Court.

On July 30, 2021, the Oversight Board—as representative to the Commonwealth, ERS, and PBA in their respective Title III cases—filed its Seventh Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al. [ECF No. 17629] (the Seventh Amended Plan) and a corrected disclosure statement related thereto [ECF No. 17628], which was approved by the United States District Court for the District of Puerto Rico (the Title III Court).

On October 26, 2021, the Governor signed into law Act No. 53 of 2021 (Act 53), known as the “Law to End the Bankruptcy of Puerto Rico,” which provided legislative approval for the bond transactions contemplated in the Seventh Amended Plan conditioned on the elimination of its monthly pension cut provisions in an amended version of that plan.

On November 3, 2021, the Oversight Board filed its Modified Eighth Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al. [ECF No. 19053] (the Eighth Amended Plan), which further revised the Seventh Amended Plan to eliminate its monthly pension cut provisions consistent with Act 53, among other things. The hearing to consider confirmation of the Eighth Amended Plan commenced on November 8, 2021, and concluded on November 23, 2021. The final modified version of the Eighth Amended Plan was filed on January 14, 2022 [ECF No. 19813-1] (as confirmed, the Commonwealth Plan of Adjustment).

On January 18, 2022, the Title III Court entered its findings of fact and conclusions of law in connection with the Eighth Amended Plan [ECF No. 19812] (the Findings of Fact) and an order confirming the Eighth Amended Plan [ECF No. 19813] (the Commonwealth Confirmation Order). In both the Commonwealth Confirmation Order and Findings of Fact, the Title III Court found that Act 53 properly authorized the issuance of new bonds and provided adequate means for implementation of the Commonwealth Plan of Adjustment.

Between January 28, 2022 and February 17, 2022, six appeals of the Confirmation Order were filed in the First Circuit. On March 8, 2022, the First Circuit entered an order dismissing the appeal by the Judge's Association [Case No. 22-1098] following a motion to voluntarily dismiss. By March 11, 2022, the First Circuit denied all parties' motions for a stay pending appeal, which allowed the Commonwealth Plan of Adjustment to become effective despite the appeals. On April 26, 2022, the First Circuit affirmed the Commonwealth Plan of Adjustment with respect to the appeal filed by the teachers' associations. See Case No. 22-1080. Oral argument on the merits of the remaining four appeals [Case Nos. 22-1079, 22-1092, 22-1119, 22-1120] was held on April 28, 2022, but a final determination on those appeals remains pending.

On March 15, 2022 (the Effective Date), the conditions precedent to the Effective Date of the Commonwealth Plan of Adjustment were satisfied and/or waived by the Oversight Board, and the plan became effective. Accordingly, the Commonwealth Plan of Adjustment has been confirmed and is currently effective as of the date hereof.

As of the Effective Date, the Commonwealth Plan of Adjustment reduced the Commonwealth's total funded debt obligations from approximately $34.3 billion of prepetition debt to only approximately $7.4 billion, representing a total debt reduction of 78%. This debt reduction will also reduce the Commonwealth's maximum annual debt service (inclusive of COFINA debt service) from approximately $4.2 billion to $1.15 billion, representing a total debt service reduction of 73%. Also, 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 have been deemed preempted, and the Commonwealth has no obligation to transfer additional amounts pursuant to those laws. Importantly, effectuating the Commonwealth Plan of Adjustment provides a path for Puerto Rico to access the credit markets and develop balanced annual budgets.

All Commonwealth laws that required the transfer of funds from the Commonwealth to other entities, including laws providing appropriations to the Bank, are deemed preempted, and the Commonwealth has no obligation to transfer additional amounts pursuant to those laws. In addition, the Commonwealth Plan discharges any claim related to budgetary appropriations, including appropriations for the repayment of the PFC Bonds and certain loans held by the PET.

A critical component of the Commonwealth Plan of Adjustment is the post-Effective Date issuance of new general obligation bonds (the New GO Bonds), and contingent value instruments (CVIs) that provides recoveries to GO and PBA bondholders, as well as holders of clawback claims against the Commonwealth and certain of its component units and instrumentalities.

Municipal governments typically issue amortizing debt—i.e., debt with principal maturities due on a regularly scheduled basis over a duration that varies generally between 20 and 40 years. The Commonwealth's New GO Bonds will mature over 25 years and will include both Capital Appreciation Bonds (CABs) and Current Interest Bonds (CIBs). All of the CABs and CIBs will have term bonds with mandatory sinking fund payments. This is intended to optimize cash available to pay debt service since the municipal market has a yield curve, and bonds are not priced to the average life as is the case in other markets, because specific investors may purchase bonds in differing parts of the maturity curve, including individual investors corporations and mutual funds.

The New GO Bonds were issued with an aggregate original principal amount of approximately $7.4 billion, consisting of approximately (i) $6.6 billion of New GO CIBs, (ii) $442.5 million of New GO CABs with a 5.375% interest rate, and (iii) $288.2 million of New GO CABs with a 5.0% interest rate. They have 11 different maturity dates and will be secured by (a) a statutory first lien, (b) a pledge of the amounts on deposit in the Debt Service Fund, and (c) a pledge of the Commonwealth's full faith, credit, and taxing power in accordance with Article VI, Section 2 of the Commonwealth Constitution, and applicable Puerto Rico law. The New GO Bonds are dated as of, and will accrue or accrete interest from, July 1, 2021.

The Commonwealth Plan of Adjustment also provides for the issuance of CVIs, an instrument that gives a holder the right to receive payments in the event that certain triggers are met. The Commonwealth Plan of Adjustment establishes revenue-based performance benchmarks and permits the holders of CVIs to receive payments on account of the CVIs only if the benchmarks are exceeded. The CVIs issued under the Commonwealth Plan of Adjustment are based on over-performance collections of the Commonwealth's 5.5% sales and use tax (SUT), with some CVIs also being subject to over-performance collections of rum tax. The CVIs represent a conditional promise by the Commonwealth to pay CVI holders only if the SUT or rum tax baselines are exceeded in a given fiscal year. The outperformance metric will be measured as of the end of each fiscal year (i.e., June 30) beginning in fiscal year 2022 and is based on a SUT and rum tax collections baselines for fiscal years 2022 to 2043 as established in the Board-certified fiscal plan for the Commonwealth, dated May 27, 2020. As with the New GO Bonds, the Commonwealth pledged its full faith, credit and taxing power under the Puerto Rico Constitution and applicable Puerto Rico law for payment of the CVIs. The CVIs will be deemed issued on July 1, 2021.

The CVIs are also divided into two categories: (i) general obligation debt CVIs (GO CVIs), which will be allocated to various holders of GO bondholder claims; and (ii) clawback debt CVIs (the Clawback CVIs), which will be allocated to claims related to HTA, PRCCDA, PRIFA, and MBA bonds. The GO CVIs have a 22-year term. The Clawback CVIs have a 30-year term. The GO CVIs are subject to a lifetime cap of $3.5 billion, with maximum annual payments of $200 million plus any unused amounts from previous years subject to cumulative annual payments not exceeding $400 million. Similarly, the Clawback CVIs are subject to a $5.2 billion aggregate lifetime cap, allocated across the different types of bond claims, with maximum annual payments of (i) $175 million plus any unused amounts from previous years, not to exceed cumulative annual payments of $350 million, for fiscal years 1-22 of the 30-year term; and (ii) $375 million plus any unused amounts from previous years, not to exceed cumulative annual payments of $750 million, for fiscal years 23-30 of the 30-year term. The CVIs also apply an annual payment waterfall in which the first $100 million will be paid to GO CVIs and the next $11,111,111 will be paid to Clawback CVIs.

The Commonwealth Plan of Adjustment classifies claims into 69 classes, with each receiving the following aggregate recoveries:

- Various categories of Commonwealth bond claims (Classes 15-50): 73% recovery consisting of cash, New GO Bonds, and GO CVIs.
- 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.
- Various categories of clawback creditor claims (Classes 59-63): 23% recovery consisting of the Clawback CVIs.
- ERS bond claims (Class 65): 16% recovery consisting of cash and interests in the ERS Private Equity Portfolio (as defined in and established under the Commonwealth Plan of Adjustment).

- Various categories of general unsecured claims (Classes 13, 58, and 66): 21% recovery in cash.
- Other miscellaneous claims (Classes 52-57, 64, 67-69): 26% recovery in cash.

For general unsecured claims, the Commonwealth Plan of Adjustment provides for separate levels of creditor cash recoveries at each debtor, as applicable. All general unsecured claims against the Commonwealth, ERS, and PBA are discharged, except certain Eminent Domain/Inverse Condemnation Claims (as defined in the Commonwealth Plan of Adjustment) that are not discharged until they receive payment in full, subject to an appeal of the Title III Court's ruling on such claims. If that ruling is reversed, then the Eminent Domain/Inverse Condemnation Claims will be dischargeable and impaired. All other general unsecured creditors at the Commonwealth will receive up a pro rata share of the general unsecured creditor reserve fund (the GUC Reserve), plus amounts received by the Avoidance Actions Trust (as defined in and established under the Commonwealth Plan of Adjustment) up to 40% of the value of their claim. The GUC Reserve was funded with $200 million on the Effective Date and will be replenished with an additional aggregate total amount of $375 million funded in incremental amounts annually through December 31, 2025. Depending on the outcome of the appeal regarding Eminent Domain/Inverse Condemnation Claims, the GUC Reserve amount could be reduced by up to $30 million. ERS's general unsecured creditors will receive pro rata cash distributions from a fund established for ERS general unsecured creditors, which consists of $500,000 plus any net recoveries by the Avoidance Actions Trust allocable to ERS. PBA's general unsecured creditors will be entitled to a cash payment equal to 10% of their claim upon allowance.

Importantly, the Commonwealth Plan of Adjustment preserves all accrued pension benefits for active and retired public employees under Class 51. However, participants of the Retirement System for the Judiciary of the Commonwealth of Puerto Rico (JRS) and Teachers Retirement System of Puerto Rico (TRS) will be subject to benefits freeze and the elimination of any cost-of-living adjustments previously authorized under the JRS and TRS pension plans.

During the pendency of the PROMESA cases, a variety of legal issues were raised related to creditor claims. As a result of the recoveries provided under the Commonwealth Plan of Adjustment, the COFINA plan of adjustment, and the Title VI qualified modifications for GDB, PRIFA, and PRCCDA, substantially all of those litigation proceedings have been resolved and dismissed. Certain claims, however, were not discharged under the Commonwealth Plan of Adjustment, including: (i) the Eminent Domain/Inverse Condemnation Claims (Class 54); (ii) the Tax Credit Claims (Class 57); (iii) the resolution of certain claims subject to the ACR process (see Commonwealth Plan of Adjustment § 82.7); and (iv) certain Underwriter Actions related to indebtedness issued by the Commonwealth or any of its agencies or instrumentalities against any non-debtors (see Commonwealth Plan of Adjustment § 92.2(f)). Additional litigation proceedings also will be dismissed upon the effective date of the HTA plan of adjustment, which is currently expected to be proposed in April 2022.

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.

Puerto Rico Finance Corporation's Restructuring Support Agreement

On January 20, 2022, FAFAA, on behalf of PFC, entered into the PFC RSA with holders of a majority of the PFC Bonds. The PFC RSA contemplates a restructuring and discharge of the PFC Bonds under Title VI of PROMESA. The PFC RSA further contemplates that those promissory notes that were issued to the order of PFC by certain Commonwealth instrumentalities, including by the Authority, for the repayment of the PFC Bonds will be cancelled and extinguished and the Authority will be discharged from any liability arising from or related to such promissory notes.

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

The amended PFC RSA also contains various other terms and conditions, including important releases and obtaining the solicitation votes required by Title VI of PROMESA and court approval of the restructuring. The voting deadline is November 21, 2002, unless extended.

If the transaction contemplated by the PFC RSA obtains all necessary approvals and goes effective, the outstanding debt of the Authority described in Note 7 (i.e. the PFC Notes) will be cancelled and considered extinguished.

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

PUERTO RICO MARITIME SHIPPING AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
Schedule of the Proportionate Share of Collective Total Pension Liability and Related Ratios
(Unaudited)
June 30, 2021

Description	2021*	2020*	2019*	2018*
Proportion of Total Pension Liability	0.02038%	0.02251%	0.02335%	0.22293%
Proportionate Share of Total Pension Liability	$ 5,721,828	$ 5,593,001	$ 5,718,013	$ 6,465,979
Covered - Employee Payroll	-	-	-	-
Proportionate Share of Total Pension Liability as Percentage of Covered-Employee Payroll	N/A	N/A	N/A	N/A

*The amounts presented have a measurement date of the previous fiscal year end.
*Currently there are no active participants in this plan. Therefore, the coverage payroll disclosure is omitted.

Fiscal year 2019 was the first year that the Company transitioned from GASB No. 68 to No. GASB 73, as resulted of the PayGo implementation. This schedule is required to illustrate 10 years of information. However, until a 10-year trend has been completed, information is presented only for the years for which the required supplementary information is available.

See independent auditors' report on required supplementary information.

PUERTO RICO MARITIME SHIPPING AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

Schedule of Proportionate Share of Total Other Postemployment Benefit Liability and Related Ratios (Unaudited)

June 30, 2021

Description	2021*	2020*	2019*	2018*
Proportion of Total Other Post Employment Benefit Liability	0.01217%	0.01370%	0.01427%	0.01391%
Proportionate Share of Total Other Post Employment Benefit Liability	$ 106,478	$ 113,987	$ 120,154	$ 128,069
Covered - Employee Payroll	-	-	-	-
Proportionate Share of Total Other Post Employment Benefit Liability as Percentage of Covered-Employee Payroll	N/A	N/A	N/A	N/A

*The amounts presented have a measurement date of the previous fiscal year end.
*Currently there are no active participants in this plan. Therefore, the coverage payroll disclosure is omitted.

Fiscal year 2018 was the first year that the new requirements of GASB 75 were implemented at the Company. This schedule is required to illustrate 10 years of information. However, until a 10-year trend has been completed, information is presented only for the years for which the required supplementary information is available.

See independent auditors' report on required supplementary information.