

PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

Uniform Guidance Report
June 30, 2024

(With Independent Auditors' Report)

PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

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June 30, 2024

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INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of the
Puerto Rico Fiscal Agency and Financial Advisory Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Puerto Rico Fiscal Agency and Financial Advisory Authority, a Component Unit of the Commonwealth of Puerto Rico, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Puerto Rico Fiscal Agency and Financial Advisory Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Puerto Rico Fiscal Agency and Financial Advisory Authority, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Puerto Rico Fiscal Agency and Financial Advisory Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Financial Dependency

As discussed in Note 3 to the basic financial statements, the Puerto Rico Fiscal Agency and Financial Advisory Authority's main source of revenue consists of legislative appropriations from the Commonwealth of Puerto Rico. As a result, the Puerto Rico Fiscal Agency and Financial Advisory Authority's operations are dependent on the Commonwealth of Puerto Rico's ability to continue providing funding to the Puerto Rico Fiscal Agency and Financial Advisory Authority through legislative appropriations which are approved by the Financial Oversight and Management Board.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Proportionate Share of The Collective Total Pension Liability and Related Ratios and Notes to Required Supplementary Information, be presented to supplement the basic financial statements. Such information although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2025, on our consideration of the Puerto Rico Fiscal Agency and Financial Advisory Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Puerto Rico Fiscal Agency and Financial Advisory Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Puerto Rico Fiscal Agency and Financial Advisory Authority's internal control over financial reporting and compliance.

San Juan, Puerto Rico
March 31, 2025.



D0P91-243
PR Fiscal Agency and Financial Advisory
Authority (AFFAF Uniform)

RSM Puerto Rico



MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the year ended June 30, 2024

This management's discussion and analysis section (MD&A) provides a narrative overview and analysis of the financial activities of the Puerto Rico Fiscal Agency and Financial Advisory Authority (the Authority) as of and for the year ended June 30, 2024. This MD&A is intended to serve as an introduction to the Authority's basic financial statements. The MD&A is designed to (a) assist the reader in focusing on significant matters, (b) provide an overview of the Authority's financial activities as well as fiduciary activities, and (c) identify changes in the Authority's financial position and identify individual issues or concerns. The following presentation is by necessity highly summarized, and in order to gain a thorough understanding of the Authority's financial condition, the basic financial statements, including the notes thereto, and required supplementary information should be reviewed in their entirety.

FINANCIAL HIGHLIGHTS

- The Authority's Total Assets were approximately \$164.7 million as of June 30, 2024, a decrease of approximately \$4.9 million or 3% when compared to prior year.
- The Authority's Deferred Outflows of Resources was approximately \$256 thousand as of June 30, 2024, a decrease of approximately \$3.4 million or 93% when compared to prior year.
- The Authority's Total Liabilities were approximately \$35.7 million as of June 30, 2024, a decrease of approximately \$29 million or 45% when compared to prior year.
- The Authority's Deferred Inflows of Resources was approximately \$32 thousand as of June 30, 2024, a decrease of approximately \$526 thousand or 94% when compared to prior year.
- The Authority's Net Position was approximately \$129.2 million as of June 30, 2024, an increase of approximately \$21.2 million or 20% when compared to prior year.
- The Commonwealth of Puerto Rico's (the Commonwealth) appropriations made to the Authority amounted to approximately \$52.5 million for the year ended June 30, 2024, a decrease of approximately \$2.5 million or 5% when compared to prior year.
- The Authority's expenditure in federal grants amounted to approximately \$16.2 million for the year ended June 30, 2024, an increase of approximately \$7.1 million or 78% when compared to prior year.
- Contribution from Puerto Rico Public-Private Partnership Authority amounted to approximately \$4.9 million for the year ended June 30, 2024.
- Interest income amounted to approximately \$6.4 million for the year ended June 30, 2024, an increase of approximately \$2.8 million or 78% when compared to prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis is required supplementary information to the basic financial statements and is intended to serve as an introduction to the Authority's basic financial statements for the fiscal year ended June 30, 2024. The Authority's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements.



MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) As of and for the year ended June 30, 2024

Government-Wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad view of the Authority's operations in a manner similar to a private-sector business. The statements provide both short and long-term information about the Authority's financial position, which assists in assessing the Authority's economic condition at the end of the fiscal year. These are prepared using the economic resources measurement focus and the full accrual basis of accounting. This means they follow methods that are similar to those used by most private businesses. They take into account all revenue and expenses connected with the fiscal year even if cash involved has not been received or paid.

The government-wide financial statements include two statements:

- **Statement of Net Position** - This statement provides information on the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the assets plus deferred outflows of resources less liabilities and deferred inflows of resources reported as the overall net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- **Statement of Activities** - This statement presents information on how the Authority's net position changed during the reporting period. All changes in net position are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for certain items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found immediately following this MD&A.

Governmental Fund Financial Statements

Financial statements prepared at the fund level provide additional details about the Authority's financial position and activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to help ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the Authority's operations in more detail than the government-wide financial statements. Information presented in the fund financial statements differs from the information presented in the government-wide financial statements because the perspective and basis of accounting used to prepare the fund financial statements differ from the perspective and basis of accounting used to prepare the government-wide financial statements.

Governmental Funds - Most of the basic services provided by the Authority are financed through a governmental fund. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements that use the full accrual basis of accounting, the governmental funds financial statements use a modified accrual basis of accounting (also known as the current financial resources measurement focus), which focuses on near-term inflows and outflows of expendable resources. This information may be useful in evaluating the government's near-term financing requirements. These statements provide a detailed short-term view of the Authority's finances and assist in determining whether there will be adequate financial resources available to meet the current needs of the Authority. Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for the governmental activities in the government-wide financial statements. By comparing the two, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.



MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the year ended June 30, 2024

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the Authority in a trustee capacity, or as an agent for individuals, private organizations, and other governmental units. The following are the Authority's fiduciary funds:

Early Retirement Obligation Trust (ERO) - The Authority is the trustee for the benefit of former employees of the Government Development Bank (GDB) receiving payments under the Early Retirement Programs (ERP) to satisfy all its obligations under such programs. The fiduciary activities of the Authority are reported in a separate statement of fiduciary net position and of changes in fiduciary net position. The Authority excludes these activities from its government-wide financial statements because the Authority cannot use these assets to finance its operations. The Authority is responsible for ensuring that the assets reported in this fund is used for their intended purpose.

Improvements to Educational Institutions - This is custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. During fiscal year 2021, the Authority received approximately \$277 million which were approved by the Coronavirus Relief Fund Disbursement Oversight Committee (created by the Governor of Puerto Rico with Executive Order EO-202-00040), and assigned by the Puerto Rico Office of Management and Budget in funds from Coronavirus State Fiscal Rescue Fund (CSFRF) which account for funds received from the American Rescue Plan Act of 2021 signed by President Joseph R. Biden on March 11, 2021 (the American Rescue Plan). The funds assigned to the Authority are held in custody capacity because the funds are going to be used by the Puerto Rico Infrastructure Financing Authority (PRIFA) for the purpose of conducting the improvements to Educational Institutions affected by seismic activity and Hurricanes Irma and Maria. The Authority excludes these activities from the Authority's government-wide financial statements because the Authority cannot use these assets to finance its operations. The Authority is responsible for ensuring that the assets reported in this fund to be used for their intended purpose.

Notes to Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements and the fund financial statements. The notes to the basic financial statements can be found immediately following the Statement of Changes in Fiduciary Net Position - ERO Trust Fund.

FINANCIAL ANALYSIS

The following is an analysis of the financial position and changes in the financial position of the Authority's governmental activities for fiscal year 2024.



MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the year ended June 30, 2024

Condensed financial information from the statements of net position as of June 30, 2024 and 2023, is as follows (in thousands):

	June 30,		Change	
	2024	2023	Amount	Percent
ASSETS:				
Cash	\$ 162,721	\$ 166,398	\$ (3,677)	(2)%
Due from Municipalities	57	267	(210)	(79)%
Due from Governmental Entities, net of allowance	267	1,228	(961)	(78)%
Prepaid expenses	218	244	(26)	(11)%
Capital assets, net	950	1,008	(58)	(6)%
Other	515	473	42	9%
Total assets	164,728	169,618	(4,890)	(3)%
DEFERRED OUTFLOWS OF RESOURCES	256	3,612	(3,356)	(93)%
LIABILITIES:				
Liabilities payable within one year	29,662	57,821	(28,159)	(49)%
Liabilities payable after one year	6,075	6,885	(810)	(12)%
Total liabilities	35,737	64,706	(28,969)	(45)%
DEFERRED INFLOWS OF RESOURCES	32	558	(526)	(94)%
NET POSITION	<u>\$ 129,215</u>	<u>\$ 107,966</u>	<u>\$ 21,249</u>	<u>20%</u>

Net position may serve over time as a useful indicator of a government's financial position. Total assets, deferred outflows of resources, total liabilities and deferred inflows of resources of the Authority as of June 30, 2024, amounted to approximately \$164.7 million, \$256 thousand, \$35.7 million and \$32 thousand, respectively, for a net position of approximately \$129.2 million.

Total assets decreased by approximately \$4.9 million, from approximately \$169.6 million in fiscal year 2023 to approximately \$164.7 million in fiscal year 2024. The decrease in total assets is due principally to a net decrease in cash amounting to approximately \$3.7 million, which was mainly related to the net effect of federal grants expended during the fiscal year 2024 amounting to approximately \$15.9 million and due to the results of operations, decreases in due from municipalities and due from governmental entities amounting to approximately \$210 thousand and \$961 thousand, respectively, a decrease in prepaid amounting to approximately \$26 thousand, a decrease in capital assets amounting to approximately \$58 thousand and an increase in other accounts receivable amounting to approximately \$42 thousand.



MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the year ended June 30, 2024

The deferred outflows of resources decreased by approximately \$3.4 million, from approximately \$3.6 million in fiscal year 2023 to approximately \$256 thousand in fiscal year 2024, due principally to decreases of approximately \$3 million and \$255 thousand in changes in proportion and change in assumptions in the actuarial reports of the total pension liability, respectively.

Total liabilities decreased by approximately \$29 million, from approximately \$64.7 million in fiscal year 2023 to approximately \$35.7 million in fiscal year 2024. The decrease in total liabilities mainly resulted from a decrease in accounts payable and accrued liabilities amounting to approximately \$9.5 million, a decrease in due to Commonwealth of Puerto Rico amounting to approximately \$3.6 million, a decrease in unearned revenues from federal grants amounting to approximately \$15 million, a decrease in lease payable amounting to approximately \$115 thousand, a decrease in accrued compensated absences amounting to approximately \$56 thousand, a decrease in termination benefits amounting to approximately \$191 thousand and a decrease in total pension liability amounting to approximately \$456 thousand.

The deferred inflows of resources decreased by approximately \$526 thousand, from \$558 thousand in fiscal year 2023 to approximately \$32 thousand in fiscal year 2024 related to changes in assumptions in the actuarial reports of the total pension liability.

Statements of Activities and Results of Operations

Condensed financial information of the statements of activities for the years ended June 30, 2024 and 2023, is shown below (in thousands):

	June 30,		Change	
	2024	2023	Amount	Percentage
REVENUES				
Program Revenues				
Charges for Services	\$ 2,177	\$ 2,344	\$ (167)	-7%
Operating Grants and Contributions	73,631	64,136	9,495	15%
Other	6,882	3,600	3,282	91%
Total Revenues	<u>82,690</u>	<u>70,080</u>	<u>12,610</u>	18%
EXPENSES				
Economic Development	<u>(61,441)</u>	<u>(60,227)</u>	<u>(1,214)</u>	2%
CHANGE IN NET POSITION	21,249	9,853	11,396	116%
NET POSITION-BEGINNING	<u>107,966</u>	<u>98,113</u>	<u>9,853</u>	10%
NET POSITION-ENDING	<u>\$ 129,215</u>	<u>\$ 107,966</u>	<u>\$ 21,249</u>	20%



MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the year ended June 30, 2024

The change in net position increased by approximately \$11.4 million, from approximately \$9.9 million in fiscal year 2023 to approximately \$21.2 million in fiscal year 2024. The net increase in change in net position was mainly due to: (1) a net increase in Government's entities appropriations of approximately \$2.5 million, (2) an increase in federal grants revenues of approximately \$7.1 million, related to federal funds awarded from the CARES Act, Coronavirus Relief Fund and the ARP Coronavirus State and Local Fiscal Recovery Funds, to continue with the implementation of the initiatives included in the Strategic Disbursement Plan and to cover administrative expenses related to the technical assistance and oversight of federal funds received by the Government of Puerto Rico, (3) a decrease in charges for services of approximately \$166 thousand, (4) an increase in bank interest income earned of approximately \$2.8 million, (5) an increase in other income of approximately \$469 thousand (6) a decrease in occupancy and equipment costs of approximately \$170 thousand (7) a decrease in office and administrative expenses amounting to approximately \$107 thousand, (8) a decrease in contribution to Commonwealth of approximately \$4.2 million, (9) an increase in salaries and fringe benefits of approximately \$434 thousand, (10) an increase in other expenses amounting to approximately \$200 thousand and (11) an increase in legal and professional fees of approximately \$5 million.

The Authority's most significant revenues correspond to contributions from Commonwealth. Contributions from Commonwealth decreased by approximately \$2.5 million, from approximately \$55 million in fiscal year 2023 to approximately \$52.5 million in fiscal year 2024.

CURRENTLY KNOWN FACTS AND EVENTS

The following is a summary description of currently known facts, decisions, and conditions that have had, or are expected to have, an impact on the Authority's financial position and results of operations.

Puerto Rico Public Finance Corporation (PFC)

On October 2, 2023, PFC executed a Memorandum Of Understanding ("MOU") providing that AAFAF shall be responsible for all administrative matters pertaining to the dissolution of PFC. On September 16, 2024, the Board of Directors of the Public Finance Corporation approved a transfer amounting to \$2.1 million to the Authority.

Federal Funds - American Rescue Plan Act (ARPA)

On July 9, 2024, the Puerto Rico Office of Management and Budget (OMB) assigned to the Authority approximately \$7.6 million to continue with the implementation of the initiatives included in the Strategic Disbursement Plan and to cover administrative expenses related to the technical assistance and oversight of American Rescue Plan Act funds received by Commonwealth of Puerto Rico.

On December 5, 2024, The Children Trust (the Trust) and the Authority signed a MOU through which the Trust received \$4 million from the Authority. These funds from the Authority come from the Coronavirus State and Local Fiscal Recovery Fund ("CSFRF"). The purpose of this MOU is to provide additional funding to the Trust so that it can provide additional grant agreements to eligible entities that comply with the regulations of the Trust.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances. This financial report seeks to demonstrate the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Executive Director, Puerto Rico Fiscal Agency and Financial Advisory Authority, P.O. Box 42001, San Juan, Puerto Rico, 00940-2001.

PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF NET POSITION
June 30, 2024

ASSETS	
Cash	\$143,876,367
Accrued interest receivable	515,048
Due from municipalities	57,230
Due from governmental entities, net	267,288
Restricted cash	18,844,606
Prepaid expenses	218,185
Capital assets, net	949,314
	<hr/>
Total assets	164,728,038
	<hr/>
DEFERRED OUTFLOWS OF RESOURCES-Pension related	255,850
	<hr/>
LIABILITIES	
Accounts payable and accrued liabilities	13,323,368
Due to Commonwealth of Puerto Rico	125,818
Unearned revenues	15,358,559
Liabilities payable within one year	
Lease payable	121,244
Compensated absences	500,854
Termination benefits	200,246
Total pension liability	31,839
Liabilities payable after one year	
Lease payable	263,790
Compensated absences	555,778
Termination benefits	159,985
Total pension liability	5,095,188
	<hr/>
Total liabilities	35,736,669
	<hr/>
DEFERRED INFLOWS OF RESOURCES- Pension related	31,976
	<hr/>
NET POSITION	
Net investment in capital assets	564,280
Unrestricted	128,650,963
	<hr/>
Total net position	\$ 129,215,243
	<hr/> <hr/>

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

PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF ACTIVITIES
For the year ended on June 30, 2024

Functions/Programs	Expenses	Charges for services	Program revenues contributions	Net revenues (expenses) and changes in net position
GOVERNMENTAL ACTIVITIES				
Economic development	\$ 61,415,815	\$ 2,177,609	\$ 73,630,511	\$ 14,392,305
Interest expense	25,070	-	-	(25,070)
Total governmental activities	<u>\$ 61,440,885</u>	<u>\$ 2,177,609</u>	<u>\$ 73,630,511</u>	<u>14,367,235</u>
GENERAL REVENUES				
Interest income				6,366,504
Other income				515,295
Total general revenues				<u>6,881,799</u>
CHANGE IN NET POSITION				21,249,034
NET POSITION - Beginning of year				<u>107,966,209</u>
NET POSITION - End of year				<u>\$ 129,215,243</u>

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

PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2024

	<u>General Fund</u>
ASSETS	
Cash	\$ 143,876,367
Accrued interers receivable	515,048
Due from municipalities	57,230
Due from governmental entities, net	267,288
Restricted cash	<u>18,844,606</u>
Total assets	<u><u>\$ 163,560,539</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 13,323,368
Due to Commonwealth of Puerto Rico	125,818
Unearned revenues	<u>15,358,559</u>
Total liabilities	<u>28,807,745</u>
FUND BALANCE	
Unassigned	<u>134,752,794</u>
Total fund balance	<u>134,752,794</u>
Total liabilities and fund balance	<u><u>\$ 163,560,539</u></u>

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

**PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND TO THE
STATEMENT OF NET POSITION
June 30, 2024**

Fund balance of governmental fund	\$ 134,752,794
Amounts reported for governmental activities in the statement of net position are different than the amounts reported in the governmental fund because:	
Deferred outflows of resources pension related reported in governmental activities but not in the governmental fund.	255,850
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund	949,314
Prepaid expenses that are not reported in governmental fund and are reported in the statement of net position	218,185
Compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental fund	(1,056,632)
Long-term lease liability is not due and payable in the current period, and therefore, is not reported in the governmental fund	(385,034)
Termination benefits are not due and payable in the current period and, therefore, are not reported in the governmental fund	(360,231)
Deferred inflows of resources pension related reported in governmental activities but not in the governmental fund.	(31,976)
Total pension liability not due and payable in the current period and therefore, is not reported in the governmental fund.	<u>(5,127,027)</u>
Net position of governmental activities	<u><u>\$ 129,215,243</u></u>

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

PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -
GOVERNMENTAL FUND
For the year ended June 30, 2024

REVENUES

Contributions from the Commonwealth of Puerto Rico	\$ 52,477,372
Contribution from Puerto Rico Public-Private Partnership Authority	4,875,000
Federal grants	16,246,300
Fiscal agency and administrative fees	2,177,609
Interest income	6,366,504
Other income	515,295
	<hr/>
Total revenues	82,658,080

EXPENDITURES

Economic development	58,770,429
Debt service	
Principal	114,657
Interest	25,070
Capital outlays	399,994
	<hr/>
Total expenditures	59,310,150

NET CHANGE IN FUND BALANCE

23,347,930

FUND BALANCE - Beginning of year

111,404,864

FUND BALANCE - End of year

\$ 134,752,794

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

**PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2024**

Net change in fund balance - Governmental fund		\$ 23,347,930
Amount reported for governmental activities in the statement of activities are different because:		
Some expenses not reported in the statement of activities require the use of current financial resources and, therefore, are reported as expenditures in governmental fund		246,101
Governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:		
Capital outlays	\$ 399,994	
Less: depreciation and amortization expense	<u>(459,104)</u>	(59,110)
Generally, prepaid expenses are recorded as expenditures in the governmental fund when paid rather than capitalized as an asset. However, this asset is amortized in the statement of net position		
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt consumes the current financial resources of governmental funds. Neither transactions has any effect on net position. This amount is the net effect of these difference in the treatment of long-term debt and related items.		
Principal payments on lease liability		(25,391)
Generally, prepaid expenses are recorded as expenditures in the governmental fund when paid rather than capitalized as an asset. However, this asset is amortized in the statement of net position		114,657
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental fund		<u>(2,375,153)</u>
Change in net position of governmental activities		<u>\$ 21,249,034</u>

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

PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
June 30, 2024

	<u>ERO Trust Fund</u>	<u>Improvements to Educational Institutions</u>
ASSETS		
Cash	\$ 2,264,288	\$ 16,992,687
Accrued interest and dividends	9,325	-
Investments at fair value	<u>6,857,926</u>	<u>-</u>
Total assets	<u>\$ 9,131,539</u>	<u>\$ 16,992,687</u>
LIABILITIES		
Liabilities payable within one year		
Accounts payable	\$ 5,113	\$ 16,992,687
Termination benefits	593,535	-
Liabilities payable after one year		
Termination benefits	<u>1,743,190</u>	<u>-</u>
Total liabilities	<u>2,341,838</u>	<u>16,992,687</u>
NET POSITION	<u>\$ 6,789,701</u>	<u>\$ -</u>

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

PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
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STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - ERO TRUST FUND
For the year ended June 30, 2024

ADDITIONS

Investment income:

Interest and dividends	\$ 207,105
Net change in fair value of investments	<u>197,261</u>
Net investment income	<u>404,366</u>
Total additions	<u>404,366</u>

DEDUCTIONS

Other	282,656
Trust fees	<u>20,695</u>
Total deductions	<u>303,351</u>

Net increase in net position 101,015

NET POSITION - Beginning of year 6,688,686

NET POSITION - End of year \$ 6,789,701

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

PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

1. REPORTING ENTITY

Puerto Rico Fiscal Agency and Financial Advisory Authority (the Authority) is a component unit of the Commonwealth of Puerto Rico (the Commonwealth). The Authority was originally created by Act No. 21 of April 6, 2016, which was superseded by Act No. 2 of January 19, 2017. The Authority began operations on July 18, 2016. The Authority's responsibilities include, among other things: (i) overseeing compliance with the certified budget and fiscal plan approved by the Oversight Board pursuant to Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA); (ii) revising matters including, but not limited to, agreements, transactions, and regulations of the agencies and instrumentalities of the Government of Puerto Rico (the Government); (iii) entering into agreements with creditors and/or renegotiating or restructuring the public debt, in whole or in part, or any other debt issued by any Government body including, but not limited to, agencies, boards, commissions, instrumentalities, public corporations or applicable political subdivisions.

The Early Retirement Obligation Trust (ERO)

The ERO was created by Act No. 109 of August 24, 2017, as amended, best known as Government Development Bank (GDB) Restructuring Act and the execution of the GDB Qualifying Modification on November 29, 2018, but was not until August 6, 2019, that the deed for the constitution of the ERO was created. The Trust Deed named the Authority as the Trustee of the ERO.

The GDB Restructuring Act authorized GDB to establish an irrevocable trust for the benefit of former employees of GDB receiving payments under the Early Retirement Programs (ERP) to satisfy all its obligations under such programs.

During fiscal year 2020, the Authority entered into a contract with a financial institution to delegate various of its trustee responsibilities in the ERO to a third party. As of June 30, 2024, the ERO had total assets of approximately \$9.1 million and is making payments to around 176 active participants for aggregated monthly payments of approximately \$76 thousand to former employees of GDB as the major portion of the employees have already transitioned to the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (the ERS). Termination of the trust is expected by the year 2030 when the last participant will become part of the ERS.

Improvements to Educational Institutions

During fiscal year 2021, the Authority entered into a Memorandum of Understanding with the Puerto Rico Infrastructure Financing Authority (PRIFA), in which the Authority received in custody capacity, state and federal grants for the improvements to educational institutions which are going to be made by PRIFA in subsequent years. As of June 30, 2024, this fund has approximately \$17 million in total assets and liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Authority are presented in conformity with U.S. Generally Accepted Accounting Principles (U.S. GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB).

The accompanying basic financial statements present the financial position and the results of operations of the Authority as a whole.

PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

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

Government-Wide Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information of all the activities of the Authority. Governmental activities are financed mainly through contributions from the Commonwealth. The statement of net position presents the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual measure reported as net position. Net position is reported in three categories:

- *Net investment in capital assets* consists of capital assets net of accumulated depreciation and amortization and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are directly attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.
- *Restricted component of the net position* consists of restricted assets and deferred outflows of resources reduced by related liabilities and deferred inflows of resources. Restricted net assets result when constraints are placed on the use of net assets, either, externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted component of net position* consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of the two preceding categories.

When both, restricted and unrestricted components of net position are available for use, generally, it is the Authority's policy to use restricted components of net position first, then the unrestricted components of net position as they are needed and available.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include: (1) contributions received from the federal government, the Commonwealth and from the Puerto Rico Public-Private Partnership Authority and charges for services made to other governmental entities, and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function. Other items not meeting the definition of program revenues are presented as general revenues.

Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

The Authority reports its financial position and results of operations in funds, which are considered separate accounting entities. The operations of each fund are accounted for within a set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with legal, financial, and contractual provisions.

PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

Governmental Funds

Governmental funds focus on the sources and uses of funds and provide information on near term inflows, outflows, and balances of available resources. The Authority reports the following governmental fund:

General Fund - The General Fund is the primary operating fund of the Authority. It is used to account for and report all financial resources including federal funds received and used for those services traditionally provided by a government, except those required to be accounted for and reported in another fund. The General Fund includes transactions for services such as economic development.

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the classification of fund balance is based on the extent to which the Authority is bound to observe constraints imposed upon the use of resources in the governmental funds. The classifications are as follows:

- *Nonspendable* - amounts that are not in a spendable form or are legally or contractually required to be maintained intact.
- *Restricted* - amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for a specific purpose.
- *Committed* - amounts that can be spent only for specific purposes determined by a formal action of the governments' highest level of decision-making authority.
- *Assigned* - intent to spend resources on specific purposes expressed by the governing body.
- *Unassigned* - amounts that do not fall into any other category above. Negative unassigned amounts are reported, if any, and represent expenditures for specific purposes exceeding the aggregate amounts of the restricted, committed, or assigned classification.

The Authority has only an unassigned fund balance.

The Authority does not have a formal minimum fund balance policy.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Authority in a trustee capacity, or as an agent for individuals, private organizations, and other governmental units. The following are the Authority's fiduciary funds:

Early Retirement Obligation Trust (ERO) - The Authority is the trustee, for the benefit of former employees of GDB receiving payments under the Early Retirement Programs (ERP) to satisfy all its obligations under such programs. The fiduciary activities of the Authority are reported in a separate statement of fiduciary net position and of changes in fiduciary net position. The Authority excludes these activities from the Authority's government-wide financial statements because the Authority cannot use these assets to finance its operations. The Authority is responsible for ensuring that the assets reported in this fund are used for their intended purpose.

PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

Improvements to Educational Institutions - This is custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. During fiscal year 2021, the Authority received approximately \$277 million, which were approved by the Coronavirus Relief Fund Disbursement Oversight Committee (created by the Governor of Puerto Rico with Executive Order EO-202-00040), and assigned by the Puerto Rico Office of Management and Budget in funds from Coronavirus State Fiscal Rescue Fund (CSFRF), which account for funds received from the American Rescue Plan Act of 2021 signed by President Joseph R. Biden on March 11, 2021 (the American Rescue Plan). Funds received by the Authority are held in custody capacity because the funds are going to be used by the Puerto Rico Infrastructure Financing Authority (PRIFA) for the purpose of conducting the improvements to Educational Institutions affected by seismic activity and Hurricanes Irma and Maria. The Authority excludes these activities from the Authority's government-wide financial statements because the Authority cannot use these assets to finance its operations.

Measurement Focus and Basis of Accounting

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

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. Other revenues are measurable and available only when cash is received. Federal Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Expenditures are generally recorded when a liability is incurred, as under accrual basis of accounting. However, compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Right-to-use leased assets are reported as other financing sources.

A summary reconciliation of the difference between total fund balances as reflected in the governmental funds balance sheet and net position of governmental activities as shown on the government-wide statement of net position is presented in the reconciliation of the balance sheet of governmental fund to the statement of net position.

A summary reconciliation of the difference between net change in fund balance as reflected in the governmental funds statement of revenues, expenditures, and change in fund balance and change in net position in the statement of activities of the government-wide financial statements, is presented in the reconciliation of statement of revenues, expenditures, and change in fund balance of governmental fund to the statement of activities.

Fiduciary Funds Financial Statements

Fiduciary funds are used to account for assets held by the Authority in a trustee capacity, or as an agent for individuals, private organizations, and other governmental units. The fiduciary funds financial statements are reported using the accrual basis of accounting. The Authority's fiduciary funds are: (1) the Early Retirement Obligation Trust Fund, and (2) the Improvements to Educational Institutions Fund.

PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

Restricted Cash

Restricted cash is related to federal funds received by the Authority to cover administrative expenses related to the technical assistance and oversight of the American Rescue Plan Act funds assigned to the Government of Puerto Rico.

Investments

Governmental Accounting Standard Board (GASB) Statement No. 72, *Fair Value Measurement and Application* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1 Investments whose values are based on quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 Investments with inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 Investments have unobservable inputs for an asset or liability and may require a degree of professional judgment.

Realized gains and losses from the sale of investments and unrealized changes in fair values are recorded as investment income.

Fiduciary Funds - Investments mainly include U.S. government and agencies' obligations. Investments are carried at fair value. Fair value is determined based on quoted market prices and quotations received from independent broker/dealers or pricing service organization.

Due from Governmental Entities and Municipalities

Due from governmental entities and municipalities are stated net of estimated allowance for uncollectible accounts. The allowance is based on the evaluation of the risk characteristics of the receivable, including past collection experience and current economic conditions. Write-offs are recorded against the allowance when management believes that collectability is unlikely. Recoveries of amounts previously charged off are credited to the allowance. Because of uncertainties inherent in the estimation process, management's estimate may change in the future.

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NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

Prepaid Expenses

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

Capital Assets

Capital assets are stated at cost less accumulated depreciation. Capital assets are defined by the Authority as assets that have a cost of \$500 or more at the date of acquisition and have an expected useful life of three or more years. Contributed assets are recorded at estimated fair value at the time received. Depreciation is charged to operations and included within expenses and is computed on the straight-line basis over the estimated useful lives of the depreciable assets. In governmental funds financial statements, capital assets are recorded as expenditures, and no depreciation is recognized. Costs of maintenance and repairs which do not improve or extend the lives of the respective assets are charged to expense as incurred. Estimated useful lives are as follows:

<u>Capital assets</u>	<u>Years</u>
Information systems	3-5 years
Furniture and equipment	5 years
Vehicles	5 years

The Authority follows the provisions of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, an amendment to GASB Statement No.34. This statement establishes guidance for accounting and reporting for the impairment of capital assets and for insurance recoveries. In accordance with these provisions, governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage, among others. The Authority evaluated its capital assets as required by GASB Statement No. 42 and no impairment was identified during the fiscal year ended June 30, 2024.

Leases

During fiscal year 2022, the Authority adopted GASB Statement No. 87, *Leases* which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Authority assesses whether a contract is or contains a lease, at inception of the contract. The Authority recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee. Lease liabilities include the net present value of fixed payments.

Lease payments are allocated between principal and interest or finance cost. The interest or finance cost is charged to the statement of activities over the lease period. Right-of-use assets are measured at cost and are comprised of the following: 1) the amount of the initial measurement of lease liability; 2) any lease payments made at or before the commencement date less any lease incentives received; 3) any initial direct costs; and 4) restoration costs. Right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. The depreciation starts at the commencement date of the lease. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement section, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and so will not be recognized as an outflow of resources (expense/expenditure) until the future period(s).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement section, deferred inflows of resources, represents an acquisition of net position and resources that applies to a future period(s), and so will not be recognized as an inflow of resources (revenue) until the future period(s).

Compensated Absences

The vacation policy of the Authority provides for the accumulation of 1.25 days per month up to an annual amount of 15 days. Vacation time accumulated is fully vested by the employees from the first day of work up to a maximum of 60 days. Employees generally accumulate sick leave at a rate of 1.5 days per month up to an annual maximum of 18 days and a maximum accumulation of 90 days.

Accrued vacation leave, up to 60 days, is paid upon employment termination. In order to be eligible to receive compensation, an employee must have been employed for at least three months.

Accumulated unpaid sick days are no longer liquidated upon employment termination as a result no accrual is necessary at year end.

Termination Benefits

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

Unearned Revenues

Unearned revenues represent resources received by the Authority before related services are rendered.

Accounting for Pensions Cost

Pursuant to Act No. 106 of 2017 (Act 106-2017), the Commonwealth adopted a “pay-as-you-go” (PayGo) system, significantly reforming the defined benefit plan (the Plan) of the Employees’ Retirement System of the Government of the Commonwealth (ERS).

PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

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.

Under the PayGo system, the Authority applies 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 amendment of Certain Provisions of GASB Statements No. 67 and 68* (GASB Statement No. 73). Statement No. 73 maintains the "accrual basis" model under Statement No. 68, where the Total Pension Liability is actuarially determined. GASB Statement No. 73 requires a liability for pension obligations, known as the Total Pension Liability, to be recognized on the balance sheets of participating employers. Changes in Total Pension Liability are immediately recognized as pension expenses. As Act 106-2017 eliminated all contribution requirements for the Plan and converted it into a PayGo system, the corresponding actuarial calculation of the Total Pension Liability and related accounts became one based on benefit payments rather than contributions. As a result, the Authority recognizes a Total Pension Liability, pension expenses and related accounts. Further details on the accounting for pension costs are disclosed in Note 10.

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

ERS elected to use July 1 of each fiscal year as the measurement date for financial information. Based on this election, the June 30, 2023, actuarial measurement data was used for the pension benefits financial reporting recognition as of and for the fiscal year ended June 30, 2024.

The Authority's pension activity for the year ending June 30, 2024, amounted to a pension expense of approximately \$2.4 million and the Total Pension Liability as of June 30, 2024, amounted to approximately \$5.1 million. Disclosures required can be found in Note 10.

Risk Management

To minimize the risk of loss, the Authority purchases insurance coverage for public liability, hazard, automobile, crime, and bonding as well as workmen's compensation insurance for employees. The selection of the insurer has to be approved by the Public Insurance Office of the Department of Treasury of the Commonwealth. Insurance coverage is updated annually to account for changes in operating risk.

Use of Estimates

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

PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

New Accounting Standards Adopted

During the fiscal year ended on June 30, 2024, 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- The GASB has issued the following accounting pronouncements that are effective for periods subsequent to June 30, 2024:

- **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. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.
- **GASB Statement No. 102, *Certain Risk Disclosures*.** The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.
- **GASB Statement No. 103, *Financial Reporting Model improvements*-** The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

This Statement requires that the information presented in the Management's Discussion and Analysis (MD&A) be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Assets and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions.

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence.

This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses.

This Statement required governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements.

This Statement requires governments to present budgetary comparison information using a single method of communication-RSI.

**PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
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**NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024**

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

- **GASB Statement No. 104, Disclosure of Certain Capital Assets-** The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, and intangible right-to-use assets recognized in accordance with Statement No. 94, should be disclosed separately by major class of underlying assets in the capital asset note disclosures. Subscription assets recognized in accordance with Statement No. 96, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

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

3. FINANCIAL DEPENDENCY

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

4. CASH

Custodial credit risk is the risk that, in the event of a financial institution failure, the Authority's deposits may not be returned to it. The Commonwealth requires that public funds deposited in commercial banks in Puerto Rico be fully collateralized for the amount deposited in excess of Federal Depository Insurance.

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PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

The table presented below discloses the level of custodial credit risk assumed by the Authority as of June 30, 2024. As of June 30, 2024, none of the Authority’s depository balance was uninsured and uncollateralized (in thousands):

Governmental Activities

Cash as of June 30, 2024, consisted of the following (in thousands):

Description	Carrying amount	Bank balance	Amount uninsured and uncollateralized
Unrestricted	\$ 143,876	\$ 143,882	\$ -
Restricted	18,845	18,844	-
	<u>\$ 162,721</u>	<u>\$ 162,726</u>	<u>\$ -</u>

As of June 30, 2024, bank accounts accrued \$515,048 in interest receivable which were collected during the month of July.

Fiduciary Funds

Cash as of June 30, 2024, consisted of the following (in thousands):

Description	Carrying amount	Bank balance	Amount uninsured and uncollateralized
Cash	<u>\$ 19,257</u>	<u>\$ 19,257</u>	<u>\$ -</u>

5. INVESTMENTS

Fiduciary Funds

As of June 30, 2024, the fair value of the ERO Trust Funds’ investments based on the hierarchy of inputs is as follows (in thousands):

Investment type	Level 1	Level 2	Level 3	Total
U.S. treasury securities	<u>\$ 6,858</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,858</u>

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NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

The following table summarizes the type and maturities of investments held by the ERO Trust Funds as of June 30, 2024 (in thousands):

Investment type	Maturity (in years)			Total
	Within one year	After one to five years	After five to ten years	
U.S. treasury securities	\$ 1,639	\$ 5,219	\$ -	\$ 6,858

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ERO Trust’s investment policies provide that investment transactions could only be entered into with counterparties that are rated BBB+/A-1 or better by Standard & Poor’s or its equivalent rating by Moody’s Investors Service or Fitch Ratings (Fitch), depending on the type and maturity of the investment and the counterparty to the transaction.

As of June 30, 2024, the credit ratings of the investment securities are Aaa.

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PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
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6. RELATED PARTY TRANSACTIONS

As of June 30, 2024, the Authority's due from governmental entities, net of allowance is composed of the following (in thousands):

<u>Description</u>	<u>Amount</u>
Puerto Rico Public-Private Partnership Authority	\$ 268
University of Puerto Rico	52
Puerto Rico Sales Tax Financing Corporation	21
The Children's Trust	42
Puerto Rico Municipal Finance Agency	82
Government's Executive Offices	10
Puerto Rico Health Department	16
Government's Executive Departments	24
Puerto Rico Infrastructure Financing Authority	26
Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority Act (AFICA)	9
Puerto Rico Electric Power Authority	5
	<hr/>
Total due from governmental entities	555
Less: allowance for uncollectible account	(288)
	<hr/>
Due from governmental entities, net of allowance	<u>\$ 267</u>

Due from governmental entities are mainly related to an intra-entity agreement signed by the Authority with each governmental entity for services rendered by the Authority.

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PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
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7. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2024, was as follows (in thousands):

Description	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets:				
Furniture and equipment	\$ 975	\$ -	\$ -	\$ 975
Vehicles	160	209	-	369
Information systems	872	191	-	1,063
Right-to-use leased office equipment	705	-	-	705
Total capital assets	<u>2,712</u>	<u>400</u>	<u>-</u>	<u>3,112</u>
Less accumulated depreciation and amortization for:				
Furniture and equipment	(708)	(110)	-	(818)
Vehicles	(112)	(42)	-	(154)
Information systems	(647)	(190)	-	(837)
Right-to-use leased office equipment	(236)	(118)	-	(354)
Total accumulated depreciation and amortization	<u>(1,703)</u>	<u>(460)</u>	<u>-</u>	<u>(2,163)</u>
Total capital assets - net	<u>\$ 1,009</u>	<u>\$ (60)</u>	<u>\$ -</u>	<u>\$ 949</u>

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As of June 30, 2024, the Authority's accounts payable and accrued liabilities are composed of the following (in thousands):

Description	Amount
Debt restructuring and Title III bankruptcy cases	\$ 9,366
Other services	1,153
Accrued expenses	2,804
	<u>\$ 13,323</u>

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9. LEASE PAYABLE

The Authority leases office equipment from Ricoh Puerto Rico, Inc., under a lease agreement from July 1, 2023 to June 30, 2024, and can be renewable annually for one (1) year at the end of each fiscal year for a total maximum period of sixty (60) months. Under this GASB Statement No. 87, the Authority, as a lessee, is required to recognize a lease liability and an intangible right-to-use lease asset at the present value of its future minimum lease payments as of the inception date. The present value of the lease agreement was discounted using the rate of the lease agreement which amounts to 5.60%.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2024, were as follows (in thousands):

Year Ending June 30	Principal Payments	Interest Payments	Total
2025	\$ 121	\$ 18	\$ 139
2026	128	12	140
2027	136	4	140
Total	<u>\$ 385</u>	<u>\$ 34</u>	<u>\$ 419</u>

10. COMPENSATED ABSENCES

The activity for compensated absences during the year ended June 30, 2024, is as follows (in thousands):

Description	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Accrued vacations	<u>\$ 1,112</u>	<u>\$ 110</u>	<u>\$ (165)</u>	<u>\$ 1,057</u>	<u>\$ 501</u>

11. RETIREMENT BENEFITS SYSTEMS

Structure of Retirement System and Accounting for Pension Costs

The ERS was a trust created by the Legislature under Act No. 447 of May 15, 1951, as amended (Act No. 447), to provide pension and other benefits to retired employees of the Commonwealth, its public corporations and municipalities. Before the enactment of Act No. 106-2017 on August 23, 2017, ERS administered different benefit structures under Act No. 447, as amended, including a cost-sharing, multiple-employer, defined benefit program, a defined contribution program and a contributory hybrid program. Act No. 106-2017 approved a substantial pension reform for all of the Commonwealth's retirement systems, including the ERS. This reform modified most of the ERS's activities, eliminated the employer contributions, created the legal framework to implement a PayGo system, and required the ERS to liquidate substantially all of its assets and to transfer the proceeds from such liquidation to the Commonwealth for the payment of pension benefits. Under the PayGo system, the Commonwealth's General Fund makes direct payments to the pensioners and then is reimbursed for those payments by the participating employer, including the Authority. Future benefits will not be paid by the ERS.

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Under Act No. 106-2017, the ERS's board of trustees was eliminated, and a new Retirement Board was created. Act No. 106-2017 also ordered a suspension of ERS's loan programs and ordered a merger of the administrative structures of the Retirement Systems. At the Retirement Board's discretion, the administration of ERS benefits may be externalized. The Retirement Board is currently responsible for governing both ERS, the Judiciary Retirement System (JRS), and Teachers Retirement System (TRS).

Act No. 106-2017 also created a Defined Contributions Plan, similar to a 401(k) plan, which is managed by a private entity. Act No. 106-2017 terminated the previously existing pension programs for ERS participants as of June 30, 2017. The members of the prior programs and new system members hired on and after July 1, 2017, have been enrolled into this new Defined Contributions Plan program. The accumulated balance on the accounts of the prior program was transferred to the member accounts in the new Defined Contributions Plan, effective as of June 22, 2020.

Pension Benefits

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

The Modified Eighth Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al, ("2022 Plan of Adjustment") confirmed by the U.S. District Court for the District of Puerto Rico on January 18, 2022, eliminated several benefits to certain Plan participants. In summary, participants within benefits for System 2000 and Act 3 members, as previously defined, who were not in payment status as of March 15, 2022 were transferred out from Plan benefits. Also, eliminated future cost of living adjustments, and benefits to active members under the Act 127-1958 (members in high-risk positions).

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

Certain plan provisions are different for the two 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).

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A summary of benefits and eligibility requirements is presented below:

(a) Service Retirement Eligibility Requirements

- (1) *Eligibility for Act No. 447 Members* - Act No. 447 members who were eligible to retire as of June 30, 2013 continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 447 members could retire upon (1) attainment of age 55 with 25 years of credited service, (2) attainment of age 58 with 10 years of credited service, (3) any age with 30 years of credited service, (4) for Public Officers in High Risk Positions (the Commonwealth Police and Firefighter Corps, the Municipal Police and Firefighter Corps and the Custody Office Corps), attainment of age 50 with 25 years of credited service, and (5), for Mayors of municipalities, attainment of age 50 with 8 years of credited service as a Mayor. In addition, Act No. 447 members who attained 30 years of credited service by December 31, 2013, are eligible to retire at any time.

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

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

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

- (2) *Eligibility for Act No. 1 Members* - Act No. 1 members who were eligible to retire as of June 30, 2013, continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 1 members could retire upon (1) attainment of age 55 with 25 years of credited service, (2) attainment of age 65 with 10 years of credited service, (3) for Public Officers in High-Risk Positions, any age with 30 years of credited service, and (4) for Mayors, attainment of age 50 with 8 years of credited service as a Mayor.

Act No. 1 members who were not eligible to retire as of June 30, 2013, are eligible to retire upon attainment of age 65 with 10 years of credited service. In addition, Act No. 1 Public Officers in High-Risk Positions who were not eligible to retire as of June 30, 2013, are eligible to retire directly from active service upon the attainment of age 55 with 30 years of credited service.

(b) Compulsory Retirement

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

NOTES TO BASIC FINANCIAL STATEMENTS
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(c) Service Retirement Annuity Benefits

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

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

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

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

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

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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 became disabled before July 1, 2013, is \$500 per month effective July 1, 2013 (\$400 per month effective July 1, 2007 and \$300 per month up to June 30, 2007).

— Coordination Plan Minimum Benefit

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

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(2) Special “Bonus” Benefits

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

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

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

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

Allocation Methodology

GASB Statement No. 73 requires that the primary government and its component units that provide pension benefits through the same defined benefit pension plan to recognize their proportionate share of the total pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense (benefit). The proportionate share is based on the ratio of the total pension liability determined directly for each agency based on each agency's members to the total pension liability for all Central Government members as of the measurement date.

Total Pension Liability and Actuarial Information

The total pension liability was approximately \$5.1 million as of June 30, 2023. The total pension liability as of June 30, 2023 (the measurement date used for financial reporting for fiscal year 2024) was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. The proportion of the Collective Total Pension Liability of the Authority was 0.02468%.

(a) Actuarial Methods and Assumptions

The actuarial valuation used the following actuarial methods and assumptions applied to all periods in the measurement period:

Discount Rate

The discount rate used to measure the total pension liability was 3.65% as of June 30, 2023 (the measurement date). This rate represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer General Obligation (GO) 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

NOTES TO BASIC FINANCIAL STATEMENTS
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Mortality

The mortality tables used in the June 30, 2023 actuarial valuations were as follows:

— *Pre-retirement Mortality*

For general employees not covered under Act No. 127-1958, PubG-2010 Employee Mortality Rates were adjusted by 100% for males and 110% for females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. For members covered under Act No. 127-, the PubS-2010 Employee Mortality Rates are assumed for males and females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.

100% of deaths while in active service are assumed to be occupational for members covered under Act 127-1958.

— *Post-retirement Retiree Mortality*

Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 healthy retiree rates were adjusted by 100% for males and 110% for females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date. This assumption is also used for beneficiaries prior to the member's death.

— *Post-retirement Disabled Mortality*

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

— *Post-retirement Beneficiary Mortality*

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

Other Assumptions as of June 30, 2023:

Actuarial cost method	Entry age normal
Actuarial assumptions:	
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. 03-2017, four-year extension of Act No. 66-2014, and the current general economy

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(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 3.65%, as well as what it would be if it were calculated using the discount rate of 1-percentage point lower (2.65%) or 1-percentage-point higher (4.65%) than the current rate:

	<u>1% Decrease or (2.65%)</u>	<u>Current discount rate of (3.65%)</u>	<u>1% Increase or (4.65%)</u>
Total pension liability	\$ 5,715,516	\$ 5,127,027	\$ 4,634,181

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, 2024:

<u>Source</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience in measuring total pension liability	\$ 3,573	\$ 31,976
Changes in assumptions	195,769	-
Changes in proportion	24,669	-
Employer pension payment made subsequent to the measurement date	31,839	-
Total	<u>\$ 255,850</u>	<u>\$ 31,976</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pension at June 30, 2024, will be recognized in pension expense (benefit) in future years as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2025	<u>\$ 167,366</u>

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 1 year for 2023. The deferred outflows of resources related to benefit payments made by the Authority subsequent to the measurement date, which amounted to \$31,839, is also not included in the table above.

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NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

12. TERMINATION BENEFITS

GOVERNMENTAL ACTIVITIES

During the fiscal year ended June 30, 2017, the Authority extended to its employees a new voluntary early retirement program. This program was approved by the Authority’s Board of Directors based on the provisions established in Act No. 211, which was enacted on December 8, 2015. Act No. 211 provided that eligible employees may retire from employment with the Authority in exchange for an early pension and other benefits. Act No. 211 only applied to employees with twenty years or more participation in ERS who have not reached 61 years of age.

Act No. 211 provided that the employee would receive an annuity equivalent to 60% of the average compensation, as defined, as of December 31, 2015, and until the participating member attained 61 years of age, which is the age at which the employee will become part of ERS. The Authority is responsible for the payment of the employer contribution to Social Security and Medicare, based on the 60% of the average compensation as of December 31, 2015. The Authority is also responsible for the payment of the related employee and employer contributions to ERS based on the 100% of average salary as of December 31, 2015, for amounts which guarantee a 50% minimum compensation to an eligible employee of his or her average compensation as of June 30, 2013. The participating employee will also receive the benefits of health insurance for a period not more than two years, and until he or she reaches 61 years old.

As of June 30, 2024, the total liability related to these early termination benefits was approximately \$360 thousand. This liability is measured at the discounted present value of expected future benefit payments using a discount rate of 3.65%.

The activity of the termination benefits as of June 30, 2024, is as follows (in thousands):

<u>Description</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Termination benefits	<u>\$ 551</u>	<u>\$ 13</u>	<u>\$ (204)</u>	<u>\$ 360</u>	<u>\$ 200</u>

FIDUCIARY FUNDS

As discussed in Note 1, pursuant to the GDB Restructuring Act, a Trust was created to secure to manage and pay the benefits of former GDB employees related to early termination programs. On August 6, 2019, the ERO Trust was created to manage different early termination programs that were approved by GDB board of directors on fiscal years 1994, 2000, 2007 and 2011 to GDB employees.

The activity of the termination benefits as of June 30, 2024, is as follows (in thousands):

<u>Description</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Termination benefits	<u>\$ 2,969</u>	<u>\$ -</u>	<u>\$ (632)</u>	<u>\$ 2,337</u>	<u>\$ 594</u>

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NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

13. COMMITMENTS AND CONTINGENCIES

Contingencies

Governmental Activities

Legal contingencies were evaluated through March 31, 2025, the date the basic financial statements were available to be issued, to determine if any such events should either be recognized or disclosed in the basic financial statements for fiscal year 2024. Management, with the advice of external counsel, has evaluated all legal claims and concluded that an accrual for monetary damages is not necessary for these litigation contingencies.

Federal Awards

The Authority participates in federal financial assistance programs funded by the federal government. Expenditures financed by these programs are subject to financial and compliance audits by the appropriate grantors. If expenditures are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse funds received to the grantors.

14. SUBSEQUENT EVENTS

Subsequent events were evaluated through March 31, 2025, to determine if any such events should either be recognized or disclosed in the 2024 basic financial statements. The subsequent events disclosed below are principally those related to the Authority's operations.

Authority's Budget

The Fiscal Oversight and Management Board approved a budget amounting to \$45.8 million for the Authority for the fiscal year ended on June 30, 2025, for its operation.

Puerto Rico Public Finance Corporation (PFC)

On October 2, 2023, PFC executed a Memorandum Of Understanding ("MOU") providing that AAFAF shall be responsible for all administrative matters pertaining to the dissolution of PFC. On September 16, 2024, the Board of Directors of the Public Finance Corporation approved a transfer amounting to \$2.1 million to the Authority.

Federal Funds

American Rescue Plan Act

On July 9, 2024, the Puerto Rico Office of Management and Budget (OMB) assigned to the Authority approximately \$7.6 million to continue with the implementation of the initiatives included in the Strategic Disbursement Plan and to cover administrative expenses related to the technical assistance and oversight of American Rescue Plan Act funds received by Commonwealth of Puerto Rico.

On December 5, 2024, The Children Trust (the Trust) and the Authority signed a MOU through which the Trust received \$4 million from the Authority. These funds from the Authority come from the Coronavirus State and Local Fiscal Recovery Fund ("CSFRF"). The purpose of this MOU is to provide additional funding to the Trust so that it can provide additional grant agreements to eligible entities that comply with the regulations of the Trust.

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

**PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
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**Schedule of Proportionate Share of Collective Total Pension Liability and Related Ratios (Unaudited)
June 30, 2024**

Description	2024	2023	2022*
Proportion of the Collective Total Pension Liability	0.02468%	0.02520%	0.00039%
Proportionate Share of the Collective Total Pension Liability	\$5,127,027	\$ 5,582,664	\$ 104,782
Covered- Employee Payroll **	n/a	n/a	n/a
Proportionate Share of Collective Total Pension Liability as Percentage of Covered-Employee Payroll	n/a	n/a	n/a

* The amount presented have a measurement date of the previous year end.

** Covered payroll is no longer applicable since contributions are not longer based on payroll and were eliminated pursuant to Act No. 106-2017.

Note: Fiscal year 2022 was the first year of the Authority with Total Pension Liability. This schedule is required to illustrate 10 years of information. However, until the 10-year trend has been completed, information is presented only for the years for which required information is available.

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

See accompanying independent auditors' report.

PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

Notes to Required Supplementary Information -Schedule of Proportionate Share of Collective Total Pension Liability and Related Ratios (Unaudited)
June 30, 2024

1. The schedules are intended to show information for ten years. Additional years will be displayed as they become available. The information presented relates solely to the Authority and not Employee's Retirement System of the Government of Puerto Rico as a whole.
2. The data provided in the schedules is based on the measurement date of the total pension liability, which is as of the prior fiscal year ended June 30, 2023.
3. On August 23, 2017, was enacted the Act No. 106, known as the "Act to Guarantee Payment to Our Retirees and establish a New Plan for Defined Contributions for Public Employees". This Act determined and declared that the ERS, JRS and TRS are in a financial emergency. Also, by this Act is hereby created the Account for the Payment of Accumulated Pensions, a trust account, separated from the general assets and accounts of the Government, designated to pay the Accumulated Pensions by the ERS, JRS and TRS under the "pay as you go" scheme, as established in Chapter 2 of this Act. Once Retirement Systems exhaust their assets, the Accumulated Pension Payment Account, which will be largely nourished by the General Fund, as provided in this Act, will assume and guarantee the payment of the Accumulated Pensions. However, the Municipalities, the Legislative Branch, the Public Corporations and the Courts Administration will pay the PayGo Charge as appropriate to each one to nurture the Account for the Payment of the Accumulated Pensions.



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

INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
Puerto Rico Fiscal Agency and Financial Advisory Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities and each major fund of the Puerto Rico Fiscal Agency and Financial Advisory Authority, a component unit of the Commonwealth of Puerto Rico, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Puerto Rico Fiscal Agency and Financial Advisory Authority's basic financial statements, and have issued our report thereon dated March 31, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

San Juan, Puerto Rico
March 31, 2025.



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Authority (AFFAF Uniform)

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
Puerto Rico Fiscal Agency and Financial Advisory Authority

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Puerto Rico Fiscal Agency and Financial Advisory Authority's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Puerto Rico Fiscal Agency and Financial Advisory Authority's major federal programs for the year ended June 30, 2024. Puerto Rico Fiscal Agency and Financial Advisory Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Puerto Rico Fiscal Agency and Financial Advisory Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Puerto Rico Fiscal Agency and Financial Advisory Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Puerto Rico Fiscal Agency and Financial Advisory Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Puerto Rico Fiscal Agency and Financial Advisory Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Puerto Rico Fiscal Agency and Financial Advisory Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Puerto Rico Fiscal Agency and Financial Advisory Authority's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of the governmental activities and each major fund of the Puerto Rico Fiscal Agency and Financial Advisory Authority as of and for the year ended June 30, 2024, and have issued our report thereon dated March 31, 2025, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

San Juan, Puerto Rico
March 31, 2025.



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PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2024

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of the Treasury: Puerto Rico Department of the Treasury Coronavirus State and Local Fiscal Recovery Funds	21.027	OE-2021-034	<u>\$ 15,934,076</u>

The accompanying notes are an integral part of this Schedule.

PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2024

1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activities of the Puerto Rico Fiscal Agency and Financial Advisory Authority (the Authority), a Component Unit of the Commonwealth of Puerto Rico (the Commonwealth), under programs of the federal government, for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”)*. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position and changes in financial position of the Authority. Therefore, some amounts presented in this Schedule may differ from amounts presented in or used in the preparation of the basic financial statements. All federal agencies as well as federal awards passed through from other local government agencies are included in the Schedule.

2) Summary of Significant Accounting Policies

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

3) Assistance Listing Number

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

4) Program Costs

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

5) Reconciliation to Financial Statements:

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

Description	Amount
Federal grant revenues per statement of revenues, expenditures and change in fund balance- Governmental Fund	\$ 16,246,300
Plus: Payment of accrued expenses incurred during fiscal year 2023 and disbursed with federal funds during fiscal year 2024	1,369,765
Less: Accrued withholding at year end	(1,681,989)
Expenses per schedule of expenditures of federal awards	\$ 15,934,076

PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2024

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? yes no
- Significant deficiency (ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness (es) identified? yes no
- Significant deficiency (ies) identified? yes none reported

Type of auditors' report issued on compliance for major federal programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? yes no

Identification of major federal programs

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

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2024

SECTION II - FINANCIAL STATEMENTS FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



GOVERNMENT OF PUERTO RICO
PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY

Summary Schedule of Prior Year Findings
For the year ended June 30, 2024



SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For the year ended June 30, 2024

Finding Number: 2023-001

Federal Programs:

Assistance Listing 21.027 Coronavirus State and Local Fiscal Recovery Funds

Category:

Compliance

Compliance Requirement:

Reporting

Condition:

The Authority did not submit the required data collection form and reporting package for the year ended June 30, 2023, within the required period.

Current Status:

The Authority submitted on April 23, 2024, the 2023 data collection form and reporting package.