Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Uniform Guidance Report
June 30, 2022
(With Independent Auditors' Report)

Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Uniform Guidance Report
Year Ended June 30, 2022

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INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of the
Puerto Rico Infrastructure Financing 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 Infrastructure Financing Authority, a Component Unit of the Commonwealth of Puerto Rico, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Puerto Rico Infrastructure Financing 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 Infrastructure Financing Authority, as of June 30, 2022, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Puerto Rico Infrastructure Financing 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 referred to in the Note 4 to the basic financial statement, the Puerto Rico Infrastructure Financing Authority's main source of revenue consists of legislative appropriations from the Commonwealth of Puerto Rico. As a result, the Puerto Rico Infrastructure Financing Authority's operations are dependent on the Commonwealth of Puerto Rico's ability to continue providing funding to the Puerto Rico Infrastructure Financing 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 Infrastructure Financing 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 auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 the 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 Infrastructure Financing 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 Infrastructure Financing 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Puerto Rico Infrastructure Financing Authority's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023 on our consideration of the Puerto Rico Infrastructure Financing 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 Infrastructure Financing 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 Infrastructure Financing Authority's internal control over financial reporting and compliance.

San Juan, Puerto Rico
October 31, 2023.

Stamp No. E554053 was affixed
to the original of this report.

RSM Puerto Rico

This section presents a narrative overview and analysis of the financial performance of the Puerto Rico Infrastructure Financing Authority (the Authority). It is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position, and identify individual issues or concerns. The information presented here should be read in conjunction with the basic financial statements, including the notes thereto.

1. FINANCIAL HIGHLIGHTS

- Total assets decreased by approximately $40.3 million, or 16.8% while deferred outflow of resources decreased by approximately $25.7 million, or 98% when compared to the fiscal year ended June 30, 2021, respectively.
- Capital assets reflected a net increase of approximately $1.2 million, or 4.1% when compared to the fiscal year ended June 30, 2021, as a result of the capitalization of MEPSI Center.
- Total liabilities decreased by approximately $2.4 billion, or 94.8% when compared to the fiscal year ended June 30, 2021, as a result of the execution of the Authority's Qualifying Modification approved by the United States District Court for the District of Puerto Rico under Title VI of the Puerto Rico Oversight, Management, and Economic Stability Act of 2016 (PROMESA), discussed below.
- The net deficit of the Authority decreased by approximately $2.3 billion, or 102.8% when compared to fiscal year ended on June 30, 2021.
- Revenues increased by approximately $269.9 million, or 2,957% when compared to the fiscal year ended June 30, 2021.
- Expenses increased by $38.6 million, or 100% when compared to the fiscal year ended June 30, 2021.
- During the fiscal year ended June 30, 2022, the Authority's Qualifying Modification was approved and implemented which resulted in a extraordinary gain amounting to approximately $2.2 billion.
- World Plaza remaining (proprietary fund) assets were transferred to the Authority's General Fund.
- Certain reclassifications were made to the previous year figures in order to conform with this year financial statements presentation.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This management discussion and analysis is required supplementary information to the basic financial statements and is intended to serve as an introduction to the basic financial statements of the Authority. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements and, (3) notes to the basic financial statements.

Government-wide Financial Statements – The government-wide financial statements provide readers with a broad overview of the Authority's finances, 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 statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This basically means that the statements follow methods that are similar to those used by private non-governmental organizations. They take into account all revenue and expenses connected with the fiscal year even if the cash involved has not been received or paid.

The government-wide financial statements include two statements:

- ***Statement of Net Position (Deficit)*** – This statement presents all of the government's assets, liabilities and deferred outflows and inflows of resources. Net position (deficit) is the difference between (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources. Over time, increases or decreases in the Authority's net position (deficit) 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 showing how the Authority's net position (deficit) changed during the most recent fiscal year. All changes in net position (deficit) are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The government-wide financial statements present the following columns segregated by activities:

- ***Governmental Activities*** – These activities are mostly supported by intergovernmental revenue (Contributions from the Commonwealth of Puerto Rico). Most services normally associated with the Authority fall into general government, economic development, education, aqueduct and sewers, transportation, recreation and sports, edification, arts and entertainment, and public safety.

- ***Business Type Activities*** – These activities are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business type activities of the Authority include the rental operations of the World Plaza Building.

The government-wide financial statements can be found immediately following this Management's Discussion and Analysis.

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Fund Financial Statements – 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 has one type of funds, governmental funds. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Authority's near-term financing requirements. Because 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 governmental activities in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of financial decisions related to the Authority's governmental activities. Both, the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Governmental Funds Financial Statements – The Authority has two major governmental funds. Each major fund is presented in a separate column in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances (deficit). The Authority's major governmental funds are:

- General Fund
- Debt Service Fund

Proprietary Funds Financial Statements – These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers, including local governments, they are known as enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements. The basic proprietary funds financial statements can be found immediately following the governmental funds financial statements.

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

3. GOVERNMENT-WIDE FINANCIAL ANALYSIS

Governmental entities are required by accounting principles generally accepted in the United States of America (US GAAP), as prescribed by the Government Accounting Standard Board (GASB), to report on their net position (deficit). The Statement of Net Position (Deficit) presents the value of all of the Authority's assets and deferred outflow of resources, liabilities and deferred inflow of resources, with the difference between them reported as net position (deficit).

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The following was derived from the Statement of Net Position (Deficit) as of June 30, 2022, and 2021:

	2022	As restated 2021	Change	Percentage	2022	2021	Change	Percentage
Assets:								
Current assets	$ 12,879,888	$ 5,097,282	$ 7,782,606	152.7%	$ -	$ 7,715,862	$ (7,715,862)	-100.0%
Capital assets, net	32,285,050	31,022,415	1,262,635	4.1%	-	24,708	(24,708)	-100.0%
Noncurrent assets	154,936,335	204,360,799	(49,424,464)	-24.2%	-	-	-	0.0%
Total assets	200,101,273	240,480,496	(40,379,223)	-16.8%	-	7,740,570	(7,740,570)	-100.0%
Deferred outflows of resources	531,966	26,232,577	(25,700,611)	-98.0%	-	-	-	0.0%
Liabilities:								
Liabilities due within one year	126,669,221	888,764,506	(762,095,285)	-85.7%	-	4,929	(4,929)	-100.0%
Liabilities due after one year	7,888,959	1,695,313,675	(1,687,424,716)	-99.5%	-	-	-	0%
Total liabilities	134,558,180	2,584,078,181	(2,449,520,001)	-94.8%	-	4,929	(4,929)	-100.0%
Deferred inflow of resources	127,165	123,890	3,275	2.6%	-	-	-	0.0%
Net position / deficit:								
Net investment in capital assets	32,285,050	12,569,249	19,715,801	156.9%	-	-	-	0.0%
Restricted for:								
Other purposes	63,520,070	96,534,170	(33,014,100)	-34.2%	-	-	-	0.0%
Unrestricted / (Deficit)	(29,857,226)	(2,426,592,217)	2,396,734,991	-98.8%	-	7,735,641	(7,735,641)	-100.0%
Total net position (deficit)	$ 65,947,894	$ (2,317,488,798)	$ 2,383,436,692	-102.8%	$ -	$ 7,735,641	$ (7,735,641)	-100.0%

Overall, the Authority's deficit for governmental activities decreased by approximately $2.3 billion, or 102.9% during the fiscal year ended June 30, 2022, as a result of execution of the Authority's Qualify Modification under Title VI of PROMESA and the Commonwealth Plan of Adjustment.

Total assets for governmental activities decreased by approximately $40.4 million, or 16.8%, during the fiscal year ended June 30, 2022, mainly related to the end of the direct financing lease and capitalization of Mepsi Center which result in a net decrease amounting to $20.7 million and decrease in investment in debt security amounting to $30.1 million, a decrease in funds received from third parties for construction in projects amounting to $2.5 million and an increase in cash received amounting to approximately $8 million related to the transfer of cash from World Plaza (Proprietary Fund)to the general fund.

Deferred outflows of resources decreased by approximately $25.7 million, or 98% for the fiscal year ended June 30, 2022, due to the execution of the Authority's Qualify Modification which eliminated the loss on debt refunded amounting to $25.4 million.

Total liabilities for government activities decreased by approximately $2.4 billion, or 94.8%, mainly due to the execution to the Authority's Qualify Modification which eliminated bonds payable in the total aggregate amount of approximately $2.5 billion.

Condensed program net revenues or expenses and changes in net position (deficit) are presented below:

	Governmental Activities				Business-Type Activities			
	2022	As Restated 2021	Change	Percentage	2022	2021	Change	Percentage
Revenues:								
Program revenues:								
Operating grants and contributions	$ 309,009,931	$ 3,163,569	$ 305,846,362	9667.8%	$ -	$ -	$ -	0.0%
Charges for services	158,361	155,282	3,079	2.0%	-	1,886,009	(1,886,009)	-100.0%
General revenues (expenses):								
Change in fair value in investments	(3,724,799)	4,362,844	(8,087,643)	-185.4%	-	-	-	0.0%
Investments earnings	828,931	2,019,604	(1,190,673)	-59.0%	-	3,863	(3,863)	-100.0%
Gain on settlement of debt:	-	-	-	0.0%	-	24,751,583	(24,751,583)	-100.0%
Other	-	-	-	0.0%	-	(2,988)	2,988	-100.0%
Total revenues	306,272,424	9,701,299	296,571,125	3057.0%	-	26,638,467	(26,638,467)	-100.0%
Expenses:								
Functions/Programs:								
General government	117,289,868	26,272,284	91,017,584	346.4%	-	-	-	0.0%
Education, aqueduct and sewers, and transportation	3,825,305	2,569,030	1,256,275	48.9%	-	-	-	0.0%
Recreation and sports	2,355	974,128	(971,773)	-99.8%	-	-	-	0.0%
Edifications	1,539,245	1,804,230	(264,985)	-14.7%	-	-	-	0.0%
Interest on long-term debt	28,970,815	81,425,379	(52,454,564)	-64.4%	-	-	-	0.0%
World Plaza Building	-	-	-	0.0%	-	2,431,566	(2,431,566)	-100.0%
Total expenses	151,627,588	113,045,051	38,582,537	34.1%	-	2,431,566	(2,431,566)	-100.0%
Extraordinary gain or loss:								
Extraordinary gain	(2,221,056,215)	-	(2,221,056,215)	100.0%	-	-	-	0.0%
Increase (decrease) in net position before transfers	2,375,701,051	(103,343,752)	2,479,044,803	-2398.8%	-	24,206,901	(24,206,901)	-100.0%
Other financing sources:								
Transfer In/Out	7,735,641	-	7,735,641	100.0%	(7,735,641)	-	(7,735,641)	-100.0%
Beginning deficit, as restated	(2,317,488,798)	(2,214,145,046)	(103,343,752)	4.7%	7,735,641	(16,471,260)	24,206,901	-147.0%
Ending deficit	$ 65,947,894	$ (2,317,488,798)	$ 2,383,436,692	-102.8%	$ -	$ 7,735,641	$ (7,735,641)	-100.0%

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Revenues – Total revenues increased by approximately $296.6 million, or 3,057% during the fiscal year ended June 30, 2022, mainly related to the following: an increase amounting to $193.5 million received from the Commonwealth in order to settle all rum tax claims, an increase in federal grants received amounting to approximately $112.3 million related to a Memo of Understanding (MOU) signed between the Department of Education (DOE), the Authority and Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF) for improvements made to public schools, decrease in investment earnings amounting to approximately $1.2 million, and a decrease in fair value on investment amounting to approximately $8 million.

Expenses – Total expenses increased by approximately $38.6 million, or 34.1% during the fiscal year ended June 30, 2022, mainly related to a decrease on interest in long term debt amounting to $13.9 million and an increase in expenditures related to general government amounting to approximately $91 million, and an increase in education, aqueduct and sewers and transportation expenses amounting to $1.2 million.

During the fiscal year ended on June 30, 2022, the Authority Qualify Modification resulted in a discharge of the Authority Rum Bonds, which resulted in an extraordinary gain amounting to approximately $2.2 billion.

4. GOVERNMENTAL FUNDS RESULTS

General Fund – Total assets in the general fund decreased from approximately $195.8 million in fiscal year 2021 to approximately $167.8 million in fiscal year 2022, as a result of funds used from other governmental entities for the construction of projects in the amount of approximately $15 million and a decrease in investment amounting to approximately $30.2 million as a result of the transfer of investment to holders of PRIFA/Mepsi bonds consistent with the terms of the Authority's Qualify Modification. Also, there is an increase in total assets amounting to approximately $17 million related to the capital project fund reallocation to the general fund.

Total liabilities increased from approximately $109.1 million in fiscal year 2021 to approximately $124 million in fiscal year 2022 as a result of an increase in accounts payable and accrued liabilities amounting to approximately $11.3 million, an increase in due to other fund amounting to approximately $4 million and a decrease in funds received from other governmental entities in the amount of approximately $11 million. There also is an increase in total liabilities amounting to approximately $17 million related to the capital project fund reallocation to the general fund.

Revenues in the general fund increased from approximately $9.7 million in fiscal year 2021 to approximately $112.8 million in fiscal year 2022, mainly due to a contribution of federal grants received amounting to approximately to $112.3 million. Expenses in the general fund increased from $11.6 million in fiscal year 2021 to approximately 123.9 million in fiscal year 2022, mainly due to the contribution of federal funds been expended amounting to approximately $112.3 million related to the MOU signed between the Authority, DE and AAFAF for public schools improvements to be made. Also, there are $2.4 million of increased expenses as a result of the reallocation of the capital project fund consistent with the terms of the Authority's Qualify Modification.

Debt Service Fund – Total assets decreased from approximately $56,000 in fiscal year 2021 to approximately $4,000 in fiscal year 2022, resulting in a decrease of approximately $52,000, which was related to a decrease in restricted cash in that amount.

Total liabilities decreased from approximately $699 million in fiscal year 2021 to $2 million in fiscal year 2022 as a result of the execution of the Authority's Qualify Modification which eliminated $698 million of bonds which were due and payable.

5. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Non-depreciable capital assets represent construction work in progress, including land in which infrastructure projects are or will be developed. Depreciable assets include furniture and equipment, vehicles, and buildings. The following is a schedule of the Authority's capital assets balances:

	Governmental Activities		Business-Type Activities		Total	
	2022	As Restated 2021	2022	2021	2022	2021
Land	$ 10,126,943	$ 10,126,943	$ -	$ -	$ 10,126,943	$ 10,126,943
Construction in progress	10,250,938	8,918,398	-	-	10,250,938	8,918,398
Building	13,562,885	13,562,885	-	-	13,562,885	13,562,885
Right to use lease assets	208,595	-	-	-	208,595	-
Furniture and equipment	1,188,703	1,095,284	-	28,775	1,188,703	1,124,059
Vehicles	57,692	57,692	-	-	57,692	57,692
Total capital assets	35,395,756	33,761,202	-	28,775	35,395,756	33,789,977
Less accumulated depreciation and amortization	3,110,706	2,738,787	-	4,067	3,110,706	2,742,854
Capital assets - net	$ 32,285,050	$ 31,022,415	$ -	$ 24,708	$ 32,285,050	$ 31,047,123

Governmental activities capital assets net increased from approximately $31 million in fiscal year 2021 to approximately $32.3 million in fiscal year 2022. Increase amounting to approximately $1.3 million is mainly related to the capitalization of construction in progress made during the fiscal year 2022.

Debt Outstanding

On January 18, 2022, the U.S. District Court for the District of Puerto Rico (the Title III Court) entered an order confirming the Modified Eighth Amended Title III Joint Plan of Adjustment for the Commonwealth of Puerto Rico, et al. [ECF No. 19813-1] (the Commonwealth Plan of Adjustment), which incorporates several agreements reached with creditors and other parties in interest to resolve the Title III cases for the Commonwealth, the Employees Retirement System of the Government of the Commonwealth of Puerto Rico (ERS), and the Puerto Rico Public Buildings Authority (PBA), including resolving the litigation related to the retention of certain revenues that were historically transferred to the Authority.

On January 20, 2022, the U.S. District Court for the District of Puerto Rico entered an order approving the qualifying modification (the Authority's Qualifying Modification) for the Special Tax Revenue Bonds, Section 2005A, Special Tax Revenue Bonds, Series 2005B, Special Tax Revenue Refunding Bonds, Series 2005C, and Special Tax Revenue Bonds (collectively, the Authority's Rum Bonds) under Title VI of PROMESA.

On March 15, 2022, the Commonwealth Plan of Adjustment became effective together with the Authority's Qualifying Modification. As a result, of their effectiveness, the total liability of the Authority decreased by $2.4 million because the Authority's Qualifying Modification and the Commonwealth Plan of Adjustment together eliminate all the Authority's bonds (Special Tax Revenue Bonds, Mental Health Infrastructure Revenue Bonds and Dedicated Tax Revenue Bonds Anticipation Notes).

On the effective date of the Authority's Qualifying Modification, all claims related to the Authority's Rum Bonds, including extensive litigation related thereto, were resolved in exchange for the following distributions made under the Commonwealth Plan of Adjustment and the Authority's Qualifying Modification:

- $193.5 million in cash from the Commonwealth;
- Contingent value instruments (CVIs) triggered by both (i) outperformance of general fund rum tax collections relative to the projections contained in the Oversight Board's Fiscal Plan for the Commonwealth, and (ii) a 27% allocation of outperformance of the Commonwealth's 5.5% sales and use tax (SUT) relative to the Oversight Board's projections contained in its May 27, 2020 certified fiscal plan for the Commonwealth; and
- Approximately $34.7 million and $21.7 million for the fees of certain monoline insurers for supporting the Eighth Amended Plan and the PRIFA Qualifying Modification, respectively, among other fees.

The total distributions to the Authority's creditors on account of the Authority-related CVIs are subject to a lifetime aggregate cap of approximately $1.3 billion. The CVIs will be general obligations of the Commonwealth issued pursuant to the Commonwealth Plan of Adjustment.

On the effective date of the Authority's Qualifying Modification, the Authority's Rum Bonds were canceled and discharged, and bondholders released all remaining claims related to the Authority's Rum Bonds

As of June 30, 2022, the Authority had approximately $3.6 million of loans payable, $3 million of total pension liability and $2.18 million of accrued legal expenses.

Currently the Authority is not paying its loan payable (Public Finance Corporation Note) since the Commonwealth has not made an appropriation for its payment. In December 2022 the loan payable was discharged. Refer to the next section and Note 14 for further information.

6. CURRENTLY KNOWN FACTS

Public Finance Corporation Qualifying Modification

On January 20, 2022, AAFAF on behalf of PFC, entered into a Restructuring Support Agreement (the PFC RSA) with holders of a majority of those certain Series 2011A, Series 2011B, and Series 2012A Commonwealth Appropriation Bonds (the PFC Bonds). The PFC RSA provides for a restructuring and discharge of the PFC Bonds under a Title VI Qualifying Modification (the PFC Qualifying Modification). The PFC Qualifying Modification further provides that those promissory notes that were issued to the order of PFC by certain Commonwealth instrumentalities for the repayment of the PFC Bonds will be cancelled and extinguished and such entities will be discharged from any liability arising from or related to such promissory notes.

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

On December 30, 2022, the District Court entered an order approving the PFC Qualifying Modification. The PFC Qualifying Modification became effective on January 12, 2023. As a result of the PFC Qualifying Modification, the PFC Bonds were discharged and extinguished for the payment of $13.8 million in cash. In addition, the outstanding debt of the Authority described in Note 13 and of those other Commonwealth's instrumentalities and public corporations, where applicable, were cancelled and extinguished. Litigation remains ongoing as to whether the bondholders are also entitled to the $47.7 million in DRA Bonds. Oral argument on that issue took place on May 10, 2022, and the Court's decision remains pending at this time. The outcome of that litigation does not otherwise impact the effectiveness of the Qualifying Modification and the discharge of the PFC Bonds.

7. REQUEST FOR INFORMATION

This financial report is designed to provide all interested with a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Puerto Rico Infrastructure Financing Authority, PO Box 41207, Minillas Station, San Juan, PR 00940.

Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Net Position (Deficit)
June 30, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents in commercial banks	$ 12,368,484	$ -	$ 12,368,484
Due from other governmental entities	301,753	-	301,753
Accounts receivable, net	66,703	-	66,703
Due from Commonwealth of Puerto Rico	142,948	-	142,948
Other	2,725	-	2,725
Restricted assets:			
Cash and cash equivalents in commercial banks	140,167,714	-	140,167,714
Accrued interest receivable	382,496	-	382,496
Investments in debt securities	14,383,400	-	14,383,400
Capital assets, net:			
Non-depreciable:			
Land	10,126,943	-	10,126,943
Construction in progress	10,250,938	-	10,250,938
Depreciable assets, net	11,907,169	-	11,907,169
Total assets	200,101,273	-	200,101,273
DEFERRED OUTFLOWS OF RESOURCES:	32,285,050		
Pension related	531,966	-	531,966
Total deferred outflows of resources	531,966	-	531,966
Total assets and deferred outflows of resources	200,633,239	-	200,633,239
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION LIABILITIES:			
Accounts payable and accrued expenses	100,755,455	-	100,755,455
Accrued interest payable	1,317,285	-	1,317,285
Advances received from other governmental entities	23,222,500	-	23,222,500
Liabilities due in one year:			
Lease liability	39,843	-	39,843
Accrued legal expenses	202,192	-	202,192
Loans payable	783,773	-	783,773
Compensated absences	205,513	-	205,513
Total pension liability	147,295	-	147,295
Liabilities due in more than one year:			
Lease liability	129,797	-	129,797
Accrued legal expenses	1,982,290	-	1,982,290
Loans payable	2,850,791	-	2,850,791
Compensated absences	12,530	-	12,530
Total pension liability	2,908,916	-	2,908,916
Total liabilities	134,558,180	-	134,558,180
DEFERRED INFLOW OF RESOURCES:			
Pension related	127,165	-	127,165
Total deferred inflow of resources	127,165	-	127,165
NET POSITION:			
Net investment in capital assets	32,285,050	-	32,285,050
Restricted for:			
Capital Project	63,520,070	-	63,520,070
Unrestricted	(29,857,226)	-	(29,857,226)
TOTAL NET POSITION	$ 65,947,894	$ -	$ 65,947,894

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

Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Activities
For the Fiscal Year Ended June 30, 2022

		Program Revenues		Net (expense) / revenue and changes in net position (deficit)		
FUNCTIONS / PROGRAMS	Expenses	Operating Grants and Contributions	Charges for Services	Governmental Activities	Business - Type Activities	Total
GOVERNMENTAL ACTIVITIES:						
General government	$ 117,289,868	$ 309,009,931	$ 158,361	$ 191,878,424	$ -	$ 191,878,424
Education, aqueduct and sewers, and transportation	3,825,305	-	-	(3,825,305)	-	(3,825,305)
Recreation and sports	2,355	-	-	(2,355)	-	(2,355)
Edifications	1,539,245	-	-	(1,539,245)	-	(1,539,245)
Interest on long-term debt	28,970,815	-	-	(28,970,815)	-	(28,970,815)
Total governmental activities	151,627,588	309,009,931	158,361	157,540,704	-	157,540,704
BUSINESS - TYPE ACTIVITIES:						
World Plaza Building	-	-	-	-	-	-
Total	$ 151,627,588	$ 309,009,931	$ 158,361	157,540,704	-	157,540,704
GENERAL REVENUES (EXPENSES):						
Change in fair value in investments				(3,724,799)	-	(3,724,799)
Investment earnings				828,931	-	828,931
Other expenses				-	-	-
Total general revenues				(2,895,868)	-	(2,895,868)
TRANSFERS:						
Transfer in				7,735,641	-	7,735,641
Transfer out				-	(7,735,641)	(7,735,641)
Total other financing sources				7,735,641	(7,735,641)	-
EXTRAORDINARY GAIN :						
Extraordinary gain				2,221,056,215	-	2,221,056,215
CHANGE IN NET POSITION (DEFICIT)				2,383,436,692	(7,735,641)	2,375,701,051
NET POSITION (DEFICIT) - Beginning of year as restated				(2,317,488,798)	7,735,641	(2,309,753,157)
NET POSITION - End of year				$ 65,947,894	$ -	$ 65,947,894

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

Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Balance Sheet-Governmental Funds
June 30, 2022

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents in commercial banks	$ 12,368,484	$ -	$ 12,368,484
Due from other governmental entities	301,753	-	301,753
Due from Commonwealth of Puerto Rico	142,948	-	142,948
Due from other fund	-	3,000	3,000
Account Receivable, net	66,703	-	66,703
Other	2,726	-	2,726
Restricted assets:			
Cash and cash equivalents in commercial banks	140,166,396	1,318	140,167,714
Accrued interest receivable	382,496	-	382,496
Investments	14,383,400	-	14,383,400
	$ 167,814,906	$ 4,318	$ 167,819,224
LIABILITIES:			
Accounts payable and accrued liabilities	$ 886,656	$ -	$ 886,656
Liabilities payable from restricted assets:			
Loans payable	-	674,546	674,546
Accrued interest payable	-	1,317,284	1,317,284
Accounts payable and accrued liabilities	99,868,813	-	99,868,813
Advances received	23,222,486	-	23,222,486
Due to other funds	3,000	-	3,000
Total liabilities	123,980,955	1,991,830	125,972,785
FUND BALANCES:			
Restricted for Capital Projects	63,520,069	-	63,520,069
Unassigned	(19,686,118)	(1,987,512)	(21,673,630)
Total fund balances	43,833,951	(1,987,512)	41,846,439
	$ 167,814,906	$ 4,318	$ 167,819,224

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

Reconciliation of the Balance Sheet to the Statement of Net Position (Deficit)
Fiscal Year Ended June 30, 2022

FUND BALANCES - GOVERNMENTAL FUNDS		$ 41,846,439
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These amounts are:		
Non-depreciable capital assets	$ 20,377,880	
Depreciable capital assets, net	11,907,170	32,285,050
Deferred outflows of resources are not available to pay current period expenditures and, therefore, are not deferred in the funds		
Pension related		531,966
Deferred inflows of resources are not reported in the funds		
Pension related		(127,165)
Liabilities, including bonds payable, loans payable, net pension liability, and accrued interest payable are not due and payable currently and, therefore, are not reported in the funds		
Loans payable	(2,960,020)	
Lease liability	(169,640)	
Total pension liability	(3,056,211)	
Accrued legal expenses	(2,184,482)	
Compensated absences	(218,043)	(8,588,396)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 65,947,894

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

Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance – Governmental Funds to the Statement of Activities
Fiscal Year Ended June 30, 2022

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES:			
Intergovernmental revenues:			
Contributions from Commonwealth of Puerto Rico	$ 3,182,475	$ 193,525,000	$ 196,707,475
Contributions from Federal Funds	112,302,457	-	112,302,457
Interest and investment income:			
Interest bearing demand deposits	828,929	2	828,931
Change in fair value in investments	(3,724,799)	-	(3,724,799)
Other	158,361	-	158,361
Total revenues	112,747,423	193,525,002	306,272,425
EXPENDITURES:			
Current:			
General government	118,565,646	-	118,565,646
Education, aqueduct and sewers and transportation	3,137,850	-	3,137,850
Recreation and sports	2,355	-	2,355
Edifications	894,160	-	894,160
Debt service:			
Principal	-	38,620,097	38,620,097
Interest	-	58,727,192	58,727,192
Capital outlays	1,332,540	-	1,332,540
Total expenditures	123,932,551	97,347,289	221,279,840
REVENUES OVER (UNDER) EXPENDITURES	(11,185,128)	96,177,713	84,992,585
OTHER FINANCING SOURCES:			
Transfers in	12,203,818	-	12,203,818
Transfers out	(4,391,245)	(76,932)	(4,468,177)
Total other financing sources	7,812,573	(76,932)	7,735,641
BEFORE EXTRAORDINARY ITEM	(3,372,555)	96,100,781	92,728,226
EXTRAORDINARY GAIN OR LOSS:			
Extraordinary gain	(39,578,297)	601,008,894	561,430,597
NET CHANGES IN FUND BALANCES	(42,950,852)	697,109,675	654,158,823
FUND BALANCES - beginning of year	86,784,803	(699,097,187)	(612,312,384)
FUND BALANCES - end of year	$ 43,833,951	$ (1,987,512)	$ 41,846,439

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds to the Statement of Activities
Fiscal Year Ended June 30, 2022

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ 654,158,823
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report 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. This is the amount by which capital outlays exceeded depreciation in the current period. For the year these amounts are:		
Capital outlays	$ 1,425,959	
Depreciation expense	(371,919)	1,054,040
Governmental funds report intangible right-to-use leased asset as expenditures and other financing sources but as they do not require the use or provide current financial resources, they are not reported as expenses or revenues in the statement of activities. However, in the statement of activities, this intangible asset is required to be amortized over its estimated useful life and reported as amortization expense, and consistent with the lease liability treatment		38,955
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. For the year, these amounts were:		
Amortization of bonds premium, net		4,636
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 funds. This amount includes:		
Long term debt	$ 1,698,245,716	
Total pension liability	66,271	
Accrued expenses	29,713	
Pension expense	(268,393)	
Legal reserve expense	246,081	
Accrued interest expense	29,860,850	1,728,180,238
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 2,383,436,692

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

Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Net Position - Proprietary Fund
June 30, 2022

	Business -Type Activities
ASSETS:	
Current assets:	
Cash and cash equivalents in commercial banks	$ -
Accounts receivable, net	-
Prepaid expenses	-
Total current assets	-
Non current assets:	
Capital assets	
Depreciable, net	-
Total assets	$ -
LIABILITIES AND NET POSITION:	
Current liabilities:	
Accounts payable and accrued expenses	$ -
Due to other funds	-
Total current liabilities	-
Total liabilities	-
NET POSITION:	
Unrestricted	-
TOTAL NET POSITION	$ -

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

Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Revenues, Expenses, and changes in Fund Net Position (Deficit)
Proprietary Fund
For the Fiscal Year Ended June 30, 2022

	Business -Type Activities
Operating revenues:	
Rent income	$ -
Non-operating revenues (expenses):	
Interest and investment earnings	-
Other income	-
Transfer out	(7,735,641)
Total non-operating income, net	(7,735,641)
Net deficit - beginning of year	7,735,641
Net deficit - end of year	$ -

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

Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2022

	Business -Type Activities
Cash flows from operating activities:	
Receipts from customers and users	$ -
Capital expenditures, net	-
Net cash used in capital and related financing activities	-
Cash flows non-capital and related financing activities:	
Transfer to other funds	(7,971,947)
Net cash used in investing activities	(7,971,947)
Net change in cash and cash equivalents	(7,971,947)
Cash and cash equivalents, at beginning of year	7,971,947
Cash and cash equivalents, at end of year	$ -

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

1. REPORTING ENTITY

The Puerto Rico Infrastructure Financing Authority (the Authority or PRIFA) is a Component Unit of the Commonwealth of Puerto Rico (the Commonwealth) created by Act No. 44 of June 21, 1988, as amended (Act No. 44), and an affiliate of the Government Development Bank for Puerto Rico (GDB), another Component Unit of the Commonwealth. On March 23, 2018, GDB ceased its operations, and it is currently winding down its operations in an orderly fashion under Title VI of PROMESA. The Authority was organized to provide financial, administrative, and other types of assistance to public corporations, municipalities, and other governmental instrumentalities or political subdivisions of the Commonwealth that develop and operate infrastructure facilities. The accompanying financial statements present the net position and results of operations of the entity as a whole and by major funds that are governed by the Authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Authority conform to accounting principles generally accepted in the United States of America (US GAAP) for governments, as prescribed by the Governmental Accounting Standard Board (GASB).

The preparation of financial statements in conformity with US 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 financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

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

Government-Wide Financial Statements – The statement of net position and the statement of activities report information on all activities of the Authority. The effect of interfund balances has been removed from the government-wide statement of net position. Interfund charges for services among functions of the government-wide statement of activities have not been eliminated. Governmental activities generally are financed through intergovernmental revenue.

The statement of net position presents the Authority’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

- *Net Investment in Capital Assets* – This component of net position consists of capital assets, net of accumulated depreciation and amortization and is reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets, if any. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at year end, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of this component of net position. Rather, that portion of the debt or deferred inflows of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.

- *Restricted* – This component of net position consists of restricted assets and deferred outflows of resources reduced by related liabilities and deferred inflows of resources. Generally, a liability relates to restricted assets if the assets result from a resource flow that also results in the recognition of a liability or if a liability will be liquidated with the restricted assets reported. 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* – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. When both restricted and unrestricted resources are available for use, it is the Company's policy to use restricted resources first and the unrestricted resources when they are needed.

The statement of activities demonstrates the degree to which the expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Certain indirect costs have been allocated and are reported as direct program expenses of individual functions or programs. Program revenues include: (1) interest and investment income, including the changes in the fair value of investments; (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function; and (3) certain charges for services to customers that purchase, use or directly benefit from services given by a particular function. Other items not meeting the definition of program revenues are instead reported as general revenue.

Governmental Funds Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All funds of the Authority are considered major funds.

Governmental Funds

Governmental funds focusses 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 funds:

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

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

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

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

Governmental Funds Financial Statements – The governmental funds' financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues available if they are collected within 60 days after the end of the current fiscal year. Other revenues are considered measurable and available only when cash is received by the Authority. Expenditures generally are recorded when a liability is incurred. However, principal and interest on long term debt, loans and notes payable are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt, notes and loans and acquisitions under capital leases are reported as other financing sources.

Cash Equivalents – Cash equivalents are defined as highly liquid investments with original maturities at the date of purchase of 90 days or less.

Investments – To the extent available, the Authority's investments, except for money market investments, which use a cost base measure, are recorded at fair value as of June 30, 2022, following 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.

Accounts Receivable – Accounts receivable are stated net of estimated allowances 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 and revenue is recognized when received. Because of uncertainties inherent in the estimation process, management's estimate may change in the future.

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.

Restricted Assets – Certain resources are set aside for the repayment of bonds payable, construction of capital projects and other purposes. All of these assets are classified as restricted assets on the accompanying statement of net position and governmental funds balance sheet because these resources are limited for these purposes by applicable agreements.

Capital Assets – Capital assets include land, construction in progress, buildings, furniture and equipment, vehicles, and building improvements. The threshold for capitalizing furniture and equipment, vehicles, and building improvements is $750. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are recorded at cost or estimated historical cost. Contributed assets are recorded at estimated fair value at the time received. Capital assets and related depreciation are recognized in the government-wide financial statements. Depreciation is determined using the straight-line method over the related asset's estimated useful lives. There is no depreciation recorded for land and construction in progress. In governmental funds financial statements, capital assets are recorded as expenditures, and no depreciation is recognized.

The ranges of the useful lives are as follows:

Description	Years
Building	40
Building improvements	15
Furniture and equipment	3-5
Vehicles	3-5

The costs of normal maintenance and repairs that do not add value to the asset or materially extend assets' lives are expensed.

Capital assets are evaluated for impairment, using the guidance provided by GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. Under this statement, governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of capital assets 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 capital assets, and construction stoppage, among others. The Authority's management determined that there were no impairment losses for the year ended June 30, 2022.

Leases

During the fiscal year ended on June 30, 2022, the Authority adopted Governmental Accounting Standard Board Statement (GASB) 87 which required an assessment of all lease contracts. 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. The lease payments are discounted using the interest implicit rate in the lease which is 4.10%.

Lease payments are allocated between principal and interest or finance cost. The interest or finance cost is charged to 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.

Deferred Outflows/Inflows of Resources – In addition to assets, the Statement of Net Position (Deficit) reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses) until then. The Authority has two items that qualify for reporting in this category in the government-wide Statement of Net Position (Deficit): (i) the deferred amount on refunding debt, and (ii) certain pension-related items. Losses resulting from current or advance refunding of debt are deferred and amortized over the shorter of the life of the new debt and the remaining life of old debt. The amount amortized is reported as a component of interest expense. In relation to the pension related items, which are related with the GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68,* the changes in proportional share of contributions and differences between expected and actual experience are capitalized and recognized over a period equal to the expected remaining working lifetime of active and inactive participants. Net differences between projected and actual earnings on pension plan investments are deferred and recognized over a five-year period. Pension contributions made subsequent to the measurement date will be recognized as a reduction of the total pension liability after the next measurement date according to the requirements of GASB Statement No. 71. There were no deferred outflows of resources at the governmental funds level.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category in the government-wide Statement of Net Position (Deficit), which is related to certain pension-related items (GASB Statement No. 73).

Changes in proportional share of contributions, differences between expected and actual experience, and changes in actuarial assumptions, are deferred and recognized over a period equal to the expected remaining working lifetime of active and inactive participants. Net differences between projected and actual earnings on pension plan investments is deferred and recognized over a five-year period. There were no deferred inflows of resources at the governmental funds level.

Long-term debt obligations – In the government-wide financial statements, long-term debt obligations include bonds payable, due to Commonwealth of Puerto Rico and advances received.

Compensated Absences – Based on the provisions of Act No. 26 of April 29, 2017, known as the Fiscal Plan Compliance Act (Act No. 26-2017), employees earn vacation benefits at a rate of 15 days per year, with 60 days as the maximum permissible accumulation at the end of any natural year. The Authority records as a liability and as expense the vested accumulated vacation benefits accrued to employees, as provided by Act No. 26-2017. No accrual is recognized as related to sick leave.

Bond Premiums/Discounts – In the government-wide financial statements, premiums and discounts related to long-term debt are deferred and are amortized or accreted over the life of the related debt, using systematic and rational methods that approximate the interest method. Loans payable, Special Tax Revenue Bonds, Special Obligation Bonds, Dedicated Tax Revenue Bonds Anticipation Notes, and Mental Health Infrastructure Revenue Bonds in the government-wide financial statements are shown net of unamortized premium or discount.

Governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued, as well as any related premium is reported as other financing source while discounts on debt issuances are reported as other financing use. Issuance costs are recorded as expenditures when paid.

Interfund Transactions – The Authority has the following types of interfund transactions:

- **Loans** – Represent amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e., due from other funds) in lender fund and interfund payables (i.e., due to other funds) in borrower funds. Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by the non-spendable fund balance, which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.
- **Reimbursements** – Represent repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.
- **Transfers** – Represent flow of assets (such as cash or goods) without equivalent flow of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the fund making transfers and as other financing sources in the funds receiving transfers.

Fund Balance – Fund balances for each governmental fund are displayed into the following classifications, when applicable, depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- **Non-spendable** – Amounts that cannot be spent because they are legally or contractually required to be maintained intact.
- **Restricted** – Amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation. Effectively, restrictions may be changed or lifted only with the consent of the resource providers.
- **Committed** – Amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority.
- **Assigned** – Amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
- **Unassigned** – Represent the residual classification for the general funds, and includes all spendable amounts not contained in the other classifications. In the other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which the amounts have been restricted.

For classification of governmental fund balances, the Authority considers expenditures to be made from restricted resources first, then in the following order: committed, assigned, and unassigned resources.

The Authority has no non-spendable, committed or fund balances assigned.

Risk Management – The Authority is responsible for assuring that the Authority's property is properly insured. Annually, the Authority evaluates the information regarding all property owned and the respective replacement values, and purchases property and casualty insurance policies. Insurance coverage for fiscal year 2022 remained similar to those of prior years. For the last five years, insurance settlements have not exceeded the amount of coverage.

Accounting for Pension Cost - As further disclosed in Note 17 effective July 1, 2017, a new "pay-as-you-go" (PayGo) system was enacted into law by Act No. 106 of 2017 (Act 106-2017), significantly reforming the defined benefit plan (the Plan) of the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (ERS). Under the PayGo system, employers' contributions and other contributions ordered by special laws were all eliminated and substantially all the assets of the Plan were liquidated, and its proceeds transferred to the Commonwealth's General Fund for payment of pension benefits; therefore, since the enactment of Act 106-2017, the Commonwealth's General Fund makes direct payments to the pensioners and is then reimbursed for those payments by the participating employers.

As a result of the implementation of the PayGo system, the Plan no longer met the criteria of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27 (*GASB Statement 68) to be considered a plan that is administered through a trust or equivalent arrangement, and therefore, it was necessary to start applying the guidance of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No 68, and amendments of Certain Provisions of GASB Statements No. 67 and 68* (GASB Statement 73). Statement No. 73 maintains the "accrual basis" model under Statement 68, where the Total Pension Liability is actuarially determined. GASB Statement No. 73 requires a liability for pension obligations, known as the Total Pension Liability, to be recognized on the balance sheets of participating employers. Changes in Total Pension Liability are immediately recognized as pension expenses. As Act 106-2017 eliminated all contribution requirements for the Plan and converted it into a PayGo system, 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, accordingly. Further details on the accounting for pension costs are disclosed in Note 17.

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

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

The Authority's pension activity for the fiscal year ended June 30, 2022 amounted to a pension expense of approximately $62,271 and the Total Pension Liability as of June 30, 2022 amounted to approximately $3 million. See Note 17 for further required disclosures related to the Authority's pension obligations.

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

GASB Statement No. 75 employs an "accrual basis" model, where the total OPEB obligation (actuarially determined) is compared to the plan net position and the difference represents the Net OPEB Liability (Total OPEB Liability for unfunded plans). Further details on the accounting for OPEB costs are disclosed in Note 17.

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

Because all participants in the ERS OPEB plan are inactive, there are no deferred inflows and outflows as any changes due to changes in actuarial assumptions or economic or demographic gains and losses are recognized immediately during the measurement year.

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.

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Recently Adopted accounting pronouncements - Governmental Accounting Standard Board (GASB) issued the following accounting pronouncement which was adopted by the Authority during the fiscal year ended on June 30, 2022:

- **GASB Statement No. 87, *Leases*.** The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for periods beginning after June 15, 2021, as amended by GASB Statement No. 95, *Postponement of the effective dates of Certain Authoritative Guidance,* which allowed for an eighteen-month postponement of its effective date. Earlier application is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

Future accounting pronouncements – GASB has issued the following accounting pronouncements that have effective dates after June 30, 2022:

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

  This Statement also addresses arrangements - often characterized as leases - that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

  This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021, as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance,* which allowed for a one-year postponement of its effective date. Earlier application is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

- **GASB Statement No. 94**, ***Public Private and Public-Public Partnership and Availability Payment Arrangement***. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

  Some PPPs meet the definition of a service concession arrangement (SCA): (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

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

  The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

- **GASB Statement 98, *The Annual Comprehensive Financial Report Statement 98 changes the term "comprehensive annual financial report"***. This statement changes the term "comprehensive annual financial report" to "annual comprehensive financial report." The standard is effective for fiscal years ending after December 15, 2021.

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

  The requirements of this Statement are effective as follows:

  - The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.

- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

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

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

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

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

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

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

- **GASB Statement No 101, *Compensated Absences*.** The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

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

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023 (FY 2024-2025), and all reporting periods thereafter. Earlier application is encouraged.

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

3. Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA)

On June 30, 2016, the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) was signed into law to address the economic and fiscal crisis facing the Commonwealth and many of its component units. During the fiscal years subsequent to June 30, 2016, the Commonwealth and eight other governmental entities have initiated proceedings at the request of the Governor under either Title III or Title VI of PROMESA to restructure or adjust their existing debt. On March 15, 2022, the Commonwealth Plan of Adjustment became effective, thereby significantly reducing the Commonwealth's debt levels and ending the Island's fiscal crisis.

(i) PROMESA

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

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

Upon PROMESA's enactment, the Oversight Board was established for Puerto Rico. As stated in PROMESA, "the purpose of the Oversight Board is to provide a method for a covered territory to achieve fiscal responsibility and access to the capital markets." On August 31, 2016, the President of the United States announced the appointment of the Oversight Board members (some of whom have been replaced with new members in the interim).

Each Oversight Board member is required to have "knowledge and expertise in finance, municipal bond markets, management, law, or the organization or operation of business or government."

The Oversight Board was "created as an entity within the territorial government for which it was established" and is expressly not an entity of the federal government, but it was also established to act independently from the Commonwealth government, such that neither the Governor nor the Legislature may "(1) exercise any control, supervision, oversight, or review over the Oversight Board or its activities; or (2) enact, implement, or enforce any statute, resolution, policy, or rule that would impair or defeat the purposes of PROMESA, as determined by the Oversight Board."

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

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

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

In furtherance of the foregoing duties, PROMESA contains a provision that grants the Oversight Board powers to monitor compliance with certified fiscal plans and budgets and undertake certain actions, including spending reductions and the submission of recommended actions to the Governor that promote budgetary compliance. Please refer to the language of PROMESA for a complete description of the Oversight Board's powers related to fiscal plan and budgetary compliance. In addition, the United States Court of Appeals for the First Circuit has issued certain rulings regarding the interpretation of the Oversight Board's powers under PROMESA sections 204(a) and 108(a) that apply administrative law principles to statutes passed by the Commonwealth and certified as not significantly inconsistent with a Board-certified fiscal plan.

(c) Title III – In-Court Restructuring Process

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

The Oversight Board has sole authority to file a voluntary petition seeking protection under Title III of PROMESA, subject to the prerequisites therein.

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In a Title III case, the Oversight Board acts as the debtor's representative and is authorized to take any actions necessary to prosecute the Title III case. Immediately upon filing the Title III petition, Bankruptcy Code section 362 (which is incorporated into Title III cases under PROMESA) applies to automatically stay substantially all litigation against the debtor (the Title III Stay). A Title III case culminates in the confirmation of a plan of adjustment of the debts of the debtor. The Oversight Board has the exclusive authority to file and modify a plan of adjustment prior to confirmation. Title III plans of adjustment have been confirmed and are currently effective for the Commonwealth, ERS, PBA, and COFINA, and a Title III plan of adjustment for HTA has been confirmed and is expected to become effective in December 2022.

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

Title IV of PROMESA contains several miscellaneous provisions, including a temporary stay of litigation related to "Liability Claims," relief from certain wage and hour laws, the establishment of a Congressional Task Force on Economic Growth in Puerto Rico (the Task Force), the requirement that the Comptroller General of the United States submit two reports to Congress regarding the public debt levels of the U.S. territories, and expansion of the federal government's small business HUBZone program in Puerto Rico.

Pursuant to PROMESA section 405, the enactment of PROMESA immediately and automatically imposed a temporary stay (the Title IV Stay) from June 30, 2016 (the date of PROMESA's enactment), through February 15, 2017, of all "Liability Claim" litigation commenced against the Commonwealth and its instrumentalities after December 18, 2015.

A "Liability Claim" is defined as any right to payment or equitable remedy for breach of performance related to "a bond, loan, letter of credit, other borrowing title, obligation of insurance, or other financial indebtedness for borrowed money, including rights, entitlements, or obligations whether such rights entitlements, or obligations arise from contract, statute, or any other source of law related [thereto]" for which the Commonwealth or one of its instrumentalities was the issuer, obligor, or guarantor and such liabilities were incurred prior to June 30, 2016. The Title IV Stay was subject to a one-time 75-day extension by the Oversight Board or a one-time 60-day extension by the United States District Court. On January 28, 2017, the Oversight Board extended the Title IV Stay by 75 days to May 1, 2017, at which time the Title IV Stay expired.

Title IV of PROMESA also required several federal government reports. First, PROMESA established the Task Force within the legislative branch of the U.S. federal government. The Task Force submitted its report to Congress on December 20, 2016.

Second, PROMESA required the U.S. Comptroller General, through the Government Accountability Office (GAO), to submit a report to the House and Senate by December 30, 2017, regarding: (i) the conditions that led to Puerto Rico's current level of debt; (ii) how government actions improved or impaired its financial condition; and (iii) recommendations on new fiscal actions or policies that the Commonwealth could adopt. The GAO published this report on May 9, 2018.

Third, PROMESA required the U.S. Comptroller General, through the GAO, to submit to Congress by June 30, 2017, a report on public debt of the U.S. territories. In addition to its initial report, the GAO must submit to Congress updated reports on the public debt at least once every two years. The GAO published its initial report on October 2, 2017. On June 30, 2022, the GAO published its latest biannual report on the public debt of the U.S. territories.

(e) Title V – Infrastructure Revitalization

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

(f) Title VI – Consensual, Out-of-Court Debt Modification Process

Title VI of PROMESA establishes an out-of-court process for modifying Puerto Rico's debts. Under PROMESA section 601(d), the Oversight Board is authorized to establish "pools" of bonds issued by each Puerto Rico government related issuer based upon relative priorities. After establishing the pools, the government issuer or any bondholder or bondholder group may propose a modification to one or more series of the government issuer's bonds. If a voluntary agreement exists, the Oversight Board must issue a certification and execute a number of additional processes in order to qualify the modification.

The United States District Court for the District of Puerto Rico must enter an order approving the Qualifying Modification and vesting in the issuer all property free and clear of claims in respect of any bonds.

The Title VI process was successfully implemented to restructure the debts of GDB, the Authority and PRCCDA, as discussed further below.

(g) Title VII – Sense of Congress

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

The Authority's Title VI Process

On January 20, 2022, the U.S. District Court for the District of Puerto Rico entered an order approving the qualifying modification under Title VI of PROMESA (the Authority's Qualifying Modification) for the Special Tax Revenue Bonds, Section 2005A, Special Tax Revenue Bonds, Series 2005B, Special Tax Revenue Refunding Bonds, Series 2005C, and Special Tax Revenue Bonds (collectively, the Authority's Rum Bonds). On March 15, 2022, the Commonwealth Plan of Adjustment became effective together with the Authority's Qualifying Modification.

On the effective date of the Authority's Qualifying Modification, all claims related to the Authority's Rum Bonds, including extensive litigation related thereto, were resolved in exchange for the following distributions made under the Commonwealth Plan of Adjustment and the Authority's Qualifying Modification.

Upon the effective date of the PRIFA Qualifying Modification, all claims related to PRIFA's Rum Bonds, including extensive litigation related thereto, will be resolved in exchange for the following distributions being made under the Eighth Amended Plan and the PRIFA Qualifying Modification:

- $193.5 million in cash from the Commonwealth which were recognized by the Authority as a Contribution from Commonwealth;
- Contingent value instruments (CVI's) triggered by both (i) outperformance of general fund rum tax collections relative to the projections contained in the Oversight Board's Fiscal Plan for the Commonwealth, and (ii) a 27% allocation of outperformance of Commonwealth's 5.5% sales and use tax (SUT) relative to the Oversight Board's projections contained in its May 27, 2020 certified fiscal plan for the Commonwealth; and

- Approximately $34.7 million and $21.7 million for the fees of certain monoline insurers for supporting the Eighth Amended Plan and the PRIFA Qualifying Modification, respectively, among other fees.

The total distributions to the Authority's creditors on account of the Authority -related CVIs are subject to a lifetime aggregate cap of approximately $1.3 billion. The CVIs will be general obligations of the Commonwealth issued pursuant to the Commonwealth Plan of Adjustment.

On the effective date of the Authority's Qualifying Modification, the Authority's Rum Bonds were canceled and discharged, and bondholders released all remaining claims related to the Authority's Rum Bonds.

Commonwealth Plan of Adjustment

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

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

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

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

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Between January 28, 2022 and February 17, 2022, six appeals of the Confirmation Order were filed in the First Circuit, which have all been dismissed. On March 8, 2022, the First Circuit entered an order dismissing the appeal by the Judge's Association [Case No. 22-1098] following a motion to voluntarily dismiss. By March 11, 2022, the First Circuit denied all parties' motions for a stay pending appeal, which allowed the Commonwealth Plan of Adjustment to become effective despite the appeals. On April 26, 2022, the First Circuit affirmed the Commonwealth Plan of Adjustment with respect to the appeal filed by the teachers' associations. See Case No. 22-1080. The teachers' associations filed a petition for a writ of certiorari, which the U.S. Supreme Court denied on November 21, 2022. On July 18, 2022, the First Circuit affirmed the Title III Court's finding that the Commonwealth Plan of Adjustment could not discharge otherwise valid Fifth Amendment takings claims without payment of just compensation. See Case No. 22-1119. That decision was the subject of petition for a writ of certiorari, which the U.S. Supreme Court denied on February 21, 2023. On October 27, 2022, the First Circuit denied another retiree group's appeal of the Confirmation Order's preemption of Acts 80, 81, and 82 for lack of appellate jurisdiction. See Case No. 22-1120. On November 23, 20212, the First Circuit dismissed the credit unions' appeal as moot after dismissing their underlying adversary proceeding claims. See Case No. 22-1079. On August 22, 2023, the First Circuit dismissed the appeal of a milk producer's takings claim, finding that he only held a contract-based settlement claim that could be impaired in bankruptcy. See Case No. 22-1092.

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

As of the Effective Date, the Commonwealth Plan of Adjustment reduced the Commonwealth's total funded debt obligations from approximately $34.3 billion of prepetition debt to only approximately $7.4 billion, representing a total debt reduction of 78%. This debt reduction will also reduce the Commonwealth's maximum annual debt service (inclusive of COFINA debt service) from approximately $4.2 billion to $1.15 billion, representing a total debt service reduction of 73%. Also as of the Effective Date, all of the legacy Commonwealth general obligation bonds, ERS bonds, and PBA bonds were discharged, and all of the Commonwealth, ERS, and PBA obligations and guarantees related thereto were discharged. In addition, all Commonwealth laws that required the transfer of funds from the Commonwealth to other entities are deemed preempted, and the Commonwealth has no obligation to transfer additional amounts pursuant to those laws. Importantly, effectuating the Commonwealth Plan of Adjustment provides a path for Puerto Rico to access the credit markets and develop balanced annual budgets.

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

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

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

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

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

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

- Various categories of Commonwealth bond claims (Classes 15-50): 73% recovery consisting of cash, New GO Bonds, and GO CVIs.
- Various categories of PBA bond claims (Classes 1-12, 14): 79% recovery in cash in addition to the New GO Bonds and GO CVIs that PBA bondholders receive on account of their guarantee claims against the Commonwealth.
- Various categories of clawback creditor claims (Classes 59-63): 23% recovery consisting of the Clawback CVIs.
- ERS bond claims (Class 65): 16% recovery consisting of cash and interests in the ERS Private Equity Portfolio (as defined in and established under the Commonwealth Plan of Adjustment).
- Various categories of general unsecured claims (Classes 13, 58, and 66): 21% recovery in cash.
- Other miscellaneous claims (Classes 52-57, 64, 67-69): 26% recovery in cash.

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

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

In their respective appeals, the teachers' association and judges' association argued that (i) the Commonwealth Plan of Adjustment's freeze of pension accruals and the elimination of COLAs were inconsistent with Act 53 and, therefore, those provisions were unauthorized by the legislature, and (ii) the Commonwealth laws authorizing the continued accruals for the JRS and TRS pension plans were not properly preempted by the Commonwealth Plan of Adjustment. *See In re The Fin. Oversight & Mgmt. Bd. for P.R.*, Case No. 17-3283-LTS, 2022 WL 620624, at *3-4 (D.P.R. Mar. 3, 2022). The First Circuit rejected these arguments, concluding that the operative provisions of Act 53 conditioned authority to issue securities under the Commonwealth Plan of Adjustment on the elimination of the "Monthly Benefit Modification" in the Seventh Amended Plan, which only concerned accrued pension rights of pension plan participants and retirees, not the defined benefit freeze or elimination of COLAs. *See In re The Fin. Oversight & Mgmt. Bd. for P.R.*, 32 F.4th 67, 81-82 (1st Cir. 2022). In addition, the First Circuit held that PROMESA preempts Commonwealth law—such as the JRS and TRS pension statutes—insofar as those laws purport to dictate contrary to the Commonwealth Plan of Adjustment the Commonwealth's financial obligations to participants in its pension plans. *Id.* at 78. As a result, the First Circuit affirmed the Title III Court's Confirmation Order as to the JRS and TRS pension provisions implementing a benefits freeze and the elimination of COLAs.

During the pendency of the PROMESA cases, a variety of legal issues were raised related to creditor claims. As a result of the recoveries provided under the Commonwealth Plan of Adjustment, the COFINA plan of adjustment, and the Title VI qualified modifications for GDB, the Authority, and PRCCDA, substantially all of those litigation proceedings have been resolved and dismissed. Certain claims, however, were not discharged under the Commonwealth Plan of Adjustment, including: (i) the Eminent Domain/Inverse Condemnation Claims (Class 54); (ii) the Tax Credit Claims (Class 57); (iii) the resolution of certain claims subject to the ACR process (see Commonwealth Plan of Adjustment § 82.7); and (iv) certain Underwriter Actions related to indebtedness issued by the Commonwealth or any of its agencies or instrumentalities against any non-debtors (see Commonwealth Plan of Adjustment § 92.2(f)). Additional litigation proceedings were also dismissed upon the effective date of the HTA plan of adjustment, which occurred on December 6, 2022.

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

As a result of the execution of the Authority's Qualify Modification and the Commonwealth Plan of Adjustment the Authority paid cash and the responsibility for the payment of certain debt was discharged and explained as follows:

Description	Title VI Transaction Amounts
Total cash paid	$ 12,728,797
Transfer in investment in debt security	26,849,500
Deferred outflow debt refunding	25,435,493
Liabilities released:	
Special Tax Revenue Bonds 2005 Series ABC	(1,735,094,999)
Special Tax Revenue Bonds 2006 Series	(444,375,000)
Mental Health Infrastructure Bonds Payable 2007	(34,800,000)
Bonds Interest Payable	(432,320,674)
Dedicated Tax Revenue Bonds Anticipation Notes	(78,145,000)
Bonds Tax Revenue Bonds Anticipation Notes Interest	(13,467,159)
Bonds Premium	(35,966,091)
Unaccreted Discount on Capital	488,109,353
Other	(10,435)
Extraordinary Gain	$ (2,221,056,215)

4. 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.

5. RESTATEMENT

During 2022, the Authority identified and corrected an overstatement of capital assets related to the land and building of a lease agreement between the Authority and the Mental Health and Anti Addiction Services Administration for the Mepsi Center Building, which its historic cost was impaired.

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The following tables summarize these changes to net position (deficit) at the beginning of the year, as previously reported:

Government-Wide Financial Statements

Description	Governmental Activities
Net deficit – July 1, 2021, as previously reported	$ (2,298,074,169)
Overstatement of Capital Assets	(19,414,629)
Net deficit – July 1, 2021, as restated	$ (2,317,488,798)

6. CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that, in the event of bank failure, the Authority's deposits might not be recovered. However, the Commonwealth requires that public funds deposited in commercial banks in Puerto Rico must be fully collateralized for the amount deposited in excess of federal depository insurance.

As of June 30, 2022, the Authority's cash and cash equivalents are as follows:

	Cash and Cash Equivalents as of June 30, 2022	
Description	Book Balance	Bank Balance
Unrestricted:		
Cash in commercial banks	$ 12,368,484	$ 12,406,037
Restricted:		
Cash in commercial banks	140,165,015	140,204,528
Money market funds	2,699	2,698
	$ 152,536,198	$ 152,613,263

Restricted Funds amounting to approximately $140 million relate to construction of projects for governmental agencies or municipalities.

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7. PUBLIC ENTITY TRUST CLAIM RECEIVABLE

On November 29, 2018, GDB completed a restructuring of certain of its indebtedness pursuant to a Qualifying Modification under Title VI of PROMESA (the GDB Qualifying Modification). Under the GDB Qualifying Modification, holders of certain bond and deposit claims exchanged their claims for bonds issued by a newly created public instrumentality, the GDB Debt Recovery Authority, and GDB transferred to such entity its municipal loan portfolio, a portion of its public entity loan portfolio, its real estate assets, and its unencumbered cash. In addition, pursuant to Act No. 109 of 2017, also known as the Government Development Bank for Puerto Rico Debt Restructuring Act (the GDB Restructuring Act), the balance of liabilities owed between the Commonwealth and its agents, instrumentalities and affiliates, including the Agency (each a Non-Municipal Government Entity) and GDB were determined by applying the outstanding balance of any deposits held at GDB in a Non-Municipal Government Entity's name against the outstanding balance of any loan of such Non-Municipal Government Entity owed to GDB or of any bond or note of such Non-municipal Government Entity held by GDB as of such date.

Those Non-Municipal Government Entities having net claims against GDB after giving effect to the foregoing adjustment, including the Authority, received their pro rata share of interests in a newly formed trust created by the GDB Restructuring Act, the Public Entity Trust (the PET). The interest received against the PET was deemed to be in full satisfaction of any and all claims the Authority may have against GDB.

As a result of the execution of the GDB Qualifying Modification, the Authority received beneficial units of the PET amounting to $19 million in exchange for the deposits held at GDB.

The assets of the PET (the PET Assets) consist of, among other items, an unsecured claim of $578 million against the Commonwealth, which is the subject of a proof of claim filed in the Commonwealth's Title III case (the PET Claim). Non-Municipal Government Entities' recoveries on account of their interests in the PET will depend upon the recovery ultimately received by the PET on account of the PET Assets. As discussed in Note 3, the Commonwealth Plan of Adjustment discharges any claim related to budgetary appropriations, including appropriations for the repayment of certain loans held by the PET. As of the date hereof, the Court has not determined if the PET Claim is an allowed claim that will be entitled to a distribution. As a result, units received from the PET were accounted for with a carrying value of zero:

Description	Balance as of June 30, 2021	Allowance of Doubtful Accounts	Book Balance
PET Claim balance	$ 19,010,794	$ (19,010,794)	$ -

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8. INVESTMENTS

In accordance with investment guidelines promulgated under Act No. 113 of August 3,1995, and Executive Order 1995-50A (the Investment Guidelines), the Authority is authorized to purchase or enter into the following investment instruments:

- U.S. Government and agencies obligations
- Certificates of deposit
- Bankers' acceptances
- Commercial paper
- Participations in the Puerto Rico Government Investment Trust Fund
- Obligations of the Commonwealth of Puerto Rico, its agencies, municipalities, public corporations, and instrumentalities
- Obligations of state and local governments of the United States of America
- Mortgage and asset-backed securities
- Corporate debt

The Investment Guidelines also establish other limitations and guidelines. Investments related to bond issuances are purchased in accordance with the related bond indenture.

Fair value of investments based on the hierarchy of inputs are determined as follows:

Description	Fair Value
Investments by Fair Value Level	
Debt Securities:	
Puerto Rico Sales Tax Financing Corporation Revenue Bonds	$ 14,383,400

Based on concentrations of credit risk, investment by type in any one issuer representing 5% or more of total investments have been separately disclosed. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

The credit quality ratings for investments as of June 30, 2022, are as follows:

	Credit Risk Rating	
Counterparty	Standard & Poor's	Moody's
Puerto Rico Sales Tax Financing Corporations Revenue's Bonds	N/R	N/R

9. MEPSI CENTER

On April 6, 2006, the Authority entered into a direct financing lease transaction resulting from the acquisition of certain medical facilities known as the MEPSI Center located in the Municipality of Bayamón. Concurrent with the transaction, the Authority assumed a loan payable to GDB for $34,225,725 and entered into a lease agreement (the Lease Agreement) with the Mental Health and Anti-Addiction Services Administration (MHAASA).

On October 24, 2007, the Authority issued $39,800,000 in Revenue Bonds, Series 2007 A, and $3,530,000 in Series 2007 B (collectively, the Series 2007 Bonds). The Series 2007 A Bonds were issued for the purpose of providing funds, together with other available funds, to repay the GDB loan related to the acquisition of the MEPSI Center. The Series 2007 B Bonds were issued for the purpose of providing funds to pay interest accrued on a loan due to GDB amounting to $3,305,780.

As part of the transaction, the Authority entered into a trust agreement with Banco Popular de Puerto Rico (the Trustee), pursuant to which the Lease Agreement was assigned to the Trustee and payments by MHAASA under the Lease Agreement were to be made directly to GDB to cover the principal and interest required on the Series 2007 Bonds. The Lease Agreement provides that payments will be for 30 years after the commencement of the Series 2007 Bond's term and the lease payments will be equal to the annual principal and interest required to repay the Series 2007 Bonds. MHAASA's annual budget appropriations from the Commonwealth of Puerto Rico and the payments by the sub lessors of MHAASA were assigned to the Trustee as security interest for the lease payments. MHAASA has the option to purchase the leased premises for $1 at the end of the lease term.

As explained in Note 3 on November 16, 2021, the Authority completed an exchange of the Series 2007 A Bonds and such Bonds are no longer outstanding. Notwithstanding the discharge of the bonds, the lease agreement remains in effect. However, there are no rental payments due under the lease, as the lease payments were tied to principal and interest on the bonds. The Authority is in negotiations with MHAASA in order to enter into a new lease agreement.

10. CAPITAL ASSETS

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

	As restated Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets:				
Nondepreciable:				
Land	$ 10,126,943	$ -	$ -	$ 10,126,943
Construction in progress	8,918,398	1,332,540	-	10,250,938
Depreciable:				
Building	13,562,885	-	-	13,562,885
Furniture and equipment	1,095,284	93,419	-	1,188,703
Right-to-use lease asset	-	208,595	-	208,595
Vehicles	57,692	-	-	57,692
Total capital assets	33,761,202	1,634,554	-	35,395,756
Less: Accumulated depreciation				
Building	1,614,629	322,926	-	1,937,555
Furniture and equipment	1,066,466	7,274	-	1,073,740
Right-to-use lease asset	-	41,719	-	41,719
Vehicles	57,692	-	-	57,692
Total accumulated depreciation	2,738,787	371,919	-	3,110,706
Governmental activities capital assets, net	$ 31,022,415	$ 1,262,635	$ -	$ 32,285,050

The Authority issued certain bonds and notes, from which unspent proceeds were used to finance the construction of certain capital projects for the benefit of the Puerto Rico Aqueduct and Sewer Authority (PRASA), various municipalities of Puerto Rico, and other agencies and instrumentalities of the Commonwealth. These capital projects, including land acquired, are included as part of the Authority's capital assets until construction is completed and the conditions for transfers to the ultimate beneficiaries are met, at which time they are recorded as an expense in the statement of activities.

During the fiscal year 2022 World Plaza equipment was received by Authority governmental activities. Equipment received amounts to $25 thousand net of accumulated depreciation.

The general fund received legislative appropriations for the construction of various projects for other governmental entities which are presented as an advance from other governmental entities.

During the year ended June 30, 2022, the Authority used unspent proceeds for construction cost incurred for the benefit of other instrumentalities, which are presented as current expenditures in the accompanying statement of revenues, expenditures, and changes in fund balances — governmental funds, as follows:

Function/Programs	Amount
Education, aqueduct and sewers and transportation	$ 3,137,850
Recreation and sports	149,824
Edifications	894,160
General Government	1,133,118
	$ 5,314,952

11. INTANGIBLE RIGHT-TO-USE LEASED ASSET AND LEASE LIABILITY

PRIFA entered into an agreement with AAFAF for the rent of approximately 8,633 rentable square feet of office space, and 15 parking spaces in certain building identified as the Roberto Sánchez Vilella Government Center (Minillas Government Center). The agreement has a termination date of June 30, 2026, and either party can terminate the agreement upon 30 days advance notice. Other terms and conditions for maintenance, operation of office building, insurance, and other miscellaneous items apply and are covered under several articles of the contract. As of July 1, 2021, PRIFA 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. Under this GASB Statement, PRIFA, 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 adoption date. The right-to-use leased asset as of June 30, 2022, amounted to $166,876, net of accumulated amortization of $41,719.

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The future minimum right-to-use lease obligations and the net present value of these minimum right-to-use lease payments as of June 30, 2022, were as follows:

Years Ending June 30,	Principal	Interest	Total Amount
2023	$ 39,843	$ 6,212	$ 46,055
2024	41,507	4,547	46,054
2025	43,242	2,813	46,055
2026	45,048	1,007	46,055
Total	$ 169,640	$ 14,579	$ 184,219

Amortization and finance costs applicable to right-to-use leased asset and included within rent expense amounted to approximately $41,700 and $39,000, respectively, for the year ended June 30, 2022.

12. DUE FROM COMMONWEALTH AND ADVANCES RECEIVED FROM OTHER GOVERNMENTAL ENTITIES

The following table presents a summary of the total amount due from Commonwealth and advances received from other governmental entities made by the Authority as of June 30, 2022:

Due from Commonwealth	Amount
Puerto Rico Department of Transportation and Public Works	$ 2,067,928
Puerto Rico Department of Health	984,367
Other Agencies	255,376
Total	3,307,671
Allowance for Doubtful Accounts	(3,307,671)
Net Value	$ -
Advances from Other Governmental Entities	
Puerto Rico Department of Education	$ 7,311,625
Puerto Rico Public Building Authority	2,053,736
Puerto Rico Public Private Partnership Authority	7,744,911
University of Puerto Rico Comprehensive Cancer Center	6,100,000
Other	12,214
	$ 23,222,486

Due from the Puerto Rico Department of Transportation and Public Works amounting to approximately $2 million, is related to work performed in fiscal year 2008 to prevent floods.

Due from the Puerto Rico Department of Health amounting to $984,367 is related to improvements made to hospitals.

Due from other agencies is related to minor’s projects performed to these agencies.

Management decided to make an allowance for doubtful accounts because the Commonwealth has not appropriated funds to those agencies to pay the Authority. However, the Authority will continue collections efforts to each agency.

Due to the Puerto Rico Department of Education is related to funds received in prior fiscal years for improvement to be made to schools, as of June 30, 2022, unspent funds amounted to approximately $7.3 million.

Due to the Puerto Rico Public Building Authority (PBA) is related to funds received in prior fiscal years for improvement to be made to school owned by PBA, as of June 30, 2022, unspent funds amount to approximately $2 million.

Due to University of Puerto Rico Cancer Comprehensive Center is related to funds received during the fiscal year 2022 for improvement of the main building, as of June 30, 2022 unspent funds amounts to approximately $6.1 million.

In November 2018, the Authority entered into a Memo of Understanding with the Central Office for Recovery, Reconstruction and Resiliency (COR3), a program of the Puerto Rico Public Private Partnerships Authority, in which COR3 advanced approximately $17.7 million to the Authority to perform services related to private property debris removal. As of June 30, 2022, unspent funds for this program remain in the total amount of approximately $7.7 million.

Advances received from Municipalities is composed of funds received by the Authority from municipalities or the Commonwealth for improvements to be made by the Authority for municipalities building or roads. During the fiscal year 2022 the Authority received $2.1 million for the construction of an Hospital in Vieques and $9.9 million for improvements of Manatí roads. As of June 30, 2022 unspent funds amounted to approximately $1.9 million and $9.9 million, respectively.

The Authority received contributions from the Commonwealth for its operations in the total amount of approximately $3.2 million.

Improvements to Educational Institutions – Memorandum of Understanding between the Authority and the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF).

As a result of Hurricanes Irma and Maria and the seismic activity that has affected Puerto Rico, approximately 684 public schools have been structurally damaged since January 2020. The structural damage to these schools have rendered them completely unsuited for use due to danger of collapse. Therefore, structural and other safety improvements are necessary before these schools can reopen.

On June 9, 2021, an MOU was entered between the DOE, PBA, AAFAF and the Authority to make the necessary improvements to 684 schools identified by DOE and PBA.

On June 7, 2021, the Coronavirus Relief Fund Disbursement Oversight Committee of the Commonwealth of Puerto Rico (the Committee) assigned $195.6 million from the Coronavirus State Fiscal Rescue Fund (CSFRF) to AAFAF in order to make the corresponding payments to the Authority in connection with the improvements to be made to schools (the Project).

On June 17, 2021, the Committee assigned $81.2 million (in addition to the $195.6 million already assigned) to AAFAF to fund management of the Project. As of June 30, 2022, the Authority has expended $112.3 million related to this MOU. From this MOU the Authority spent $112.3 million.

13. INTERFUND BALANCES AND TRANSFERS

The summary of the amounts due from/to other funds as of June 30, 2022, is as follows:

Receivable By	Payable By	Purpose	Amount
Debt Service Fund	General Fund	Reimbursement of administrative costs	$ 3,000

The summary of the transfer in/out as of June 30, 2022, is as follows:

Transfer Out	Transfer In	Purpose	Amount
Debt Service Fund	General Fund	Operational	$ 76,932
Proprietary Fund	General Fund	Fund Closeout	7,735,641
			$ 7,812,573

14. CHANGES IN LONG-TERM DEBT AND OTHER LIABILITIES

Long-term liability activity in the governmental activities for the fiscal year ended June 30, 2022, was as follows:

Description	Beginning Balance	Additions	Payments	Deductions	Ending Balance	Due Within One Year	Due in More than One Year
Special Tax Revenue Bonds:							
Series 2005 A, B and C Bonds	$1,928,594,999	$ -	$ (193,500,000)	$ (1,735,094,999)	$ -	$ -	$ -
Series 2006 Bonds	444,375,000	-	-	(444,375,000)	-	-	-
Mental Health Infrastructure Revenue Bonds –							
Series 2007 A and B Bonds	34,800,000	-	-	(34,800,000)	-	-	-
Dedicated Tax Revenue Bonds Anticipation Notes:				-			
Series 2015 A Bonds	78,145,000	-	-	(78,145,000)	-	-	-
Subtotal	2,485,914,999	-	(193,500,000)	(2,292,414,999)	-	-	-
Net premium/(discount)	35,966,091	-	-	(35,966,091)	-	-	-
Unaccreted discount on capital appreciation bonds	(488,109,353)	-	-	488,109,353	-	-	-
Total bonds payable	2,033,771,737	-	(193,500,000)	(1,840,271,737)	-	-	-
Loans payable:							
Principal	3,606,473	-	-	-	3,606,473	779,137	2,827,336
Net premiums	32,727	-	-	(4,636)	28,091	4,636	23,455
Other Liabilities:							
Compensated absences	247,756			(29,713)	218,043	205,513	12,530
Total pension liability	3,122,482	81,024	-	(147,295)	3,056,211	147,295	2,908,916
Accrued legal expenses	2,430,563	-	-	(246,081)	2,184,482	202,192	1,982,290
Lease liability	-	208,595	-	(38,955)	169,640	39,843	129,797
Total	$2,043,211,738	$ 289,619	$ (193,500,000)	$ (1,840,738,417)	$ 9,262,940	$ 1,378,616	$ 7,884,324

Bonds Payable

Special Tax Revenue Bonds – On June 16, 2005, the Authority issued $309,102,577 in Special Tax Revenue Bonds, Series 2005 A (the Series 2005 A Bonds), $324,625,000 in Special Tax Revenue Bonds, Series 2005 B (the Series 2005 B Bonds), and $699,235,339 in Special Tax Revenue Refunding Bonds, Series 2005 C (the Series 2005 C Bonds) (collectively, the Special Tax Revenue Bonds). The Series 2005 A Bonds mature at various dates from July 1, 2029, through July 1, 2045, inclusive; the Series 2005 B Bonds mature on July 1, 2037 and 2041, and the Series 2005 C Bonds mature on July 1, 2028. The Series 2005 B Bonds may be redeemed by the Authority prior to maturity upon not less than 30 days' prior notice, either in whole or in part, and if in part, as directed by the Authority. The Series 2005 A and C, which are not subject to redemption prior to maturity, were issued as Capital Appreciation Bonds.

The Series 2005 A, B, and C Bonds bear interest, payable semiannually on January 1 and July 1, at rates ranging from 4% to 5.5%. Accrued interest on the Capital Appreciation Bonds will be paid at maturity as part of the bond's accreted value.

The Series 2005 A and B Bonds were issued primarily for the purpose of providing approximately $292 million in financial assistance to PRASA and other Commonwealth instrumentalities and municipalities in connection with certain capital projects. This includes the repayment of approximately $26 million for certain advances made to the Authority by GDB for the purpose of providing funds to pay certain capital improvements of the Authority or of other Commonwealth instrumentalities. The Series 2005 A and B Bonds were also issued to provide approximately $317 million in working capital assistance to the Commonwealth and to cover interest and costs of issuance of the Series 2005 A and Series 2005 B Bonds. The bond proceeds earmarked for PRASA and non-PRASA projects were deposited in the Authority's Capital Projects Fund.

The Series 2005 C Bonds were issued for the purpose of refunding all of the Authority's Special Tax Revenue Bonds, Series 1997 A Bonds, including capitalized interest, and to cover costs of issuance of the Series 2005 C Bonds. This refunding permitted the Authority to realize present value savings on its debt service requirements. The transaction resulted in a deferred loss on refunding of $76,267,097.

The Authority deposited the net proceeds of the Series 2005 C Bonds, together with certain other available moneys, with the Trustee, as escrow agent, in a special redemption fund under the terms of an escrow deposit agreement.

Such net proceeds, together with such other available moneys, were invested in government obligations, whose principal and interest when due, together with any other non-invested moneys deposited with the Trustee, will provide moneys sufficient to pay the principal redemption of premium and interest on the refunded bonds through the date of redemption.

On September 28, 2006, the Authority issued $469,770,000 in Special Tax Revenue Bonds, Series 2006 (the Series 2006 Bonds), for the purpose of developing the infrastructure necessary for the XXI Central American and Caribbean Games (the Games). The proceeds of this issuance provided for: (1) the acquisition, improvement and construction of sports and other facilities necessary for the Games; (2) the construction of capital projects of certain Commonwealth instrumentalities and municipalities; and (3) the payment of capitalized interest and cost of issuance of the Series 2006 Bonds. The proceeds of the Series 2006 Bonds were deposited into a Special Construction Fund administered by the Authority on behalf of the applicable benefited entities. The Series 2006 Bonds bear interest, payable on July 1 and January 1 of each year, at various rates ranging from 4.50% to 5.00%, and mature on various dates from July 1, 2010, to July 1, 2046.

The Special Tax Revenue Bonds are payable solely from and secured by a pledge of federal excise taxes and other money deposited to the credit of a sinking fund established pursuant to a trust agreement. Payment of principal and interest is insured by separate municipal bond insurance policies.

Act No. 44, as amended, provides that in each fiscal year through fiscal year 2057, the first $117 million of certain federal excise taxes received by the Commonwealth "shall be covered into a Special Fund to be maintained by-or on behalf of the Authority" subject to the provisions of Section 8 of Article VI of the Constitution of the Commonwealth of Puerto Rico. Such taxes consist of the federal excise taxes levied on rum and other articles produced in Puerto Rico and sold in the United States, which taxes are collected by the U.S. Treasury and returned to the Commonwealth. Ownership of these federal excise taxes and the extent to which any party has a security interest therein is the subject of ongoing litigation.

Rum is the only product currently produced in Puerto Rico subject to federal excise taxes, the proceeds of which are required to be returned to the Commonwealth. The trust agreement requires the Authority to deposit certain of the federal excise taxes and other money in a sinking fund maintained by the Bond trustee in order to meet the debt service requirements with respect to the Special Tax Revenues Bonds.

Federal excise taxes are subject to a number of factors, including the continued imposition and remittance of such taxes to the Commonwealth and conditions affecting the Puerto Rico rum industry. Future levels of federal excise taxes received by the Commonwealth are expected to decline, although the exact amount cannot be determined. If the federal excise taxes received by the Commonwealth in any fiscal year are insufficient, Act No. 44 requires that the Authority request and the Director of the Office of Management and Budget of the Commonwealth include in the budget of the Commonwealth for the corresponding fiscal year, an appropriation necessary to cover such deficiency. The Legislature of the Commonwealth, however, is not obligated to make the necessary appropriation to cover such deficiency. Subsequent to the enactment of PROMESA, appropriations for the Commonwealth are subject to annual budgets certified by the Oversight Board.

The trust agreement required that the Bond trustee establish a reserve account in the sinking fund for the Authority to deposit therein an amount equal to the reserve requirements, as defined in the trust agreement. Alternatively, the Authority may deposit to the credit of such reserve account an insurance policy or a letter of credit in lieu of any required deposit or in substitution of moneys on deposit in the reserve account.

Since November 30, 2015, the Commonwealth has retained Rum Tax revenues previously allocated to the Authority.

On January 18, 2022, the Title III Court confirmed the Commonwealth Plan of Adjustment for the Commonwealth, PBA, and ERS. In addition, on January 20, 2022, the U.S. District Court for the District of Puerto Rico entered an order approving the Authority's Qualifying Modification under Title VI of PROMESA. The Commonwealth Plan and PRIFA Qualifying Modification both went effective on March 15, 2022 (the "Effective Date").

As a result of the effective date of the Commonwealth Plan of Adjustment and the Authority's Qualifying Modification: (i) the Commonwealth's debt was reduced by over 78% from $34.3 billion to $7.4 billion in pro-forma debt at the Commonwealth; and (ii) the Authority's Rum Bonds were discharged at a discount.

The Series 2015A Notes - On March 16, 2015, the Authority issued the Dedicated Tax Fund Revenue Bond Anticipation Notes, Series 2015, under and pursuant to Act No. 1 of 2015, as amended by Act No. 2 of 2015 of the Legislature of Puerto Rico, approved January 15, 2015, as amended, in the aggregate principal amount of $245,955,000, with a maturity date of May 1, 2017, with an interest rate of 8.25% payable monthly on the first business day of each month, commencing on April 1, 2015.

The Series 2015A Notes are subject to redemption in whole or in part in Authorized Denominations at any time, at the option of the Authority upon not less than 20 days' prior written notice. The Series 2015A Notes are also subject to mandatory sinking fund redemption prior to maturity, and to redemption from funds in the redemption fund.

Proceeds of the Series 2015A Notes, together with funds contributed by the Puerto Rico Highways and Transportation Authority (PRHTA), were used to (i) redeem the PRHTA Special Revenue Bonds 2013A Bond Anticipation Notes (the PRHTA Notes), (ii) make a deposit to the Note Account established under the Trust Agreement to pay debt service on the Series 2015A Notes, and (iii) pay certain costs of issuance of the Series 2015A Notes.

The Series 2015A Notes are payable from and are secured by the pledge of a Trust Estate comprising certain assets and revenues of the Authority, which include (i) a $6.25/barrel Petroleum Products Tax on Non-Diesel products, (ii) any funds received by the Authority pursuant to the terms of a Financial Assistance Agreement between the Authority and PRHTA and (iii) any additional revenues pledged to the Authority in accordance with the Trust Agreement. The revenues pledged to the payment of the Series 2015A Notes could be applied to pay general obligation debt of the Commonwealth if its available resources are insufficient to cover all approved appropriations.

The Commonwealth guarantees the Series 2015A Notes. The good faith, credit and taxing power of the Commonwealth are pledged to the payment of principal and interest on the Series 2015A Notes.

The Commonwealth does not guarantee any payments in excess of scheduled principal and interest payments on the Series 2015A Notes.

On February 22, 2021, PRIFA, by and through AAFAF, the Oversight Board, on behalf of itself and as representative of the Commonwealth in its Title III case, and Silver Point Capital, L.P., in its capacity as Owner Representative of the PRIFA BANs, entered into a stipulation resolving the PRIFA BANs and all litigation related thereto (the "Stipulation").

In accordance with the Stipulation, the terms of which were incorporated into the Commonwealth Plan of Adjustment, the PRIFA BANs were discharged and resolved in exchange for a payment of (i) $12,657,509 from PRIFA, and (2) allowing a claim against the Commonwealth in the amount of $83,589,102 on account of the Commonwealth's guarantee of the PRIFA BANs, which claim was treated in accordance with the terms of the Commonwealth Plan of Adjustment. In exchange, holders of the PRIFA BANs agreed to dismiss with prejudice all of their claims relating to their holdings in the PRIFA BANs, including all claims against the Commonwealth in connection with their guarantee on the bonds, and claims against the U.S. Government for allegedly effectuating a taking of bondholder property in connection with PROMESA and the Commonwealth's Title III case. As a result of the execution of the Commonwealth Plan of Adjustment PRIFA BANs were discharged.

Mental Health Infrastructure Revenue Bonds – As discussed above, on October 24, 2007, the Authority issued $39,800,000 in Revenue Bonds, Series 2007 A, and $3,530,000 in Series 2007 B (collectively, the Series 2007 Bonds). The Series 2007 A Bonds were issued for the purpose of providing funds, together with other available funds, to repay in full the loan due to GDB amounting to $34,225,725 related to the acquisition of the MEPSI Center. The Series 2007 B Bonds were issued for the purpose of providing funds to pay interest accrued on a loan due to GDB amounting to $3,305,780.

The Series 2007 A Bonds were issued under a trust indenture dated October 1, 2007, between the Authority and GDB, which provides for the assignment of the Lease Agreement with an option to purchase, dated October 24, 2007.

The Series 2007 A Bonds are payable semiannually on April 1 and October 1, and bear interest at fixed rates of 5.6% through 2014, 6.25% through 2024, and 6.5% through 2037. The Series 2007 Bonds are subject to redemption rights at 100% of the principal, plus accrued interest.

On November 16, 2021, the Authority completed an exchange of the Series 2007 A Bonds and such Bonds are no longer outstanding. For further discussion of the exchange, refer to the Note 3.

15. LOANS PAYABLE

Public Finance Corporation (PFC) Notes

On January 16, 2002, the Authority entered into a loan agreement (the Note) with PFC, a Component Unit of GDB. The Note was originally a loan granted by GDB (the Old Note), but which, pursuant to Act No. 164 of December 17, 2001, PFC acquired and restructured through the issuance of PFC Commonwealth Appropriation Bonds (the PFC Bonds). The PFC Bonds were issued under trust indenture agreements whereby PFC pledged the Old Note, along with other notes under Act No. 164, to certain trustees and created a first lien on the pledged revenue (consisting of annual Commonwealth appropriations earmarked to repay the Note).

During the fiscal year 2014, PFC refunded the PFC Bonds that were related to the Note, and therefore, the repayment terms were also modified by PFC for the proportionate portion attributable to the Authority. The note matures in June 2031. Interest only is payable through June 30, 2015. Afterwards, principal and interest installments are payable annually. Interest on the unpaid principal amount of the Note is equal to the applicable percentage of the aggregate interest payable on PFC Bonds. The applicable percentage is the percentage representing the proportion of the amount paid by PFC on the Note to the aggregate amount paid by PFC on all the notes acquired by PFC under Act No. 164. During the years ended June 30, 2017 through June 30, 2022, the Authority did not receive the Commonwealth's appropriations to pay the principal and interest due on the Note; as a result, the Authority was unable to pay in full the required debt payment service.

As of June 30, 2022, the principal balance and the related accrued interest amounted to $3,606,473 and $1,141,377, respectively.

On January 12, 2023, the PFC Qualifying Modification became effective, resulting in the discharge of the PFC Bonds and the Note. For further discussion of the PFC Qualifying Modification, refer to the Subsequent Events in Note 19 related to PFC.

Default

Due to the implementation of Executive Order No. OE-2015-46 and the Moratorium Act and Financial Rehabilitation Act described above, the Authority did not make the required payments of principal and interest related to the debt service fund, PFC loan.

The following note was not paid as per agreement as of June 30, 2022:

	Unpaid Obligations		
Description	Principal	Interest	Total
PFC Note	$ 674,545	$ 1,317,298	$ 1,991,843

As of June 30, 2022, debt service requirements for PFC loan agreement are as follows:

Years Ending June 30	Principal	Interest	Total
2023	$ 783,773	$ 1,488,103	$ 2,271,876
2024	32,496	168,559	201,055
2025	134,825	164,238	299,063
2026	134,825	156,149	290,974
2027	79,816	149,709	229,525
2028-2031	2,440,738	219,799	2,660,537
Total	3,606,473	$ 2,346,557	$ 5,953,030
Add: Net Premium	28,091		
	$ 3,634,564		

16. CONDUIT DEBT OBLIGATION

In December 2011, the Authority issued $669,215,000 in Special Revenue Bonds (the PRPA Bonds), pursuant to a Loan and a Trust Agreement dated December 1, 2011, between the Authority and the Puerto Rico Ports Authority (PRPA), another component unit of the Commonwealth. The proceeds from the PRPA Bonds were lent to PRPA to refinance certain obligations, acquire real estate for airport and seaport facilities, provide working capital, finance certain operating and capital costs, and finance the cost of issuing the bonds. The PRPA bonds are limited obligations of the Authority and are payable solely from and secured by the revenues to be received under the Loan and Trust Agreement.

Under the terms of the Loan and Trust Agreement, PRPA was required to make loan payments sufficient to cover the payment of principal and interest due on the PRPA Bonds. The PRPA Bonds were also secured by two irrevocable, transferable direct pay letters of credit issued by GDB (the GDB Letters of Credit).

The Authority is not obligated in any manner for the repayment of the PRPA Bonds. Accordingly, the PRPA Bonds are not reported as liabilities in the basic financial statements of the issuing entity.

On May 16, 2017, the Trustee made a demand for payment under the GDB Letters of Credit in the amounts of approximately $9.4 million on account of interest due on the PRPA Bonds and $190.6 million on account of principal due on the PRPA Bonds as a result of the acceleration of the PRPA Bonds.

The Trustee's claim was thereafter treated as a Participating Bond Claim in the GDB Qualifying Modification and the Trustee, on behalf of the PRPA Bondholders. As such, PRPA Bondholders received new bonds issued by the DRA with a value of approximately $116.3 million for the unfunded letter of credit. Under the terms of the Qualifying Modification, the GDB Letters of Credit were extinguished.

Thereafter, on December 27, 2019, PRIFA and PRPA also completed a private exchange that resulted in the resolution of over 92% of the PRPA Bonds. At the time of the exchange, the PRPA Bonds were outstanding in an amount of approximately $190.6 million. Bondholders holding approximately $177.2 million participated in the private exchange and received their pro rata share (based on the entire amount of PRPA Bonds outstanding) of a cash payment of approximately $82.4 million, resulting in the full resolution of such participating PRPA Bonds. The recovery the PRPA Bondholders received in the exchange is in addition to the DRA Bonds received by the Trustee in connection with the Qualifying Modification. After the exchange, the PRPA Bonds remain outstanding in the amount of approximately $13.5 million, which is the remaining outstanding balance as of June 30, 2022.

For additional information see Subsequent Events in Note 19.

17. RETIREMENT PLAN

Plan Description

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

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

Pension Benefits

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

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

- Members of Act No. 447 were generally those members hired before April 1, 1990 (contributory, defined benefit program).

- Members of Act No. 1 of February 16, 1990 (Act No. 1) are generally those members hired on or after April 1, 1990, and on or before December 31, 1999 (contributory, defined benefit program).

- Members of Act No. 305 of September 24, 1999 (Act No. 305 or System 2000) are generally those members hired on or after January 1, 2000, and on or before June 30, 2013 (defined contribution program).

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

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

(a) Service Retirement Eligibility Requirements

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

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

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

In addition to the requirements of the table above, 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.

(3) 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.

(4) Eligibility for System 2000 Members – System 2000 members who were eligible to retire as of June 30, 2013, continue to be eligible to retire at any time. Prior to July 1, 2013, System 2000 members could retire upon attainment of age 55 for Public Officers in High-Risk Positions and attainment of age 60 otherwise.

System 2000 members who were not eligible to retire as of June 30, 2013, are eligible to retire upon attainment of age 55 for Public Officers in High-Risk Positions and upon attainment of the retirement eligibility age shown in the table below otherwise.

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

(5) Eligibility for Members Hired after June 30, 2013 – Attainment of age 58 if a Public Officer in a High-Risk Position and attainment of age 67 otherwise.

(b) Compulsory Retirement

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

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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. For System 2000 participants this service retirement annuity benefit is not available.

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

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

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

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

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

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

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

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

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

(d) Special Benefits

(1) Minimum Benefits

Past Ad hoc Increases

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

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

The minimum monthly lifetime income for members who retied or become disabled before July 1, 2013, is $500 per month effective July 1, 2013 ($400 per month effective July 1, 2007, and $300 per month up to June 30, 2007).

Coordination Plan Minimum Benefit

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

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

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

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

(3) Special "Bonus" Benefits

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

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

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

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

Total Pension Liability

The total pension liability as of June 30, 2022 was determined by an actuarial valuation as of July 1, 2020 that was rolled forward to June 30, 2021 (the measurement date used for financial reporting for fiscal year 2022). The proportional share of the Authority for Total pension liability was 0.01124%.

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Actuarial Methods and Assumptions

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

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

Mortality

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

Pre-retirement Mortality

For general employees not covered under Act No. 127-1958, PubG-2010 employee rates, adjusted by 100% for males and 110% for females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. For members covered under Act No. 127-158, the PubS-2010 Employee Mortality Rates are assumed for males and females, projected to reflect 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, adjusted by 100% for males and 110% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date. This assumption is also used for beneficiaries prior to the member's death.

Post-retirement Disabled Mortality

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

Discount Rate

The discount rate for June 30, 2022, was 2.16%. This 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.

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

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

	1% Decrease or (1.16%)	Current discount rate of (2.16%)	1% Increase or (1.16%)
Total pension liability	$3,491,844	$3,056,211	$2,703,203

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

The following table presets a summary of changes in the deferred outflows of resources and deferred inflows of resources for the fiscal year ended on June 30, 2022:

	June 30, 2022	
Description	**Deferred outflows of resources**	**Deferred inflows of resources**
Difference between expected and actual experience	$ 4,882	$ 91,051
Changes of assumptions	312,858	36,114
Change in proportion and difference between the employer's contributions and proportionate share of contributions	93,906	-
Pension benefits paid subsequent to measurement date	120,320	-
Total	$ 531,966	$ 127,165

Amounts reported as deferred outflows of resources at June 30, 2022, will be recognized in pension expense (benefit) in future years as follows:

Years Ending June 30,	Amount
2023	$ 94,827
2024	94,827
2025	94,827
Total	$ 284,481

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 4 years for 2022.

18. COMMITMENTS AND CONTINGENCIES

Commitments

The Authority has active construction projects as of June 30, 2022, under various bond issuances. As of June 30, 2022, the Authority's commitments with contractors are as follows:

Construction Commitment	Commitment	Incurred-to-Date	Remaining Commitment
Authority construction project	$ 26,232,933	$ 20,517,834	$ 5,715,099

As described in Note 12, in November 2018 the Authority entered into a Memo of Understanding with the Central Office for Recovery, Reconstruction and Resiliency (COR3) a program of the Puerto Rico Public Private Partnerships Authority, in which COR3 advanced $17.7 million to the Authority to perform related services to private property debris removal. As of June 30, 2022 unspent funds amount to $7.7 million.

Contingencies

As of June 30, 2022, the Authority is a defendant in various legal proceedings arising from its normal operations. Management, based on the advice of its legal counsel, is of the opinion that the ultimate liability, if any, resulting from these pending proceedings and legal actions in the aggregate will not have a material effect on the Authority's financial statements.

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19. SUBSEQUENT EVENTS

Subsequent events were evaluated through October 31, 2023, the date the financial statements were available to be issued, to determine if such events should be recognized or disclosed in the fiscal year 2022 financial statements.

Authority Budget

The Commonwealth of Puerto Rico and the Financial Oversight and Management Board approved a budget amounting to approximately to $3.1 million and $2.9 million for the fiscal year ended on June 30, 2023 and 2024.

Commonwealth and Municipalities Advances

During the fiscal year ended on June 30, 2023 the Authority received $71.1 million from different sources (federal funds or funds advances made from the Municipalities) for different type of projects to be performed and explained as follows:

- $11 million for improvements to roads and building demolition in the Municipality of San Juan
- $44 million for the construction of a hospital and lodging in the Municipality of Vieques
- $10 million for the dredging of the Boca de Cangrejos Bay in the Municipality of Carolina
- $2 million for improvements to be made to the Santa Catalina Palace and the Puerto Rico Information Technology Service building
- $2 million to start with the design of a Psychiatric Hospital
- $2 million for building demolition of the Department of Labor and Human Resources

PFC Bonds Restructuring

Under the Commonwealth Plan of Adjustment, all claims against the Commonwealth arising from or related to indebtedness payable from appropriations of the Commonwealth Legislature are classified as “CW Appropriation Claims” and treated in Class 63 of the Plan. CW Appropriation Claims include, among other things, “all notes from the Commonwealth or its agencies or instrumentalities held by PFC for the repayment of PFC indebtedness”. CW Appropriations Claims will not receive a distribution pursuant to the Plan and each such CW Appropriations Claim is deemed discharged by the Commonwealth Plan of Adjustment. The Confirmation Order further provides that “all laws, rules, and regulations giving rise to obligations of the Debtors discharged by the Plan and the Confirmation Order pursuant to PROMESA are preempted by PROMESA and such discharge shall prevail over any general or specific provisions of territory laws, rules, and regulations. Such preempted laws include, without limitation, laws enacted prior to June 30, 2016, that provide for transfers or other appropriations after the enactment of PROMESA, including transfers from the Commonwealth or one of its instrumentalities to any agency or instrumentality, whether to enable such agency or instrumentality to pay or satisfy indebtedness or for any other purpose, to the extent inconsistent with the Plan’s discharge of the Debtors’ obligations”. Accordingly, upon the effective date, all such preempted laws are not enforceable to the extent they are inconsistent with the Plan’s discharge of the Commonwealth’s obligations.

Although the Commonwealth Plan of Adjustment does not grant a release of the Authority's PFC Notes, as a result of the Commonwealth Plan of Adjustment discharge and preemption provisions, there will not be future appropriations related to the PFC indebtedness. As a result, the contingency that would trigger the Authority's contingent obligation to pay the PFC indebtedness once it receives appropriations will not occur. In addition, on January 20, 2022, AAFAF, on behalf of PFC, entered into a Restructuring Support Agreement (the PFC RSA) with holders of a majority of those certain Series 2011A, Series 2011B, and Series 2012A Commonwealth Appropriation Bonds (the PFC Bonds). The PFC RSA contemplates a restructuring and discharge of the PFC Bonds under Title VI of PROMESA. The PFC RSA further contemplates that those promissory notes that were issued to the order of PFC by certain Commonwealth instrumentalities, including by the Authority, for the repayment of the PFC Bonds will be cancelled and extinguished and the Authority will be discharged from any liability arising from or related to such promissory notes.

On October 25, 2022, AAFAF, on behalf of PFC, filed a first amendment to the PFC RSA. The amendment contemplates that upon consummation of the Qualifying Modification participating bondholders would receive the PFC distribution made up of $13.8 million in cash and $47.7 million in face amount of DRA bonds, to the extent issued, minus the PFC bond trustee's fees. The amendment materials note, however, that the issuance of the DRA bonds is uncertain and may or may not occur in whole, in part, or at all. The PFS RSA also contains various other terms and conditions, including important releases and obtaining the solicitation votes required by Title VI of PROMESA in favor of the restructuring and court approval of the restructuring.

On December 30, 2022, the District Court entered an order approving the PFC Qualifying Modification. On January 12, 2023, the PFC Qualifying Modification went effective. The PFC Bonds and Notes are thus discharged and extinguished pursuant to the terms of the PFC Qualifying Modification.

As of June 30, 2022, the Authority has $3.6 million and $2.3 million payable in principal and interest, respectively, for the PFC loan agreement. Those amounts have been discharge and extinguished pursuant the PFC Qualifying Modification.

Natural Disaster

On September 17, 2022, Puerto Rico was directly impacted by Hurricane Fiona leaving in its path the destruction of homes, knocking out power across the entire island and flooding many streets and roads. The Governor of Puerto Rico submitted to the Government of the United Sates a request of a declaration of major disaster and the activation of funds from the Public Assistance program of FEMA.

Conduit Debt Obligation – PRPA Bonds

On March 9, 2023, the Board of Directors of AAFAF authorized the Redemption of the PRIFA-Ports Stub Bonds and authorized the Authority and the Puerto Rico Ports Authority to enter into any corresponding agreements with the Bank of New York Mellon.

On April 28, 2023, the Redemption Transaction Agreement was executed and on June 2, 2023, approximately $13,465,000 of PRIFA/Ports Stub Bonds were using $10,428,453 of unrestricted cash at PRIFA Custody Account with the Bank of New York Mellon. The PRIFA-Ports Stub Bonds are thus no longer outstanding.

REQUIRED SUPPLEMENTARY INFORMATION

Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Schedule of Proportionate Share of Collective Total Pension Liability (Unaudited)
For the year ended June 30, 2022

The schedule of Proportionate Share of Collective Total Pension Liability for the Authority for the year ended June 30, 2022:

	GASB 73				GASB 68
	2022	2021	2020	2019	2018
Proportion (percentage) of the net collective total pension liability	0.011240%	0.011120%	0.011110%	0.011030%	0.022400%
Proportion (amount) of the net collective total pension liability	$ 3,056,211	$ 3,122,482	$ 2,762,017	$ 2,700,491	$ 7,665,002

The Authority's net pension liability as of June 30, 2022, was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021 (measurement date as of June 30, 2021).

As a result of the implementation of the PayGo system, as provided by Act No. 106 of 2017 (Act 106), the Pension Plan no longer met the criteria to be considered a plan that is administered through a trust or equivalent arrangement under GASB 68 and, therefore, was required to apply the guidance in GASB 73 effective July 1, 2018. Act 106 eliminated all employer contributions and required ERS to liquidate its assets and to transfer the proceeds to the Commonwealth for the payment of pension benefits.

The Authority's proportion of the total pension liability was actuarially determined based on the ratio of the Authority's benefit payments to the total benefit payments made by all participating employers under the Pension Plan for the year ending on the measurement date.

The schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

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

Schedule of Expenditures of Federal Awards
For the year ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of the Treasury:			
Puerto Rico Department of the Treasury			
Coronavirus State and Local Fiscal Recovery Funds	21.027	OE-2021-034	$ 112,302,457

The accompanying notes are an integral part of this Schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2022

1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activities of the Puerto Rico Infrastructure Financing 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, 2022. 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 award passed through from other local government agencies are included in the Schedule.

In response to the COVID-19 pandemic, the United States Congress passed the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which was subsequently signed into law by former President Donald J. Trump. As part of the CARES Act, the Authority received assistance through the Coronavirus Relief Fund ("CFR"). The CFR funds cover expenditures incurred due to COVID-19 during the period between March 1, 2020 and December 31, 2021.

2) Summary of Significant Accounting Policies

Expenditures included on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized at the time the service was received, 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) Submission of Single Audit Reporting Package

The Single Audit reporting package, as defined and required in the 2 CFR 200 for fiscal year ended June 30, 2021, was not submitted on March 31, 2022, because of the effects of the Novel Coronavirus COVID-19.

The Compliance Supplement Addendum released in December of 2020 on page 117 states: “Due to the large size of the COVID-19 programs and the federal government dependency on single audit reports to assist with proper oversight over these funds, we strongly encourage the auditees and auditors to complete and submit their relevant portions of single audit reporting packages for fiscal year ends, subject to the provisions of the extension described herein, as early as possible prior to the normal due dates of the earlier of thirty days after the receipt of the auditor’s reports or nine months after the fiscal year end date. In light of the late issuance of audit guidance for the COVID-19 programs contained in this addendum, awarding agencies, in their capacity as cognizant or oversight agencies for audit, must allow recipients and subrecipients that received COVID-19 funding with original due dates from October 1, 2020, through June 30, 2022, an extension for up to three (3) months beyond the normal due date in the completion and submission of the Single Audit reporting package. No further action by awarding agencies is required to enact this extension”. Accordingly, the Authority did not comply with the submission of the Single Audit at the date established in the extensions.

Further, on March 19, 2021, the OMB issued the M-21-20, stated that: “Awarding agencies, in their capacity as cognizant or oversight agencies for audit, should allow recipients and subrecipients that have not yet filed their single audits with the Federal Audit Clearinghouse as of the date of the issuance of this memorandum that have fiscal year-ends through June 30, 2022, to delay the completion and submission of the Single Audit reporting package, as required under Subpart F of 2 CFR § 200.501 to six months beyond the normal due date. No further action by awarding agencies is required to enact this extension. This extension does not require individual recipients and subrecipients to seek approval for the extension by the cognizant or oversight agency for audit; however, recipients and subrecipients should maintain documentation of the reason for the delayed filing. Recipients and subrecipients taking advantage of this extension would still qualify as a "low-risk auditee" under the criteria of 2 CFR § 200.520(a) and (2 CFR § 200.501)”.

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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 the
Puerto Rico Infrastructure Financing 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 Infrastructure Financing Authority, a component unit of the Commonwealth of Puerto Rico, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Puerto Rico Infrastructure Financing Authority's basic financial statements, and have issued our report thereon dated October 31, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Puerto Rico Infrastructure Financing 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 Infrastructure Financing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Puerto Rico Infrastructure Financing 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 Infrastructure Financing 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
October 31, 2023.

Stamp No. E554054 was affixed to
the original of this report.

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of the
Puerto Rico Infrastructure Financing Authority

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Puerto Rico Infrastructure Financing 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 Infrastructure Financing Authority's major federal programs for the year ended June 30, 2022. Puerto Rico Infrastructure Financing 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 Infrastructure Financing 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, 2022.

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 Infrastructure Financing 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 Infrastructure Financing 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 Infrastructure Financing 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 Infrastructure Financing 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 Infrastructure Financing 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 Infrastructure Financing 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 Infrastructure Financing 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 Infrastructure Financing Authority's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-01. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Puerto Rico Infrastructure Financing Authority's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Puerto Rico Infrastructure Financing Authority's response was not subject to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

San Juan, Puerto Rico
October 31, 2023.

Stamp No. E554055 was affixed to
the original of this report.

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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	_X_ no
• Significant deficiency (ies) identified?	___ yes	_X_ none reported
Noncompliance material to financial statements noted?	___ yes	_X_ no

Federal Awards

Internal control over major federal programs:		
• Material weakness (es) identified?	___ yes	_X_ no
• Significant deficiency (ies) identified?	___ yes	_X_ 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)?	_X_ yes	___ no

Identification of major federal programs

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

Dollar threshold used to distinguish between type A and type B programs:	$3,000,000	
Auditee qualified as low-risk auditee?	___ yes	_X_ no

SECTION II – FINANCIAL STATEMENTS FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding Number: 2022-01

Federal Programs:

Assistance Listing 21.027 Coronavirus State and Local Fiscal Recovery Funds

Category:

Compliance

Compliance Requirement:

Reporting

Criteria:

2 CFR §200.512 (a) (1) establishes that the audit must be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period.

Condition:

The Authority did not submit the required data collection form and reporting package for the year ended June 30, 2022, within the required period.

Cause:

Delay in flows of financial information in order to get the basic financial statements ready to prepare complete Uniform Guidance Report.

Effects:

Condition may result in noncompliance with the requirements for reporting.

Questioned Costs:

None.

Recommendation:

We recommend management to establish calendars to ascertain submission of data collection form and reporting package within the required dates.

Management's response:

Finding accepted

The data collection form and the reporting package were not filed on time due to the execution of the Authority's Qualifying Modification under the Title VI of PROMESA and other negotiations with bondholders, which required a significant involvement of management in meetings with external attorneys and accounting research.

Fiscal year 2024 does not have complex transactions to be accounted for or to be consulted with external parties.

Note: the execution of the Authority Title VI is a unique transaction. However, management will proceed to establish internal controls to identify complex or unique transactions to be accounted for properly and in a timely manner.

Exhibit A

Corrective Action Plan

Single Audit AFI 2022

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Finding No. 2022-001 Audit Requirements for Auditees – Report Submission

Condition found.

The data collection form and the reporting package for the year ended on June 30, 2022, was not submitted to the Federal Audit Clearinghouse within the timeframe prescribed by the Uniform Guidance.

Views of Responsible Officials and Corrective Action Plan

The data collection form and the reporting package were not filed on time due to the execution of the Authority Qualify Modification under the Title VI of PROMESA and other negotiations with bondholders, which required a lot of meetings with external attorneys and accounting research.

Fiscal year 2024 does not have complex transactions to be accounted for or to be consulted with external parties. Note: the execution of the Authority Title VI is a unique transaction. However, management will proceed to establish internal controls to identify complex or unique transactions to be accounted for properly and in a timely manner.

Name (s) of the Contact Person (s) Responsible for Corrective Action
Luz P. Laboy Meléndez
Chief Financial Officer

Anticipated Completion Date

March 31, 2024