Puerto Rico Infrastructure Financing Authority

(A Component Unit of the Commonwealth of Puerto Rico)

Basic Financial Statements and Required Supplementary Information
June 30, 2024
With Independent Auditors' Report

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

Basic Financial Statements and Required Supplementary Information
For the Fiscal Year Ended June 30, 2024

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INDEPENDENT AUDITORS' REPORT

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

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, 2024, 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, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Note 3 to the basic financial statements, the Puerto Rico Infrastructure Financing Authority's main source of revenues consist 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 for Puerto Rico.

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

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

San Juan, Puerto Rico
March 27, 2024.

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Puerto Rico Infrastructure Financing Authority
(AFI-BASIC)

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 increased by approximately $14.4 million, or 5.4% while deferred outflow of resources decreased by approximately $1.4 million, or 80.7% when compared to the fiscal year ended June 30, 2023.

- Capital assets reflected a net decrease of approximately $389 thousand, or 1.8% when compared to the fiscal year ended June 30, 2023.

- Total liabilities increased by approximately $2.2 million or 1.9% while deferred inflow of resources increased by $432 thousand or 94.5% when compared to fiscal year ended June 30, 2023.

- The net position of the Authority increased by approximately $11.2 million, or 23.2% when compared to fiscal year ended on June 30, 2023.

- Revenues decreased by approximately $94.0 million, or 68.7% when compared to the fiscal year ended June 30, 2023.

- Expenses decreased by $107.3 million, or 77.2% when compared to the fiscal year ended June 30, 2023.

- Certain reclassifications were made to prior year presentation to conform to this year presentation.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This management's 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*** – This statement presents all of the Authority's assets, liabilities and deferred outflows and inflows of resources. Net position 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 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 column 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, edifications, arts and entertainment, and public safety.

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

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 fund, which is 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 fund 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances, provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Governmental Fund Financial Statements – The Authority has one major governmental fund. In instances that the entity has more than one fund, each major fund would be 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. The Authority's major governmental fund is the General Fund.

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. The Statement of Net Position 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.

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The following was derived from the Statement of Net Position as of June 30, 2024, and 2023:

	Governmental Activities			
	2024	**2023**	**Change**	**Percentage**
Assets:				
Current assets	$ 23,684,970	$ 16,807,430	$ 6,877,540	40.9%
Capital assets, net	21,255,370	21,644,259	(388,889)	(1.8)%
Noncurrent assets	236,603,495	228,738,278	7,865,217	3.4%
Total assets	281,543,835	267,189,967	14,353,868	5.4%
Deferred outflows of resources	338,396	1,748,930	(1,410,534)	(80.7)%
Liabilities:				
Liabilities due within one year	218,138,892	214,169,078	3,969,814	1.9%
Liabilities due after one year	4,538,582	6,291,760	(1,753,178)	(27.9)%
Total liabilities	222,677,474	220,460,838	2,216,636	1.0%
Deferred inflow of resources	24,986	457,254	(432,268)	(94.5)%
Net position / deficit:				
Net investment in capital assets	21,255,370	21,644,259	(388,889)	(1.8)%
Restricted for:				
Other purposes	110,844,151	81,749,361	29,094,790	35.6%
Unrestricted / (Deficit)	(72,919,750)	(55,372,815)	(17,546,935)	31.7%
Total net position (deficit)	$ 59,179,771	$ 48,020,805	$ 11,158,966	23.2%

Overall, the Authority's net position for governmental activities increased by approximately $11.2 million, or 23.2% during the fiscal year ended June 30, 2024.

Total assets for governmental activities increased by approximately $14.4 million, or 5.4%, during the fiscal year ended June 30, 2024, due to an increase in due from Commonwealth of approximately $6.9 million, an increase of approximately $7.8 million in funds received from other agencies to perform work related to construction projects and a decrease in capital assets net of approximately $389 thousand.

Deferred outflows of resources decreased by approximately $1.4 million, or 80.7% for the fiscal year ended June 30, 2024, as a result of a change in estimate related to total pension liability.

Total liabilities for governmental activities increased by approximately $2.2 million, or 1%, mainly related to a decrease in accounts payable and accrued expenses amounting to $23.7 million, a decrease in accrued legal expenses amounting to $2.3 million, a decrease in total pension liability amounting to $524 thousand and a increase in advances received from other agencies amounting to $28.9 million.

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

	Governmental Activities			
	2024	**2023**	**Change**	**Percentage**
Revenues:				
Program revenues:				
Operating grants and contributions	$ 31,825,611	$ 131,833,159	$ (100,007,548)	(75.9)%
Charges for services	81,328	132,449	(51,121)	(38.6)%
General revenues (expenses):				
Net increase (decrease) in fair value of investments	516,159	(1,346,889)	1,863,048	(138.3)%
Interest Income	10,367,555	6,168,619	4,198,936	68.1%
Total revenues	42,790,653	136,787,338	(93,996,685)	(68.7)%
Expenses:				
Functions/Programs:				
General government	22,315,270	132,041,331	(109,726,061)	(83.1)%
Education, aqueduct and sewers, and transportation	5,663,536	4,213,225	1,450,311	34.4%
Edifications	3,652,881	2,678,007	974,874	36.4%
Total expenses	31,631,687	138,932,563	(107,300,876)	(77.2)%
Special item:				
Contribution to the Puerto Rico Ports Authority	-	10,428,453	(10,428,453)	100.0%
Extraordinary gain or loss:				
Extraordinary gain	-	4,897,527	(4,897,527)	100.0%
Change in net position	11,158,966	(7,676,151)	18,835,117	(245.4)%
Beginning net position	48,020,805	55,696,956	(7,676,151)	(13.8)%
Ending net position	$ 59,179,771	$ 48,020,805	$ 11,158,966	23.2%

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Revenues – Total revenues decreased by approximately $94.0 million, or 68.7% during the fiscal year ended June 30, 2024, mainly related to an decrease in federal grants received amounting to approximately $21 million in contrast to the $129.1 million received in fiscal year 2023, related to a Memo of Understanding (MOU) signed between the Department of Education (DOE), the Authority and the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF), an increase in Commonwealth appropriations amounting to $8.2 million, an increase in interest income of approximately $4.2 million, and an increase in fair value on investment amounting to approximately $1.9 million.

Expenses – Total expenses decreased by approximately $107.3 million, or 77.2% during the fiscal year ended June 30, 2024, mainly related to a decrease in expenditures related to general government amounting to approximately $109.8 million which are related to a decrease in federal grants received, and an increase in education, aqueduct and sewers and transportation expenses amounting to $2.4 million.

Special Item and Extraordinary Gain decreased by $10.4 million and $4.9 million respectively as a result of isolated transactions which occurred during the fiscal year 2023.

4. GOVERNMENTAL FUNDS RESULTS

General Fund – Total assets in the general fund increased from approximately $243.7 million in fiscal year 2023 to approximately $258.8 million in fiscal year 2024, as a result of funds received from other governmental entities for the construction of projects amounting to approximately $7.8 million and a increase in due from Commonwealth amounting to $7.1 million.

Total liabilities increased from approximately $211.6 million in fiscal year 2023 to approximately $216.7 million in fiscal year 2024 as a result of an decrease in accounts payable and accrued liabilities amounting to approximately $23.7 million, and an increase in funds received from other governmental entities in the amount of approximately $28.9 million.

Revenues in the general fund decreased from approximately $136.8 million in fiscal year 2023 to approximately $42.8 million in fiscal year 2024, mainly due to a decrease in contribution of federal grants received amounting to approximately $108 million, when compared to $129.1 million from fiscal year 2023. Expenses in the general fund decreased from $138 million in fiscal year 2023 to approximately 32.9 million in fiscal year 2024, mainly due to a decrease in federal funds expended amounting to approximately $21 million related to the MOU signed between the Authority, DOE and AAFAF for public schools improvements to be made.

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5. CAPITAL ASSETS

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, buildings, and right to use lease assets. The following is a schedule of the Authority's capital assets balances:

	Total	
	2024	**2023**
Land	$ 10,126,943	$ 10,126,943
Building	13,562,885	13,562,885
Right to use lease assets	208,595	208,595
Furniture and equipment	1,195,630	1,188,705
Vehicles	57,692	57,692
Total capital assets	25,151,745	25,144,820
Less accumulated depreciation and amortization	3,896,375	3,500,561
Capital assets - net	$ 21,255,370	$ 21,644,259

Governmental activities capital assets net decreased from approximately $21.6 million in fiscal year 2023 to approximately $21.3 million in fiscal year 2024. The decrease amounting to approximately $389 thousand is mainly related to the depreciation of assets during the fiscal year 2024.

6. CURRENTLY KNOWN FACTS

Authority Budget

The Commonwealth of Puerto Rico and the Financial Oversight and Management Board approved a budget amounting to approximately $3.3 million for the fiscal year ended on June 30, 2025.

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
June 30, 2024

		Total
ASSETS:		
Cash and cash equivalents in commercial banks	$	12,392,911
Due from other governmental entities		4,186,749
Due from Commonwealth of Puerto Rico		7,105,308
Prepaid expenses and other assets		1,485,153
Other		2,615
Restricted assets:		
Cash and cash equivalents in commercial banks		221,184,693
Accrued interest receivable		378,245
Investments in debt securities		13,552,791
Capital assets, net:		
Non-depreciable:		
Land		10,126,943
Depreciable assets, net		11,128,427
Total assets		281,543,835
DEFERRED OUTFLOWS OF RESOURCES:		
Pension related		338,396
Total deferred outflows of resources		338,396
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION:		
LIABILITIES:		
Accounts payable and accrued expenses		91,089,716
Advances received from other governmental entities		125,634,417
Liabilities due in one year:		
Lease liability		43,241
Accrued legal expenses		1,132,395
Compensated absences		116,403
Total pension liability		120,320
Total Other postemployment benefit liability		2,400
Liabilities due in more than one year:		
Lease liability		45,048
Accrued legal expenses		477,019
Compensated absences		70,614
Total pension liability		3,885,962
Total Other postemployment benefit liability		59,939
Total liabilities		222,677,474
DEFERRED INFLOW OF RESOURCES:		
Pension related		24,986
Total deferred inflow of resources		24,986
NET POSITION:		
Net investment in capital assets		21,255,370
Restricted for:		
Capital Project		110,844,151
Unrestricted		(72,919,750)
TOTAL NET POSITION	$	59,179,771

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, 2024

Functions / Programs	Expenses	Program Revenues: Operating Grants and Contributions	Program Revenues: Charges for Services	Net (expense) / revenue and changes in net position: Governmental Activities
GOVERNMENTAL ACTIVITIES:				
General government	$ 22,315,270	$ 31,825,611	$ 81,328	$ 9,591,669
Education, aqueduct and sewers and transportation	5,663,536	-	-	(5,663,536)
Edifications	3,652,881	-	-	(3,652,881)
Total governmental activities	$ 31,631,687	$ 31,825,611	$ 81,328	$ 275,252
GENERAL REVENUES:				
Net increase in fair value of investments				516,159
Interest income				10,367,555
Total general revenues				10,883,714
CHANGE IN NET POSITION				11,158,966
NET POSITION - Beginning of year,				48,020,805
NET POSITION - End of year				$ 59,179,771

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, 2024

	Total Governmental Fund
ASSETS	
Cash and cash equivalents in commercial banks	$ 12,392,911
Due from other governmental entities	4,186,749
Due from Commonwealth of Puerto Rico	7,105,308
Other	2,615
Restricted assets:	
Cash and cash equivalents in commercial banks	221,184,693
Accrued interest receivable	378,245
Investments	13,552,791
	$ 258,803,312
LIABILITIES:	
Accounts payable and accrued liabilities	$ 91,089,716
Advances received from other governmental entities	125,634,417
Total liabilities	216,724,133
FUND BALANCES:	
Restricted	110,844,151
Unassigned	(68,764,972)
Total fund balances	42,079,179
	$ 258,803,312

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 Balance Sheet to the Statement of Net Position
Fiscal Year Ended June 30, 2024

FUND BALANCES - GOVERNMENTAL FUNDS		$ 42,079,179
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	$ 10,126,943	
Depreciable capital assets, net	11,128,427	21,255,370
Prepaid expenses are not available to pay current period expenditures and, therefore, are not deferred in the funds		1,485,153
Deferred outflows of resources are not available to pay current period expenditures and, therefore, are not deferred in the funds		
Pension related		338,396
Deferred inflows of resources are not reported in the funds		
Pension related		(24,986)
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		
Lease liability	(88,289)	
Compensated absences	(187,017)	
Accrued legal expenses	(1,609,414)	
Total pension liability	(4,006,282)	
Total other postemployment benefits liability	(62,339)	(5,953,341)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 59,179,771

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

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2024

	Total Governmental Fund
REVENUES:	
Intergovernmental revenues:	
Contributions from Commonwealth of Puerto Rico	$ 10,858,667
Contributions from Federal Funds	20,966,944
Interest and investment income:	
Interest bearing demand deposits	10,367,555
Change in fair value in investments	516,159
Other	81,328
Total revenues	42,790,653
EXPENDITURES:	
Current:	
General government	23,508,793
Education, aqueduct and sewers and transportation	5,663,536
Edifications	3,652,881
Capital outlays	6,925
Debt Service:	
Principal	41,507
Interest	4,547
Total expenditures	32,878,189
REVENUES OVER EXPENDITURES	9,912,464
NET CHANGES IN FUND BALANCES	9,912,464
FUND BALANCES - beginning of year	32,166,715
FUND BALANCES - end of year	$ 42,079,179

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, 2024

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ 9,912,464
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 depreciation exceeded capital outlays in the current period. For the year these amounts are:		
Equipment acquisition	$ 6,925	
Depreciation expense	(395,814)	(388,889)
Governmental funds report intangible right-to-use leased assets 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		41,507
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:		
Insurance expense	$ (344,431)	
Pension expense	(406,180)	
Other postemployment benefit expense	(62,339)	
Accrued expenses	34,471	
Legal reserve expense	2,372,363	1,593,884
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 11,158,966

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 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 are 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, when applicable.

Governmental Fund

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

- ***General Fund*** – The General Fund is the 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.

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, 2024, following GASB Statement No. 72 - *Fair Value Measurement and Application*, which 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 received from the Commonwealth governmental entities and Municipalities for construction of capital projects and other purposes. All of these assets are classified as restricted assets in 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, 2024.

Leases

The Authority follows Governmental Accounting Standard Board Statement (GASB) 87 Leases, which requires 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 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.

The 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 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: (i) the deferred amount on refunding debt, and (ii) certain pension-related items. 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, 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 are deferred and recognized over a five-year period. There were no deferred inflows of resources at the governmental funds level.

Advances Received from Other Governmental Entities – Accounts for funds received by the Authority from governmental entities and municipalities for the construction of capital projects, improvements or other purposes.

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 an 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.

Fund Balance – Fund balances for the 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 fund, 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 assigned fund balances.

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 coverages for fiscal year 2024 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 11 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 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 11.

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, 2023 actuarial measurement data was used for the pension benefits financial reporting recognition as of and for the fiscal year ended June 30, 2024.

The Authority's pension activity for the fiscal year ended June 30, 2024 amounted to a pension expense of approximately $572 thousand and the Total Pension Liability as of June 30, 2024 amounted to approximately $4 million. See Note 11 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 11.

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.

***Recently Adopted accounting pronouncements* -** GASB issued the following accounting pronouncement which was adopted by the Authority during the fiscal year ended on June 30, 2024:

- **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.

- **GASB Statement No. 102, Certain Risk Disclosures.** State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending.

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:

The concentration or constraint:

- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements.

- Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

- **GASB Statement No. 103, Financial Reporting Model Improvements**- The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

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

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

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

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

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

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

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

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

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

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

3. FINANCIAL DEPENDENCY

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

4. 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, 2024, the Authority’s cash and cash equivalents are as follows:

	Cash and Cash Equivalents as of June 30, 2024	
Description	Book Balance	Bank Balance
Unrestricted:		
Cash in commercial banks	$ 12,392,911	$ 12,353,194
Restricted:		
Cash in commercial banks	221,184,693	228,508,300
	$ 233,577,604	$ 240,861,494

Restricted Funds amounting to approximately $221.2 million relate to construction of projects for governmental agencies or municipalities.

5. 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). The FOMB objected to the PET Claim and the claim objection remains outstanding at this time. 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 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, 2024	Allowance of Doubtful Accounts	Book Balance
PET Claim balance	$ 19,010,794	$ (19,010,794)	$ -

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6. 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	$ 13,552,791

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, 2024, 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

7. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2024, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets:				
Nondepreciable:				
Land	$ 10,126,943	$ -	$ -	$ 10,126,943
Depreciable:				
Building	13,562,885	-	-	13,562,885
Furniture and equipment	1,188,705	6,925	-	1,195,630
Right-to-use lease asset	208,595	-	-	208,595
Vehicles	57,692	-	-	57,692
Total capital assets	25,144,820	6,925	-	25,151,745
Less: Accumulated depreciation				
Building	2,260,481	322,926	-	2,583,407
Furniture and equipment	1,098,950	31,169	-	1,130,119
Right-to-use lease asset	83,438	41,719	-	125,157
Vehicles	57,692	-	-	57,692
Total accumulated depreciation	3,500,561	395,814	-	3,896,375
Governmental activities capital assets, net	$ 21,644,259	$ (388,889)	$ -	$ 21,255,370
Total capital assets, net	$ 21,644,259	$ (388,889)	$ -	$ 21,255,370

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.

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, 2024, the Authority used unspent proceeds for construction costs 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	$ 5,663,536
Edifications	3,652,881
General Government	2,594,828
	$ 11,911,245

8. 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, 2024, amounted to $83,438, net of accumulated amortization of $125,157.

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, 2024, were as follows:

Years Ending June 30,	Principal	Interest	Total Amount
2025	$ 43,241	$ 2,813	$ 46,054
2026	45,048	1,008	46,056
Total	$ 88,289	$ 3,821	$ 92,110

Amortization and finance costs applicable to right-to-use leased asset and included within rent expense amounted to approximately $41,507 and $4,500, respectively, for the year ended June 30, 2024.

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9. 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 as of June 30, 2024:

Due from Commonwealth	Amount
Puerto Rico Department of Transportation and Public Works	$ 2,067,928
Puerto Rico Department of Health	7,924,576
Other Agencies	420,475
Total	10,412,979
Allowance for Doubtful Accounts	(3,307,671)
Net Value	$ 7,105,308
Advances from Other Governmental Entities	
Puerto Rico Public Building Authority	$ 918,435
Puerto Rico Public Private Partnership Authority	6,748,327
The Department of Treasury (ARPA)	33,897,162
Department of Health	4,045,858
Fortaleza	5,526,066
Department of Education	8,126,555
Other Agencies	2,657,261
Municipality of Manati	7,804,837
Municipality of San Juan	7,094,526
Municipality of Vieques	14,923,742
University of Puerto Rico Comprehensive Cancer Center	33,891,648
	$ 125,634,417

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 $7.9 million is related to improvements made to hospitals.

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

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

ADVANCES

Commonwealth Agencies and Public Corporations

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.

Advances received from the Puerto Rico Public Building Authority (PBA) are related to funds received in prior fiscal years for improvements to be made to the school owned by PBA. As of June 30, 2024, unspent funds amounted to approximately $918 thousand.

Advances received by the Department of Treasury are from American Rescue Plan Act (ARPA) amounting to $33.9 million for the construction and improvements of the following: $14.9 million for sports facilities and emblematic projects of the Department of Sports and Recreational, $12.3 million for "Cuartel de Ballaja", "Casa Opis" and Caribbean Cultural Conservation Center owned by Institute of the Puerto Rican Culture, $4.7 million for solar panels to be installed in Santa Catalina Palace and $2 million for demolition of various municipal buildings

Advances received from the Department of Health is for the improvement of the Mayaguez Public Health Unit.

Advances received from the Fortaleza are for improvement to be made to the Santa Catalina Palace and the other building surroundings.

Advances received from the Department of Education are for improvement to be made to schools.

Advances received from the University of Puerto Rico Cancer Comprehensive Center are related to funds received for improvement of the main building.

Advances received from other governmental agencies are related to construction or improvement of over 70 projects.

Municipalities

Advances received from Manati are for improvement to be made to several streets in the municipality.

Advances received from San Juan are for improvement to be made to several streets in the municipality.

Advances received from Vieques are for the construction of a Hospital and Lodging.

10. CHANGES IN LONG-TERM DEBT AND OTHER LIABILITIES

Long-term liability activity in the governmental activities for the fiscal year ended June 30, 2024, was as follows:

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year	Due in More than One Year
Other Liabilities:						
Lease liability	$ 129,796	$ -	$ (41,507)	$ 88,289	$ 43,241	$ 45,048
Accrued legal expenses	3,981,777	1,409,242	(3,781,605)	1,609,414	1,132,395	477,019
Compensated absences	221,488	-	(34,471)	187,017	116,403	70,614
Total pension liability	4,578,368	-	(572,086)	4,006,282	120,320	3,885,962
Other postemployment benefits	-	64,747	(2,408)	62,339	2,400	59,939
Total	$ 8,911,429	$ 1,473,989	$ (4,432,077)	$ 5,953,341	$ 1,414,759	$ 4,538,582

11. RETIREMENT PLAN

Structure of Retirement System and Accounting for Pension Costs

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

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

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

Pension Benefits

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

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

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

Therefore, plan provisions are different for the other two 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) were generally those members hired on or after April 1, 1990, and on or before December 31, 1999 (contributory, defined benefit program).

A summary of benefits and eligibility requirements is presented below:

(a) Service Retirement Eligibility Requirements

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

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

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.

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

(b) Compulsory Retirement

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

(c) Service Retirement Annuity Benefits

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

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

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

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

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

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. 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.

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(d) Special Benefits

(1) Minimum Benefits

— Past Ad hoc Increases

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

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

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

— Coordination Plan Minimum Benefit

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

(2) Special “Bonus” Benefits

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

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

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

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

Total Pension Liability

The total pension liability as of June 30, 2024 was determined by an actuarial valuation as of July 1, 2022 that was rolled forward to June 30, 2023 (the measurement date used for financial reporting for fiscal year 2023). The proportional share of the Authority for Total pension liability amounts to $4 million, which was 0.01929% of the total pension liability.

Actuarial Methods and Assumptions

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

Discount Rate

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

Mortality

The mortality tables used in the actuarial valuations were as follows:

— *Pre-retirement Mortality*

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

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

— *Post-retirement Retiree Mortality*

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

— *Post-retirement Disabled Mortality*

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

— *Post-retirement Beneficiary Mortality*

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

Discount Rate

The following presents the total pension liability calculated using the discount rate of 3.54%, as well as what it would be if it were calculated using the discount rate of 1-percentage point lower (2.54%) or 1-percentage-point higher (4.54%) than the current rate:

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

	1% Decrease or (2.65%)	Current discount rate of (3.65%)	1% Increase or (4.65%)
Total pension liability	$4,466,827	$4,006,282	$3,621,735

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, 2024:

	June 30, 2024	
Description	**Deferred outflows of resources**	**Deferred inflows of resources**
Difference between expected and actual experience	$ 2,792	$ 24,986
Changes of assumptions	152,975	-
Change in proportion and difference between the employer's contributions and proportionate share of contributions	8,069	-
Pension benefits paid subsequent to measurement date	174,560	-
Total	$ 338,396	$ 24,986

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Amounts reported as deferred outflows of resources at June 30, 2024, will be recognized in pension expense (benefit) in future years as follows:

Years Ending June 30,	Amount
2025	$ 138,850

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 3 years for 2024.

12. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

Allocation Methodology

GASB Statement No. 75 requires that the primary government and its component units that provide OPEB benefits through the same defined benefit OPEB plan to recognize their proportionate share of the total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense (benefit).The proportionate share is based on the ratio of the total OPEB liability determined directly for each agency based on each agency's members to the total OPEB liability for all Central Government members as of the measurement date.

Total OPEB Liability and Actuarial Information

The total OPEB liability was $66,239 as of June 30, 2023. The total OPEB liability as of June 30, 2023, was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023 (measurement date).

Actuarial Assumptions

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

Discount Rate

The discount rate for June 30, 2023, was 3.65%. 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.

Mortality

- *Post-retirement Mortality*- Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.
- *Post-retirement Disabled Mortality*- Rates which vary by gender are assumed for disabled retirees based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females. The base rates are projected using Mortality Improvement Scale MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

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

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

	1% decrease or 2.65%	Current discount rate of 3.65%	1% increase or 4.65%
Authority's Proportionate share of the total OPEB liability	$ 77,945	$ 62,339	$ 66,575

13. CONTINGENCIES

As of June 30, 2024, 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.

14. SUBSEQUENT EVENTS

Subsequent events were evaluated through March 27, 2025, the date the financial statements were available to be issued, to determine if such events should be recognized or disclosed in the fiscal year 2024 financial statements.

Commonwealth and Municipalities Advances

During de period evaluated for subsequent events, the Authority received $6 Million from different sources (federal funds or funds advances made from the Municipalities) for different types of projects to be performed explained as follows:

- $70 thousand from state funds for Municipal action on an abandoned building, concerning public security and health.
- $5.9 million from state funds for various demolitions of abandoned buildings across the Puerta de Tierra waterfront.

REQUIRED SUPPLEMENTARY INFORMATION

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

Schedule of Component Unit's Proportionate Share of Collective Total Pension Liability and Related Ratios (Unaudited)
For the year ended June 30, 2024

The schedule of Component Unit's Proportionate Share of Collective Total Pension Liability for the Authority for the year ended June 30, 2024:

	GASB 73				
	2024	2023	2022	2021	2020
Proportion (percentage) of the net collective total pension liability	0.019290%	0.020670%	0.011240%	0.011120%	0.011110%
Proportion (amount) of the net collective total pension liability	$ 4,006,282	$ 4,578,368	$ 3,056,211	$ 3,122,482	$ 2,762,017

Notes to Schedule

The Authority total pension liability as of June 30, 2024, was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023 (measurement date as of June 30, 2023).

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.

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

Schedule of Component Unit's Proportionate Share of Collective Total Other Post Employment Benefits Liability (Unaudited)
For the year ended June 30, 2024

The schedule of Component Unit's Proportionate Share of Collective Total Other Post Employment Benefits Liability for the Authority for the year ended June 30, 2024:

	GASB 75				
	2024	2023	2022	2021	2020
Proportion (percentage) of the net collective total pension liability	0.009640%	0.009310%	0.000000%	0.000000%	0.000000%
Proportion (amount) of the net collective total pension liability	$ 62,339	$ 64,747	$ -	$ -	$ -

Notes to the Schedule of Component Unit's Proportionate Share of Collective Total Other Post Employment Benefits Liability (Unaudited)
For the year ended June 30, 2024

Notes to Schedule

The Authority total other post-employment benefits liability as of June 30, 2024, was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023 (measurement date as of June 30, 2023).

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 post-employment benefits 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.