COMMONWEALTH OF PUERTO RICO
PUERTO RICO PUBLIC HOUSING ADMINISTRATION
(A Fund of the Commonwealth of Puerto Rico)

SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2022

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President of the Governing Board
Puerto Rico Public Housing Administration
San Juan, Puerto Rico

INDEPENDENT AUDITORS' REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the **Puerto Rico Public Housing Administration** (the Administration), a fund of the Commonwealth of Puerto Rico, and a component unit of the Puerto Rico Department of Housing, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise a portion of the Commonwealth of Puerto Rico basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Administration, as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows for the years 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Administration 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.

Other Matters

As discussed in Note 1, the financial statements of the Administration are intended to present the financial position, the changes in its financial position and cash flows of only that portion of the Commonwealth of Puerto Rico that is attributable to the transactions of the Administration. They do not purport to, and do not, present the financial position of the Commonwealth of Puerto Rico, the changes in financial position or its cash flows in conformity with accounting principles generally accepted in the United States of America.

Grant Programs

The Administration receives financial assistance from the federal government in the form of grants and receipt of grants is generally conditioned upon compliance with the terms and conditions of the grant agreements and applicable federal laws and regulations including the expenditure of resources for eligible purposes. Substantially, all grants are subject to audit under the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and compliance audits by the grantor agencies. Disallowance as a result of these audits may become liabilities of the Administration. Nevertheless, the Administration's management believes that disallowed expenditures, if any, will not have a material effect on its financial position and are uncertain at this time. Accordingly, no provision for any liability that may result has been made in the financial statements.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 Administration's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Administration'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 Administration'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.

(Continues)

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 22 and employees' retirement system and other post-employment benefits information on pages 69 and 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and to the employees' retirement system and other post-employment benefits information required in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023, on our consideration of the Administration's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Administration's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Administration's internal control over financial reporting and compliance.

Baker Tilly Puerto Rico, CPAs, PSC

Guaynabo, Puerto Rico — **BAKER TILLY PUERTO RICO, CPAs, PSC**

March 30, 2023
The stamp number E520943 was
affixed to the original of this report.

License No. 218
Expires December 1, 2023.

Our discussion and analysis of Puerto Rico Public Housing Administration ("PRPHA") financial performance provides an overview of PRPHA's financial activities for the fiscal years ended on June 30, 2022 and 2021. Please read it in conjunction with the financial statements, which begin on page 23.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

Management's Discussion and Analysis serves as an introduction to the PRPHA's basic financial statements, which include: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Net Position, 3) Statement of Cash Flows, and 4) Notes to the Basic Financial Statements. These statements and information represent the actual financial position of PRPHA. Below, you will find a brief explanation of the statements and notes.

1) The **Statement of Net Position** presents PRPHA's total assets plus deferred outflows of resources, equals liabilities plus deferred inflows of resources plus net position, at the end of the fiscal year. The difference between the assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as net position.

2) The **Statement of Revenues, Expenses, and Changes in Net Position** shows how PRPHA's net position changed during the fiscal year. PRPHA reports all changes in net position as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flow.

3) The **Statement of Cash Flows** shows PRPHA's cash inflows and outflows for the year. It also shows how cash and cash equivalents were provided by and used in PRPHA's operating, investing, non-capital financing, capital, and related financing activities. The net increase or decrease in PRPHA's cash and cash equivalents is added to the beginning balance of the fiscal year to arrive at the cash and cash equivalents balance at the end of the fiscal year. This statement is presented on a cash basis and only presents cash receipt and cash disbursement information. PRPHA uses the direct method of presenting cash flows, which includes a reconciliation of net cash used by operating activities to net operating loss.

4) The **Notes to the Financial Statement** are an integral part of the financial statements, in which information is disclosed that is essential for a full understanding of PRPHA's financial health.

FINANCIAL HIGHLIGHTS

The financial statements for fiscal years ended on June 30, 2022 and 2021 are presented in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 63 "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position";* and the Statement No. 34 "*Basic Financial Statements and Management's Discussion Analysis for State and Local Government".*

Statement of Net Position

- As of June 30, 2022, PRPHA's total assets and deferred outflows are approximately $2.3 billion representing a decrease of $15.4 million or less than 1% when compared with the prior fiscal year. This decrease includes the following variances between the current and prior fiscal year balances:

  <u>Increases:</u>

  - Cash increased by approximately $37.8 million or 8%.
  - Rent and other Receivable increase by $7 million or 9%.

  <u>Decrease:</u>

  - Deferred outflows of resources decreased by $2.4 million mainly due to a decrease in the Pension-related figures amounting to $2.1 million.
  - Non-current assets decreased by $57.9 million mainly due to the decrease of $56.2 million or 5% in Capital Assets.

  Total liabilities are approximately $361 million, representing a decrease of approximately $28 million or 7% when compared to prior year balance.

- As of June 30, 2021, PRPHA's total assets and deferred outflows are approximately $2.3 billion representing an increase of $359 million or 18% when compared with the fiscal year 2020. This increase includes the following variances between the current and prior fiscal year balances:

  Increases:

  - Cash increased by approximately $46.1 million or 16%.
  - Rent and other Receivable increase by $3.3 million or 4%.
  - Deferred outflows of resources increase by $7 million mainly due to an increase in the Pension related figures amounting to $7 million.
  - Fiscal agent funds increase by $15 million in comparison with fiscal year 2020.
  - Non-current assets increase by $364.1 mainly due to the recognition of a Loan Note related to the 2008 bond refunding amounted to $377 million.

  Decreases:

  - Capital assets, net decreased by approximately $77 million or 6%.

  Total liabilities amounted to approximately $389 million, representing an increase of approximately $195 million when compared to the previous year 2020 balance.

  The main driver of this increase is the effect on the issuance of the Capital Fund Modernization Program Refunding Bonds Series 2020 which increased the balance of bonds payable by approximately $173 million in comparison with prior year's figures 2020.

Statement of Revenues, Expenses, and Changes in Fund Net Position

- The current fiscal year's financial statements reflect a net operating loss before non-operating revenues (expenses) and grants amounting to approximately $470.1 million, representing an increase in the loss of $53.1 million or 13% from the prior fiscal year.

  The net operating loss balance includes approximately $35.5 million in revenues and approximately $505.6 million in expenses. Operating revenues increased by $735 thousand or 2%, and expenses increased by approximately $53.5 million or 12%.

  Non-operating revenues (expenses) and grants amounted to approximately $411 million, $66.3 million more when compared with the prior fiscal year. Non-operating revenues increase is largely due to an increase of approximately $64.8 million in Federal Grants.

  The balance of net position at the end of the year amounted to approximately $1.9 billion, representing an increase of approximately $11 million or less than 1% compared to the prior year.

- The prior fiscal year's financial statements reflect a net operating loss before non-operating revenues (expenses) and grants amounting to approximately $417.3 million, representing an increase in the loss of $63.3 million or 18% from the fiscal year 2020.

  The net operating loss balance includes approximately $34.7 million in revenues and approximately $452 million in expenses. Operating revenues increased by $155 thousand, and expenses increased by approximately $63.4 million or 16%.

  Non-operating revenues (expenses) and grants amounted to approximately $344 million, $130 million more when compared with the fiscal year 2020. Non-operating revenues increase is mainly due to an increase of approximately $100 million in Federal Grants.

  The balance of net position at the end of the year amounted to approximately $1.9 billion, representing an increase of approximately $165 million or 9% compared to prior year 2020.

REPORTING THE ADMINISTRATION AS A WHOLE

The Statement of Net Position and the Statement of Revenues, Expenditures and Changes in Net Position report information about PRPHA's activities in a way that helps gather an understanding of the financial position of the Administration as a whole. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting, which is like the accounting used by most private-sector companies.

As shown in Table 1, PRPHA's Net Position amounted to approximately $1.9 billion with a net increase of $11 million or less than 1% in comparison with the prior year's figures.

Approximately $139.2 million and $131.9 million of the total net position is restricted for specific purposes for the years ended June 30, 2022 and 2021, respectively.

This includes the homeownership initiative, capital improvements of certain public housing projects and the modernization of PRPHA's projects. Unrestricted amounts are the funds that can be used to finance day-to-day operations (for example, to cover management fees, management cost, utilities, negative rent, professional services, and others). These assets come from debt covenants, enabling legislation, or other legal requirements that amounted to approximately $788.7 million and $776.8 million at the end of fiscal years 2022 and 2021, respectively.

PRPHA's Net Position includes approximately $1,000 million of investments in capital assets, net of related debt for the years ended June 30, 2022, and 2021, respectively.

Table 1: Summary of Statement of Net Position

	June 30,				June 30,			
	2022	2021	Change	%	2021	2020	Change	%
Assets								
Current assets	$ 630,755,941	$ 585,883,107	$ 44,872,834	8%	$ 585,883,107	$ 520,342,010	$ 65,541,097	13%
Capital assets (net)	1,174,577,143	1,230,746,028	(56,168,885)	(5%)	1,230,746,028	1,307,682,852	(76,936,824)	(6%)
Other non-current assets	477,694,922	479,429,922	(1,735,000)	-	479,429,922	115,341,647	364,088,275	316%
Total assets	2,283,028,006	2,296,059,057	(13,031,051)		2,296,059,057	1,943,366,509	352,692,548	
Deferred Outflows of Resources	10,307,080	12,670,680	($2,363,600)	(19%)	12,670,680	5,651,797	$7,018,883	124%
Total assets and deferred outflows	$ 2,293,335,086	$ 2,308,729,737	$ (15,394,651)	(1%)	$ 2,308,729,737	$ 1,949,018,306	$ 359,711,431	18%
Liabilities								
Current liabilities	$ 124,758,585	$ 109,647,515	$ 15,111,070	14%	$ 109,647,515	$ 80,183,201	$ 29,464,314	37%
Noncurrent liabilities	236,270,064	279,266,562	(42,996,498)	(15%)	279,266,562	113,546,934	165,719,628	146%
Total liabilities	361,028,649	388,914,077	(27,885,428)	(7%)	388,914,077	193,730,135	195,183,942	101%
			-	-			-	-
Deferred Inflows of Resources	3,790,057	2,367,402	1,422,655	60%	2,367,402	3,103,802	(736,400)	(24%)
Net position	1,928,516,380	1,917,448,258	11,068,122	1%	1,917,448,258	1,752,184,369	165,263,889	9%
Total liabilities, deferred inflows of resources and net position	$ 2,293,335,086	$ 2,308,729,737	$ (15,394,651)	(1%)	$ 2,308,729,737	$ 1,949,018,306	$ 359,711,431	18%

The change in net position amounted to $11 million or less than 1% for the fiscal year ended June 30, 2022.

RESULT OF OPERATIONS

Tables 2 and 3 detail the amounts received by each fund, the Non-Operating Federal Grants and the Capital Contribution received from HUD in order to operate PRPHA.

During fiscal year 2022, the Public Housing Fund received $282.8 million or 64% of the total Non-Operating Federal Grants. The amount received for the Capital Fund Program of the total Non-Operating Federal Grants was approximately $22 million or 5%. Also, PRPHA received under the Public Housing Voucher, the Emergency Case Management and Cares Act approximately $75 million, $24 million, and $33.4 million respectively.

As of 2021 and 2020, the Public Housing Fund received $275.2 million or 73% and $220.5 or 79% respectively, of the total Non-Operating Federal Grants. The amount received for the Capital Fund Program of the total Non-Operating Federal Grants was approximately $16.4 million or 4% and $17.1 million or 6% for 2021 and 2020, respectively. These costs are for soft costs expenditures that include relocation costs, administrative expenses, among other related costs.

During fiscal year 2021 and 2020, PRPHA received under the federal program Housing Choice Voucher approximately $73.3 million or 19% and $40 million or 14%, respectively, of the total Non-Operating Federal Grants.

Table 2

FY 2022

Program Title	CFDA Number	Non-Operating Federal Grants	%	Capital Contributions	%	Non-Operating Revenues
Capital Fund Program	14.872	$ 22,064,546	5%	$66,874,323	95%	$ 88,938,869
Public Housing	14.850	282,721,965	64%	3,417,786	5%	286,139,751
Housing Choice Voucher	14.871	74,955,493	17%	-		74,955,493
Section 8 SRO	14.249	615,415	0%	-		615,415
HCVMSP Mainstream Voucher	14.879	65,847	0%	-		65,847
Lower Income						
Housing Assistance Program	14.856	1,040,332	0%	-		1,040,332
Project Safe Neighborhoods	16.609	43,154	0%	-		43,154
Emergency Housing Voucher	14.EHV	583,637	0%	-		583,637
Disaster Case Management	97.088	1,424,249	0%	-		1,424,249
Emergency rental assistant ERAF	14.ERAP	23,889,403	5%	-		23,889,403
14.PHC Public Housing CARES /	14.PHC	33,401,418	8%	-		33,401,418
14.HCC CARES Act Funding	14.HCC	2,007,587	0%	-		2,007,587
Total		$442,813,046		$70,292,109	100%	$513,105,155

Table 3

FY 2021

Program Title	CFDA Number	Non-Operating Federal Grants	%	Capital Contributions	%	Non-Operating Revenues
Capital Fund Program	14.872	$ 16,381,085	4%	$59,615,484	98%	$ 75,996,569
Public Housing	14.850	275,248,084	73%	1,119,312	2%	276,367,396
Housing Choice Voucher	14.871	73,278,689	19%	-		73,278,689
Section 8 SRO	14.249	678,049	0%	-		678,049
HCVMSP Mainstream Voucher	14.879	788	0%	-		-
Lower Income						
Housing Assistance Program	14.856	1,215,266	0%	-		1,215,266
Emergency Housing Voucher	14.EHV	81,200	0%	-		-
14.PHC Public Housing CARES /	14.PHC	9,358,294	2%	-		-
14.HCC CARES Act Funding	14.HCC	1,760,278	0%	-		-
Total		$378,001,733	100%	$60,734,796	100%	$438,736,529

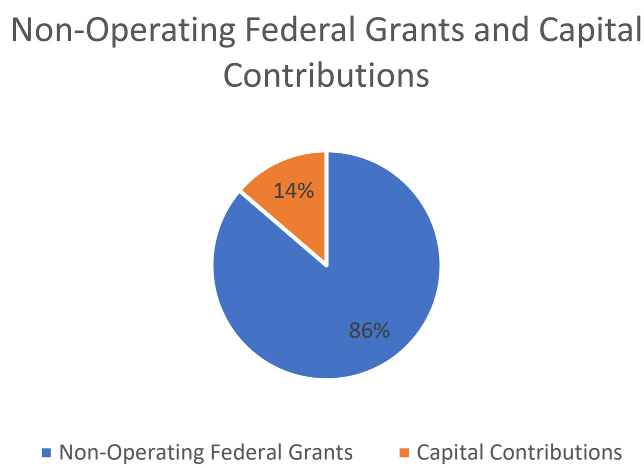
Graphs 1, 2 and 3 below present the distribution of non-operating Federal Grants and Capital Contributions of the Capital Fund Program (CFP) when compared to non-operating Revenues received from HUD in 2022 and 2021, respectively.

For fiscal year 2022, the Capital Fund received $88.9 million, detailed as follows: $22 million for Non-Operating Federal Grants and $66.9 million for Capital Contribution.

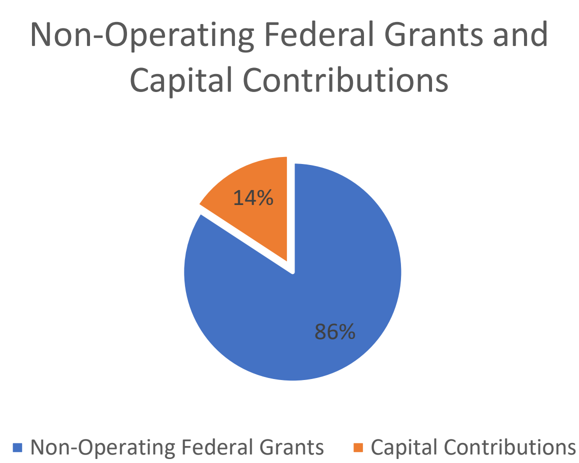
For the fiscal year 2021, the Capital Fund received $75.9 million, detailed as follows: $16.4 million for Non-Operating Federal Grants and $59.6 million for Capital Contribution.

For the fiscal year 2020, the Capital Fund received $92 million, detailed as follows: $17 million for Non-Operating Federal Grants and $75 million for Capital Contribution.

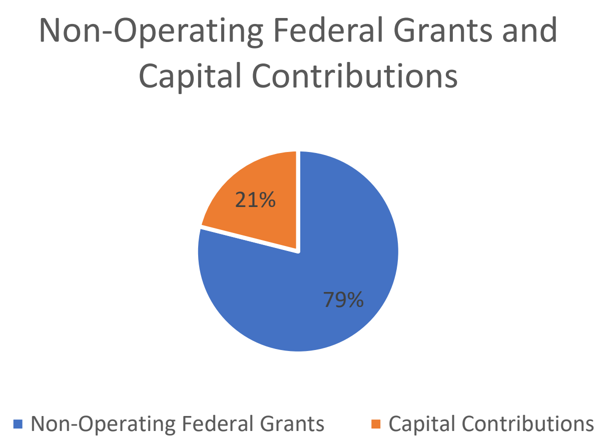
GRAPH 1: FY 2022



GRAPH 2: FY 2021



GRAPH 3: FY 2020

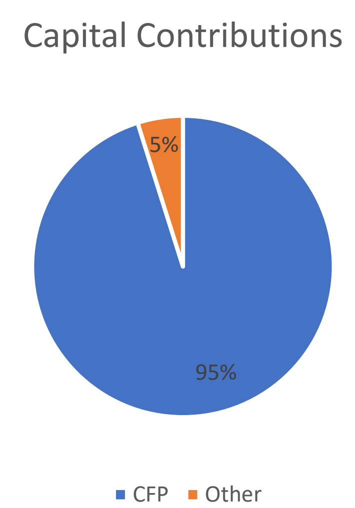


Graphs 3 and 4 show the capital contributions.

For fiscal year 2022, the total capital contributions amounted to approximately $70.3 million. From this amount, a total of $66.9 million was received from Capital Fund Program representing 95% of total capital investment and $3.4 million or 5% were received from Public Housing HOTMA program. From the amount received from HUD under the Capital Fund Program, $40 million was used to pay the Debt Service-related Capital Fund Modernization Program Refunding Bonds, Series 2020.

For fiscal year 2021, the total capital contributions amounted to approximately $60.7 million. From this amount, a total of $59.6 million was received from the Capital Fund Program representing 98% of total capital investment and $1.1 million or 2% were received from Public Housing HOTMA program. From the amount received from HUD under the Capital Fund Program, $36 million was used to pay the Debt Service-related Capital Fund Modernization Program Refunding Bonds, Series 2020.

GRAPH 3: FY 2022



GRAPH 4: FY 2021

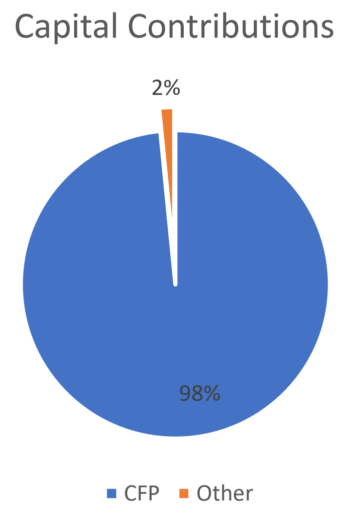


Table 4 presents the details of operating expenses. Total operating expenses are approximately $505.5 million for fiscal year 2022, $452 million for the fiscal year ended June 30, 2021, and $389 million for the fiscal year ended June 30, 2020, representing an increase of 12% and 16% respectively.

Table 4: **Total Operating Expenses**

	2022	2021	Change	%	2021	2020	Change	%
Administrative salaries	$ 81,227,856	$ 71,743,743	$ 9,484,113	13%	$ 71,743,743	$ 64,399,205	$ 7,344,538	11%
Tenant service salaries and other tenant services	119,344,600	112,089,332	7,255,268	6%	112,089,332	71,825,102	40,264,230	56%
Repairs, maintenance and utilities	121,875,580	101,696,495	20,179,085	20%	101,696,495	92,378,359	9,318,136	10%
Depreciation	92,083,477	93,359,444	(1,275,967)	-1%	93,359,444	95,953,161	(2,593,717)	-3%
Insurance	15,972,953	15,719,863	253,090	2%	15,719,863	14,451,808	1,268,055	9%
Other general and administrative	75,070,077	57,437,186	17,632,891	31%	57,437,186	49,576,158	7,861,028	16%
Total	$505,574,543	$ 452,046,063	$ 53,528,480	12%	$452,046,063	$ 388,583,793	$ 63,462,270	16%

Total operating expenses increased by $53.5 million or 12% during 2022, mostly driven by the increase of $20.2 million in repairs, maintenance and utilities and the increase of $17.6 million in other general and administrative expenses. The fluctuation in tenant services is explained by an increase of $7.3 million in tenant service salaries and $10 million of administrative salaries balances in comparison with the prior year figures.

Prior year figures

Total operating expenses increased by $63.5 million or 16% during 2021, mostly driven by the increase of $40.2 million in tenant services. The fluctuation in tenant services is explained by an increase of $4.8 million in tenant service salaries and $35.4 million of other tenant services balances in comparison with prior year figures.

At the same time, the increase in other tenant services is due to the fact that during fiscal year 2020 there is only a portion of Section 8 recorded for being the first year and for 2021 we already have the full year of all the Section 8 expenses.

Table 5 presents a Summary of Revenues, Expenses, and Changes in Net Position during fiscal years 2022, 2021 and 2020.

Table 5:	June 30,				June 30,			
	2022	2021	Change	%	2021	2020	Change	%
Program revenues:								
Operating revenues	$35,468,003	$34,733,249	$734,754	2%	$34,733,249	$34,577,953	$155,296	-
Operating expenses	505,574,543	452,046,063	$53,528,480	12%	452,046,063	388,583,793	$63,462,270	16%
Net operating loss before non-operating revenues and grants	(470,106,540)	(417,312,814)	(52,793,726)	13%	(417,312,814)	(354,005,840)	(63,306,974)	18%
Non-operating revenues (expenses) and grants	410,882,553	344,583,612	66,298,941	19%	344,583,612	214,482,881	130,100,731	61%
Gain or (Loss) before contributions from HUD	(59,223,987)	(72,729,202)	13,505,215	(19%)	(72,729,202)	(139,522,959)	66,793,757	(48%)
Capital contributions from HUD	70,292,109	60,734,796	9,557,313	16%	60,734,796	75,692,978	(14,958,182)	(20%)
Change in net position	11,068,122	(11,994,406)	23,062,528	(192%)	(11,994,406)	(63,829,981)	51,835,575	(81%)
Net position at beginning of the year, as restated	1,917,448,258	1,929,442,664	(11,994,406)	(1%)	1,929,442,664	1,816,014,350	113,428,314	6%
Net position at end of year	$ 1,928,516,380	$ 1,917,448,258	$ 11,068,122	1%	$ 1,917,448,258	$ 1,752,184,369	$ 165,263,889	9%

- The net operating loss before non-operating revenues (expenses) and grants of PRPHA for the fiscal year 2022 amounted to approximately $470.1 million, representing a net increase in loss of $52.8 million 13% when compared to the prior fiscal year. The main drivers of this increase are the increases in repairs, maintenance, and utilities of $20.2 million, the increase in other general and administrative of $17.6 million and the increase in administrative salaries and tenant services amounted to $17.3 million in comparison with prior year figures (as shown in Table 4).
- Net non-operating revenues (expenses) and grants increased by approximately $66.8 million in comparison with the prior fiscal year, mainly due to the increase of $64.8 million in Federal Grants.
- Capital Contributions increased by approximately $10 million or 16% due to an increase in capital expenditure during the modernization process of PRPHA buildings.

Prior year figures

- The net operating loss before non-operating revenues (expenses) and grants of PRPHA for the fiscal year 2021 amounted to approximately $417 million, representing a net increase in the loss of $63.3 million 18% when compared to the prior fiscal year. The main drivers of this increase are the increase in tenant services and salaries of $40 million, the increase in repairs and maintenance of $10 million, the increase in administrative salaries of $7 million and the increase in other general and administrative expense amounted to $7 million in comparison with prior year figures (as shown in Table 4).
- Net non-operating revenues (expenses) and grants increased by approximately $130 million in comparison with the prior fiscal year, mainly due to the increase of $100 million in Federal Grants.
- Capital Contributions decreased by approximately $14.9 million or 20% due to a decrease in capital expenditures during the modernization process of PRPHA buildings.

Table 6, Graphs 5 and 6 present the expenditures for each of PRPHA's federal programs for the fiscal years ended 2022 and 2021. From the Public and Indian Housing Program (PIHP), PRPHA expended $286 million or 58% of total federal expenditures for fiscal year 2022, representing an increase of $10 million in comparison with prior year figures.

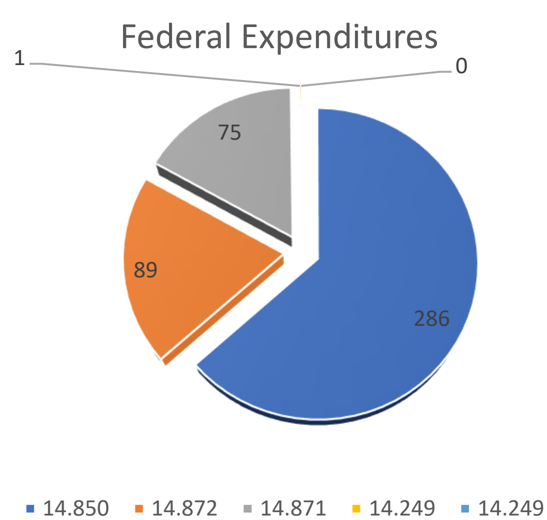
For Public Housing Capital Fund expended approximately $89 million or 18% of total federal expenditures for fiscal year 2022, representing an increase of approximately $13 million from prior fiscal year 2021. For the Housing Choice Voucher program, PRPHA expended $75 million or 15% of total federal expenditures for fiscal year 2022.

During the fiscal year 2021 the Public and Indian Housing Program (PIHP), PRPHA expended $276 million or 63% of total federal expenditures, representing an increase of $55 million in comparison with prior year figures. For Public Housing Capital Fund expended approximately $76 million or 17% of total federal expenditures for fiscal year 2021, representing a decrease of approximately $16 million from prior fiscal year 2020. For the Housing Choice Voucher program, PRPHA expended $73 million or 17% of total federal expenditures for fiscal year 2021.

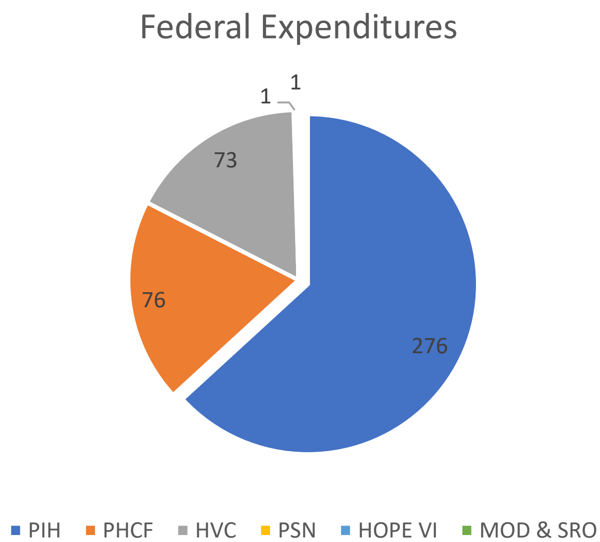
Table 6: ($ in millions)

	Federal CFDA Number	2022	2021
Public and Indian Housing	14.850	$ 286	$ 276
Public Housing Capital Fund	14.872	89	76
Housing Choice Voucher	14.871	75	73
Section 8 SRO	14.249	1	-
MOD REHAB Y SRO	14.249	-	1
Emergency Housing Voucher	14.EHV	1	-
Disaster Case management	97.088	1	-
Emergency rental assistant	14.ERAP	24	-
Program Section 8 Moderate Rehabilitation	14.856	1	1
14.PHC Public Housing CARES Act Funding	14.PHC	33	9
14.HCC HCV CARES Act Funding (both HAP and Administrative Fee)	14.HCC	2	2
Total		$ 513	$ 438

GRAPH 5: FY 2022



GRAPH 6: FY 2021



BUDGETARY HIGHLIGHTS

Summary

Table seven details a comparison of the final budget for the Public and Indian Housing Program (PIHP) and the Central Office Cost Center (COCC) Fund. PIHP operated in FY2022 with a revised final budget of $452 million while the fiscal year 2021 final budget was $448 million. For 2022 there is an increase of $3.7 million when compared to 2021.

Table 7: Budget Summary ($ in thousands)

Description	Final Budget Approved 2022-2021	Final Budget Approved 2021-2020	Final Budget Approved 2020-2019	Inc(Dec)	% Change
Public and Indian Housing, including fees	$ 355,323,185	$ 344,359,426	$ 394,536,080	10,963,759	3%
Based Vouchers Program	75,174,499	82,407,479	-	(7,232,980)	-9%
Capital Fund Program Fee	20,425,940	15,100,000	15,100,000	5,325,940	35%
Use of Reserve and Other Income	595,014	5,890,181	9,147,441	(5,295,167)	-90%
Total	$ 451,518,638	$ 447,757,086	$ 418,783,521	$ 3,761,552	1%

Table eight details a comparison of the final Public and Indian Housing Program (PIHP) and Central Office Cost Center (COCC) expenditures budgets for fiscal years ending 2022, 2021 and 2020. PIHP operated in FY 2022 and 2021 with a revised final budget of $452 and $448 million, respectively. These funds are used by PRPHA mostly in the ordinary and extraordinary maintenance of PRPHA's federal public housing projects throughout the island.

Table 8: **Description**	**Approved 2022-2021**	**Approved 2021-2020**	**Approved 2020-2019**
Administrative Expense	$ 114,269,361	$ 110,197,088	$ 101,554,699
Tenant Services Expense	64,583,669	68,026,101	72,601,272
Utilities	17,466,410	17,117,818	16,937,102
Maintenance/Oper. Exp	111,207,339	102,278,183	92,744,091
Protective Service Expense	5,877,227	5,749,612	4,743,955
HAP payments	66,370,958	73,825,895	-
General Expense	46,997,476	46,313,206	42,465,808
CFP Act (notice 2018-03)	-	-	54,076,563
Total Operating Expense	426,772,440	423,507,903	385,123,490
Non-Routine Expenses	24,746,198	24,249,183	33,660,031
	$ 451,518,638	$ 447,757,086	$ 418,783,521

The final operating budget for fiscal year ended 2022 included a subsidy from HUD of approximately $272 million compared to $265 million for 2021.

The budget also combines an estimated dwelling rental income of $25.3 and $17.5 million for 2022 and 2021 respectively. The total Financial Resources for 2022 show a net increase of $10.9 million mainly due to a decrease of $6.8 million on estimated subsidy, an increase in estimated rental income of $7.9 million, an increase of $2 million in Capital Fund Programs and an increase of $ 7.9 million in other operating reserve. The total project expenditure shows a net increase of $10.9 mainly due to an increase in projects operating expenditures of $16.2 million and a decrease in security and non-routine expenditures amounted to $5.2 million.

Table 9

Description	2022-2021	2021-2020	2020-2019	Inc(Dec)	% Change
Estimated Subsidy (includes Add On	$ 271,177,983	$ 277,973,960	$ 216,000,212	$ (6,795,977)	-3%
Estimated Rental Income	25,304,187	17,454,596	17,029,113	7,849,591	31%
OP FOR cfp Act (Notice 2018-03) HOTMA	-	-	54,076,563	-	-
Capital Fund Program %	2,000,000	-	11,259,556	2,000,000	100%
Use of excess reserve	56,841,015	48,930,870	96,170,636	7,910,145	14%
Total Financial Resources	355,323,185	344,359,426	394,536,080	10,963,759	
Reasonable Fees to be Charged to Low Income Housing Program[1]	50,157,630	50,157,630	48,522,800	-	0%
Projects Operating Expenditues (Does not include Non Routine)	227,739,281	211,537,149	191,580,624	16,202,132	7%
Projects Insurance and Telephone	15,629,252	15,629,252	15,501,252	-	0%
Resident service Prorams, Security and Non Routine Exp.	46,511,171	51,749,545	69,568,991	(5,238,374)	-11%
General Expense	15,285,851	15,285,850	15,285,850	1	0%
OP for CFP Act (Notice 2018-03) HOTMA	-	-	54,076,563	-	-
Project Expenditures	355,323,185	344,359,426	394,536,080	10,963,759	
Net Operating Income/Reserve	$ -	$ -	$ -	$ -	

Table 10 shows the breakdown of the total budget for FYE 2022, including the Central Office Cost Center (COCC).

Table 10

Description	COCC	SECCION 8	Projects	Total Budget FY 2022-2021
Administrative Expense	$ 55,602,957	$ 5,569,364	$ 53,097,040	$ 114,269,361
Tenant Services Expense	1,650,000	-	62,933,669	64,583,669
Utilities	528,592	150,716	16,787,102	17,466,410
Ord. Maintenance/Operational Expense	8,591,813	969,668	101,645,858	111,207,339
Protective Services Expense	799,537	238,026	4,839,664	5,877,227
HAP payments	-	66,370,958	-	66,370,958
General Expense	4,994,871	-	42,002,605	46,997,476
Total Operating Expense	72,167,770	73,298,732	281,305,938	426,772,440
NON-ROUTINE EXPENDITURES				
Extraordinary Maintenance	-	-	12,865,089	12,865,089
Property Betterments and Additions	828,024	58,557	10,994,528	11,881,109
Total Non-Routine Expenditures	828,024	58,557	23,859,617	24,746,198
Total Budget	$ 72,995,794	$ 73,357,289	$ 305,165,555	$ 451,518,638

Central Office Cost Center (COCC) charges fees in lieu of cost allocations and record all financial transactions as a different fund (see *Table 11*). COCC reports these fees charged as revenue. In turn, projects will report the fees levied as expenses.

Table 11 details the Central Office Cost Center Budget Summary, which includes Fees, charged to Low Rent Program for $50.2 million, $20.4 million from Capital Fund Program as Program Fee, $1.8 million charged to HCV and Project-Based Voucher Program and $595 thousand from reserve funds.

Table 11 : Central Office Cost Center Budget Summary

Description	Amount
Fees Charged to AMP's Low Rent Program	$ 50,157,631
Capital Fund Program Management Fee	20,425,940
Feed charged to HCV and Project-Based Voucher Program	1,817,210
Use of Reserve	595,013
Total Financial Resources for COCC	$ 72,995,794
Total Expenditures for COCC (Includes salaries, indirect cost, management fees).	$ 72,995,794

ASSETS AND LIABILITIES

At the end of fiscal year 2022 and 2021, PRPHA had approximately $2.3 million in total assets and deferred outflow. For fiscal year 2020, this amount was approximately $1,947 million as detailed below (Table 12).

Table 12 **(in millions)**

	June 30,		
Assets	**2022**	**2021**	**2020**
Cash (unrestricted and restricted)	$ 441	$ 405	$ 358
Certificates of deposits	53	53	52
Rent and other accounts receivable, net	87	80	77
Materials and supplies	17	17	17
Restricted assets	2	4	2
Fiscal agent funds, restricted	32	29	14
Capital assets, net	1,174	1,231	1,308
Other noncurrent assets	477	477	115
Deferred outflows of resources	10	13	4
	$ 2,293	$ 2,309	$ 1,947

Cash (unrestricted and restricted) and Certificates of deposits

As shown in the table above, cash and certificates of deposits increased by approximately $36 million when compared with fiscal year 2021 and increase by $48 million when compared with fiscal year 2020.

Rent and Other Accounts Receivable, net

For 2022, rent and other receivable had a net increase of $6.9 million when compared with prior year 2021 mainly due to an increased in advances to management agents of $10.4 million, a decrease of $2.6 million on accounts receivable tenants, a decrease in accounts receivable other of $3.7 million, an increase in Department of Housing of $1.8 million and a decrease in the allowance for doubtful accounts of $1 million.

At the end of fiscal year 2021, rent and other accounts receivable had a net increase of approximately $3 million when compared with prior fiscal year mainly due to a decrease of $3 million in advances to management agents, an increase in accounts receivable other of $10 million, a decrease in accounts receivable Department of Housing of $1 million and an increase in the allowance for doubtful accounts of $3 million.

For 2020, rent and other receivable had a net increase of approximately $17 million or 28% when compared with prior fiscal year mainly due to an increase of $1.3 million in accounts receivable from tenants, an increase in accounts receivable other of $8.5 million, an increase in accounts receivable from HUD of $1.2 million, an increase of $10 million in advances to the management agents and an increase of the allowance for doubtful accounts of $4 million.

Capital Assets, net

For fiscal year June 30, 2022, capital assets decreased by $56 million of 5% when compared with the prior year fiscal year 2021. The decrease is mainly due to the net effect of an increase in construction in progress of $16.4 million, the decrease in building and building improvements of $18.3 million, the increase in furniture and fixtures of $6.5 million, the increase in vehicles of $1.1 million, the decrease in land of $1.4 million and the increase in accumulated depreciation of $60 million.

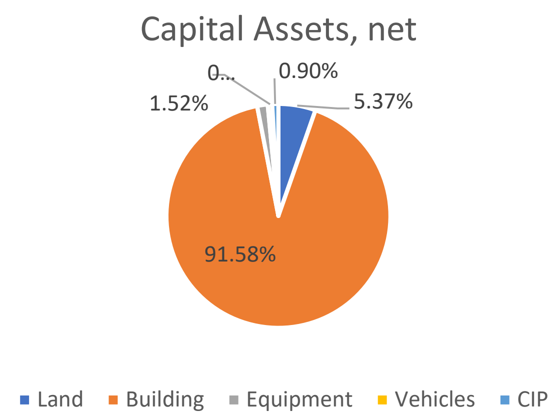
At the end of the fiscal year 2021, capital assets decreased by approximately $77 million when compared with the prior fiscal year. The main driver of this decrease is the net effect of an increase in building and building improvement of $47 million, the increase in furniture and fixture of $2 million, the increase in the accumulated depreciation amounted to $91 million and the decrease in construction in progress of $35 million (See Table 13, Graphs 7, 8 and 9 below).

At the end of the fiscal year 2020, capital assets decreased by approximately $88 million when compared with the prior fiscal year. The main driver of this decrease is the net effect of an increase of construction in progress of $10 million, the increase in the accumulated depreciation of $93 million, a decrease in vehicles of $1 million and a decrease in building and building improvements of $ 4 million. (See Table 13, Graphs 7, 8 and 9 below).

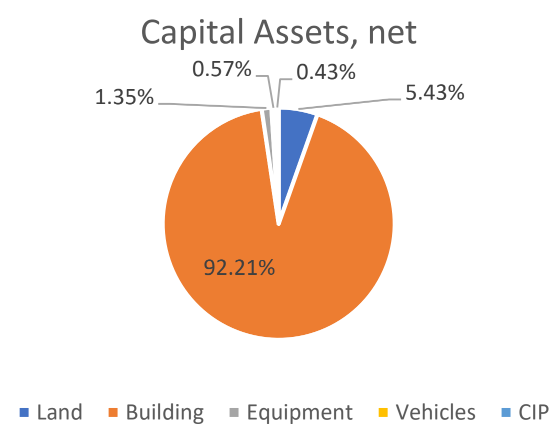
Table 13:

Capital Assets (Net of Accumulated Depreciation, in millions)	**2022**	**2021**	**2020**
Land	$ 187	$ 189	$ 190
Building and building improvements	3,192	3,210	3,163
Furniture, fixtures, and equipment	53	47	45
Vehicles	22	20	20
Construction in progress (CIP)	31	15	50
Subtotal	3,485	3,481	3,468
Less accumulated depreciation	(2,311)	(2,251)	(2,160)
Capital Assets, net	$ 1,174	$ 1,230	$ 1,308

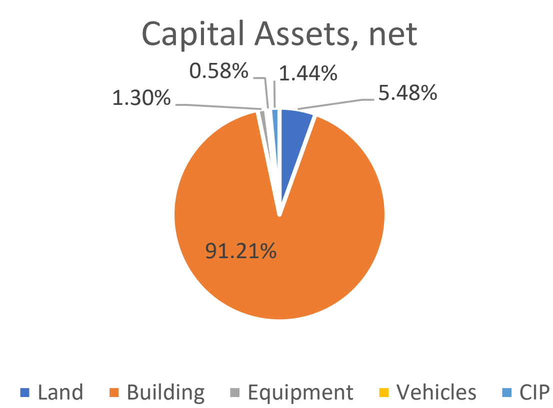
GRAPH 7: FY 2022



GRAPH 8: FY 2021



GRAPH 9: FY 2020



Non-current Assets

For the fiscal year ended June 30, 2022, non-current assets decreased by approximately $57.9 million mainly due to a decrease in capital assets amounting to $56.2 million in comparison with prior year figures.

For fiscal year 2021 non-current assets increased by approximately $287 million in the current year, mainly due to the net effect of the decrease in capital assets amounted to $76.9 million, the recognition of the 2008 bond note amounted to $377 million and a decrease in restricted assets of $13.1 million in comparison with prior year.

For the fiscal year ended June 30, 2020, non-current assets decreased by approximately $90 million, mainly due to the decrease in capital assets of $88 million and a decrease of $2 million in restricted assets in comparison with prior year figures.

LIABILITIES

Bonds Payable

On October 1, 2020, The Puerto Rico Housing Finance Authority (The Authority) issued its Capital Fund Modernization Program Refunding Bonds Series 2020 under a Trust Indenture between the Authority and The Bank of New York Mellon (the Trustee). The proceeds of the Series 2020 Bonds were loaned to the PRPHA pursuant to a loan agreement between the Authority and PRPHA. The proceeds of the Series 2020 Bonds were used to redeem the Housing Capital Fund Program Bonds Series 2003, the Housing Capital Fund Modernization Program Subordinated Bonds Series 2008 and to pay costs of issuance of Series 2020 Bonds. The debt service for the new bonds Series 2020 will continue to be paid from capital funds of PRPHA, pursuant to the schedule submitted as part of the CFFP submission and the final debt service schedule as submitted to HUD.

Balance of the CFP Bonds Payable consists of the following:

Description	2022	2021	2020
Current portion	$ 30,800,000	$ 29,295,000	$ 14,305,000
Long-term portion	183,088,380	222,143,049	64,492,660
Bonds Payable, net	$ 213,888,380	$ 251,438,049	$ 78,797,660

Current Liabilities

For the year ended June 30, 2022, PRPHA had a total of $124.8 million in current liabilities. Of this amount, $30.8 million represents the current portion of bonds payable, $86.3 million represents accounts payable and accrued liabilities and approximately $2.7 million represents other pension and post-employment benefits.

As of June 30, 2021, PRPHA had a total of approximately $109.6 million in current liabilities. Of this amount, $29.3 million represents the current portion of bonds payable, $73 million represents accounts payable and accrued liabilities and other pension and post-employment benefits liabilities amounted to approximately $2.7 million.

As of June 30, 2020, PRPHA had a total of approximately $76.7 million in current liabilities. Of this amount, $14.3 million represented the current portion of bonds payable, $59.7 million were accounts payable and accrued liabilities and other pension and other- post employment liabilities amounted to approximately $2.7 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND PROJECTIONS

On September 19, 2005, the United States Department of Housing and Urban Development (HUD) published 24 CFR, Part 990 Revision to the Public Housing Operating Fund Program: Final Rule (The Final Rule). This rule states that, in accordance with the directives received from the U. S. Congress, Public Housing Agencies (PI-IAs) and HUD are to convert from an agency-centric model to an asset-management model. Due to the Final Rule, HUD's Financial Reporting has moved toward a Project Based Accounting (PBA) and a Fee for Service Approach. In the Fee-for-Service approach, projects will pay the central office fees for services provided. Applicability of asset management requirements will vary by size. The Operating Fund Rule (24 CFR 990), requires that all PHAs with 250 or more units convert to asset management and, thus, adopt a fee-for-service approach for overhead and certain centrally provided property management services.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND PROJECTIONS (CONTINUED)

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

In the following fiscal year, we have been very conservative establishing an amount of $468.9 million as the budget for fiscal year 2023, where $468.9 million will be assigned for operations and the ordinary maintenance of PRPHA projects including the Central Office Cost Center.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND PROJECTIONS

Description	2023-2022
Estimated Subsidy (Inc Add On and Uses)	271,514,314
Estimated Rental Income	25,304,187
Capital Fund Program % 1406	2,000,000
Capital Fund Program % 1410	17,754,272
Use of operating reserve (projects)	73,495,881
Based Voucher Program	75,589,164
Use of reserve (COCC)	3,266,682
Total Financial Resources	$ 468,924,500
Reasonable fees to be charge to low income housing program COCC	50,157,631
Projects Oper. Exp. (Does Not Include Non Routine)/COCC Exp	275,026,145
Projects Insurance and Telephone	15,501,252
Resident Services Program, Security and Nonroutine Expenses	39,181,668
Based Voucher Program	73,771,954
Utilities Expense	15,285,850
Projects Expenditures	468,924,500
Net Operating Income/Reserve	$ -

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND PROJECTIONS (CONTINUED)

The following table shows the budget projections for fiscal years 2020 to 2023 for the federal projects administered by PRPHA:

Description	2020-2021	2021-2022	2022-2023
Estimated Subsidy (Inc Add On and Uses)	$266,887,354	$264,870,754	$271,514,314
Estimated Rental Income	17,448,862	17,454,596	25,304,187
Capital Fund Program % 1406	-	2,000,000	2,000,000
Capital Fund Program % 1410	15,100,000	15,100,000	17,754,272
Use of reserve (COCC)	6,985,821	5,820,293	3,266,682
Housing Choice Voucher	-	82,606,901	75,589,164
Use of operating reserve (projects)	57,138,056	55,709,531	73,495,881
Total Financial Resources	**$363,560,093**	**$443,562,075**	**$468,924,500**

REQUEST FOR INFORMATION

This financial report is designed to provide our tenants, contractors, investors, creditors, and oversight entities with a general overview of PRPHA's finances and to show PRPHA's accountability for the monies it received. If you have any questions about this report or need additional financial information, contact PRPHA Area Administrator by mail to the PO Box 363188, San Juan, PR 00936-3188, by phone to the (787) 282-6472, or by e-mail at earivera@avp.pr.gov-

COMMONWEALTH OF PUERTO RICO
PUERTO RICO PUBLIC HOUSING ADMINISTRATION
(A Fund of the Commonwealth of Puerto Rico)
STATEMENTS OF NET POSITION
June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents **(Notes 1 and 2)**	$ 356,926,133	$ 328,837,304
Cash and cash equivalents, restricted **(Notes 1, 2 and 5)**	84,246,434	75,989,774
Certificates of deposits, restricted **(Notes 1, 2 and 5)**	52,806,110	52,698,933
Rent and other accounts receivable, net **(Note 3)**	86,863,902	79,952,967
Materials and supplies	17,416,097	17,416,097
Restricted assets **(Note 5)**	1,697,265	1,693,032
Fiscal agent funds, restricted **(Notes 4 and 5)**	30,800,000	29,295,000
Total current assets	630,755,941	585,883,107
Restricted assets **(Note 5)**	481,644	2,216,644
Capital assets, net **(Note 6)**	1,174,577,143	1,230,746,028
Note Receivable **(Note 16)**	477,213,278	477,213,278
Total non-current assets	1,652,272,065	1,710,175,950
DEFERRED OUTFLOWS OF RESOURCES		
Loss on bonds refunding **(Note 7)**	778,445	1,008,074
Pension related **(Note 11)**	9,419,635	11,555,706
Other postemployment benefits related	109,000	106,900
Total deferred outflows of resouces	10,307,080	12,670,680
Total assets and deferred outflows of resources	$ 2,293,335,086	$ 2,308,729,737
LIABILITIES		
Current portion of bonds payable, restricted **(Note 7)**	$ 30,800,000	$ 29,295,000
Current portion of accrued compensated absences and termination benefits **(Note 8)**	2,016,925	1,726,394
Accounts payable and accrued liabilities **(Note 8)**	86,305,648	71,066,825
Accrued bond interest payable	795,917	917,979
Unearned revenues	2,145,301	3,997,685
Other post-employment benefits **(Note 12)**	109,000	106,900
Pension liability **(Note 11)**	2,585,794	2,536,732
Total current liabilities	124,758,585	109,647,515
Long-term portion of accrued compensated absences and termination benefits **(Note 8)**	512,584	1,219,993
Other post-employments benefits **(Note12)**	1,246,391	1,404,313
Pension liability **(Note 11)**	51,422,709	54,499,207
Long term portion of bonds payable, net **(Note 7)**	183,088,380	222,143,049
Total non-current liabilities	236,270,064	279,266,562
Total liabilities	361,028,649	388,914,077
DEFERRED INFLOWS OF RESOURCES		
Pension related **(Note 11)**	3,790,057	2,367,402
Total deferred inflows of resources	3,790,057	2,367,402
NET POSITION		
Net investment in capital assets	1,000,590,703	1,008,750,009
Restricted **(Note 15)**	139,231,453	131,902,895
Unrestricted	788,694,224	776,795,354
Total net position	1,928,516,380	1,917,448,258
TOTAL LIABILITES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 2,293,335,086	$ 2,308,729,737

COMMONWEALTH OF PUERTO RICO
PUERTO RICO PUBLIC HOUSING ADMINISTRATION
(A Fund of the Commonwealth of Puerto Rico)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED June 30, 2022 and 2021

	2022	2021
OPERATING REVENUES		
Rent, fees, and other	$ 31,351,554	$ 30,743,088
Fees earned asset management, net	4,116,449	3,990,161
	35,468,003	34,733,249
OPERATING EXPENSES		
Administrative salaries	81,227,856	71,743,743
Tenant service salaries	33,756,793	27,579,033
Other tenant services	85,587,807	84,510,299
Repairs and maintenance	108,124,093	92,810,436
Utilities	13,751,487	8,886,059
Depreciation	92,083,477	93,359,444
Insurance	15,972,953	15,719,863
Impairment in capital assets	-	11,105,927
Other general and administrative	75,070,077	46,331,259
	505,574,543	452,046,063
Net operating loss before non-operating revenues (expenses) and	(470,106,540)	(417,312,814)
Non-operating revenues (expenses) and grants (Notes 1, 3, 7 and		
Loss on disposition of dwelling properties and equipment, net	(8,152,659)	(453,872)
Legislative appropriations	2,453,262	-
Interest earned	107,022	587,701
Interest expense	(2,136,269)	(3,688,096)
Bond issue costs, net	-	(2,860,914)
Mixed-finance transaction related payments	(21,155,431)	(20,535,357)
Mixed-finance developments	(3,046,418)	(6,518,374)
Federal grants	442,813,046	378,052,524
	410,882,553	344,583,612
Loss before contributions from the U.S. Department of Housing and Urban Development (HUD)	(59,223,987)	(72,729,202)
Capital contributions from the U.S. Department of Housing and Urban Development (HUD) (Note 9)	70,292,109	60,734,796
CHANGE IN NET POSITION	11,068,122	(11,994,406)
Net position as previously reported, restated (Note 18)	1,917,448,258	1,752,184,369
Prior period adjustment (Note 18)	-	177,258,295
Net position at beginning of year as restated	1,917,448,258	1,929,442,664
NET POSITION AT END OF YEAR	$ 1,928,516,380	$ 1,917,448,258

COMMONWEALTH OF PUERTO RICO
PUERTO RICO PUBLIC HOUSING ADMINISTRATION
(A Fund of the Commonwealth of Puerto Rico)
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Cash receipts from tenants and federal grants	$ 28,388,910	$ 28,985,418
Cash payments to employees	(114,984,649)	(99,322,776)
Cash payments to suppliers and management agents	(284,700,514)	(231,498,180)
Net cash used in operating activities	(371,296,253)	(301,835,538)
Cash flows provided by investing activities		
Cash outlays in certificates of deposits	(4,388)	152,383
Net cash provided by investing activities	(4,388)	152,383
Cash flows from capital and related financing activities		
Interest paid and bond issue cost net	(10,283,375)	(7,944,421)
Receipts from capital grants	70,292,109	60,734,796
Loss on disposition of dweling properties net	(8,152,659)	(453,872)
Legislative appropriations	2,453,262	-
Principal payments of capital fund bonds	(29,295,000)	(28,840,000)
Cash paid to related entity/ mix finance transaction	(24,201,849)	(27,053,731)
Payments for capital asset acquisition	(36,209,404)	(24,607,730)
Net cash used in capital and related financing activities	(35,396,916)	(28,164,958)
Cash flows provided by noncapital financing activities		
Legislative and federal grants contributions received	442,813,046	378,052,524
Net receipts from federal and state grants	442,813,046	378,052,524
Net increase in cash and cash equivalents	36,115,489	48,204,411
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	436,338,722	388,134,311
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 472,454,211	$ 436,338,722
Cash and cash equivalents		
Unrestricted	$ 356,926,133	$ 328,837,304
Restricted		
Cash and cash equivalents, restricted	84,246,434	75,989,774
Fiscal agent funds	30,800,000	29,295,000
Restricted assets	481,644	2,216,644
	$ 472,454,211	$ 436,338,722

PUERTO RICO PUBLIC HOUSING ADMINISTRATION
(A Fund of the Commonwealth of Puerto Rico)
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED June 30, 2022 and 2021

	2022	2021
Reconciliation of net operating loss before non-operating revenues (expenses) and grants to net cash used in operating activities:		
Net operating loss before non-operating revenues (expenses) and grants.	$ (470,106,540)	$ (417,312,814)
Adjustments to reconcile net operating loss before non-operating revenues (expenses) and grants to net cash used in operating activities:		
Depreciation	92,083,477	93,359,444
Loss on impairment of capital assets	-	11,105,927
Increase in rent and other accounts receivable, net	(5,226,709)	(6,272,275)
(Decrease) Increase in allowance for bad debt	(1,684,226)	3,054,087
Increase in materials and supplies	-	(558,177)
Decrease (Increase) in deferred outflow of resources	2,133,971	(7,018,883)
(Decrease) Increase in unearned revenues	(1,852,384)	524,444
Increase in accounts payable, accrued liabilities, and accrued compensated absences and benefits	15,116,761	14,506,287
Increase (Decrease) in deferred inflow of resources	1,422,655	(736,400)
(Decrease) Increase in total other postemployment benefits liability	(155,822)	88,794
(Decrease) Increase in total pension liability	(3,027,436)	7,424,028
Total adjustments	98,810,287	115,477,276
Net cash used in operating activities	$ (371,296,253)	$ (301,835,538)

NONCASH ACTIVITIES

Record impariment loss on capital assets of $11,105,927 for 2021.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Puerto Rico Public Housing Administration of the Commonwealth of Puerto Rico (PRPHA or Administration) is a governmental entity created by Act No. 66 from August 17, 1989, ascribed to the Puerto Rico Department of Housing (the Department) by Act No. 58 of August 9, 1991. On August 9, 1991, it assumed certain assets, liabilities and operations of the Puerto Rico Urban Renewal and Housing Corporation (PRURHC), which is currently under liquidation by the Office for the Administration of the Assets of CRUV (OAAC) attached to the Puerto Rico Department of Housing. PRPHA is engaged in the implementation of the governmental policy related to the public housing projects and its administration. During August 1992, the administrator subcontracted the administration of the public housing projects to the private sector. The primary source of funds to carry out the management, maintenance and improvement of public housing are Federal Government subsidies and grants. PRPHA operates approximately 54,000 public housing units, located in 365 (332 federally subsidized and 33 states subsidized) residential complexes throughout the island.

PRPHA accounts for the public housing and urban development activities in which tenant rentals or sales of real properties cover only a portion of costs and subsidies or operating grants necessary to meet operating expenses.

Reporting Entity

PRPHA is for financial reporting purposes part of the Commonwealth of Puerto Rico, and its financial data is reported as part of the general fund in the Commonwealth of Puerto Rico's financial statements. The accompanying financial statements are issued solely for the information and use of PRPHA's management, the Puerto Rico Treasury Department, the US Housing and Urban Development Department and other oversight bodies and are not intended to be and should not be used by anyone other than these specifies parties.

Summary of Significant Accounting Policies

<u>Measurement Focus, Basis of Accounting and Financial Statements Presentation</u>

The basic financial statements of PRPHA have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities PRPHA's reporting entity applies all relevant Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless they conflict with Governmental Accounting Standards Board (GASB) pronouncements.

The basic financial statements report uses 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.

Net operating loss includes revenues and expenses related to the primary, continuing operations of PRPHA.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statements Presentation (Continued)

Principal operating revenues are tenants' rentals or sales of real estate properties. Principal operating expenses are the costs of carrying out the management, maintenance and improvement of public housing units and include administrative expenses and depreciation of capital assets. Non-operating revenues and grants consist primarily of Federal Governmental subsidies and grants, and fees from public housing projects management agents.

Fair Value of Financial Instruments

The following methods and assumptions were used by PRPHA in estimating the fair value of its financial instruments:

Cash and cash equivalents: The carrying amount reported in the statements of net position for cash and cash equivalents approximates its fair value.

Restricted assets: The carrying amount reported in the statements of net position for restricted assets approximates its fair value.

Investments: The Administration measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1*: Valuations based on quoted prices in active markets for identical assets or liabilities that the Administration has the ability to access.
- *Level 2*: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- *Level 3*: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Accounts receivable and accounts payable: The carrying amount reported in the statements of net position for accounts receivable and accounts payable approximates its fair value.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (Continued)

Statement of Cash Flows

For purposes of the statement of cash flows, the Administration considers all highly liquid investments with a maturity of one year or less when purchased to be cash equivalents.

Receivables

Receivables are stated net of estimated allowances for uncollectible accounts, which allowances are determined based upon past collection experience and current economic conditions, among other factors.

Materials and Supplies

Materials and supplies are primarily used for the maintenance of the public housing projects and are recorded at cost on a first-in, first-out basis, not to exceed market.

Restricted Assets

Restricted assets include funds received from the U.S. Department of Housing and Urban Development (HUD) or other sources earmarked for certain specific purposes.

Capital Assets

PRPHA defines capital assets as assets which have an initial individual cost of $500 or more at the date of acquisition. Capital assets, consisting mostly of land and structures, the majority of which are used as public housing rental dwellings, are stated at cost, as determined from original Actual Development Cost Certificates (ADCC) submitted to HUD.

Major modernizations and betterments are capitalized while replacements, maintenance and repairs which do not improve or extend the life of the respective assets are expensed currently. When assets are sold, retired, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and charged against contributed capital. PRPHA evaluates the recoverability of its capital assets, if circumstances indicate impairment may have occurred pursuant to GASB 42, *Accounting for Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This analysis is performed by using the service units' approach. For the fiscal year ended June 30, 2022, PRPHA does not recognized any loss on impairment of capital assets. During fiscal year 2021, PRPHA recognized a loss on impairment of capital assets of $11.1 million, because of certain dwelling units identified for demolition and/or units, which are not in use for an extended period.

Major classifications and related estimated useful lives are as follow:

Description	**Estimated Useful Lives**
Land	-
Buildings	50 years
Betterments and improvements	25 years
Furniture, fixtures, and equipment	3 to 7 years

Depreciation is provided on the straight-line basis over the estimated useful lives of the capital assets.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

Deferred revenue arises from rent received in advance from tenants.

Accounting for Compensated Absences

Employees earn vacation and sick leave based on a prescribed formula. The amount of vacation and sick pay earned and not used by PRPHA's employees is accrued as a liability as the benefits are earned by the employees and the employees' rights to receive compensation are attributable to services already rendered and it is probable that PRPHA will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. Accrued compensated absences include payroll related expenses.

Pension Benefits

The Administration adopted the provisions of GASB Statement No. 73 *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB No. 68"*. Accordingly, pension costs are reported based on the employer total pension liability, pension expense and deferred outflows/inflows of resources reported by the Employees' Retirement System of the Government of Puerto Rico (ERS) Basic Financial Statements.

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the ERS plan and additions to/reductions from the ERS plan's fiduciary net position have been determined on the same basis as they are reported by the ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Accounting for Other Postemployment Benefits ("OPEB")

GASB Statement No. 75 *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"* is effective for the Administration starting on July 1, 2017. As required by the accounting pronouncement, OPEB transactions should be accounted based on its proportional share of the collective net OPEB liability, OPEB expense and deferred outflows/inflows of resources reported by the Plan. For purposes of measuring, OPEB costs should have all been determined on the same basis as they are reported by the Plan. The Administration's contribution for OPEB is included as part of the "Paygo" charges billed on a monthly basis by the Puerto Rico Department of Treasury ("PRDT"). "Paygo" payments are recorded as expenditures\expenses in the financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (Continued)

Refunding

Refunding involves the issuance of new debt whose proceeds are used to repay immediately (current refunding) or at a future time (advance refunding) previously issued debt. The difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

The deferred amount is recorded on the statement of net deficit as either a deferred inflow or deferred outflow of resources. See Note 7 for discussion of Advance Refunding and Defeased Debt.

Bond Issue Costs and Premium/Discount on Bonds

Bond issue costs are expensed as incurred. Premium (discounts) on bonds are amortized in a systematic manner over the life of the debt.

Deferred Inflows and Outflows of Resources

In addition to assets and liabilities, the statement of net position reports separates sections for deferred outflows of resources and deferred inflows of resources.

These separate financial statement elements, deferred outflows of resources and deferred inflows of resources, represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until that time.

The Administration have deferred outflows and inflows that relate to the net pension liability, which include the Administration’s contributions subsequent to the measurement date, which is recognized as a reduction of the net pension liability in the subsequent year.

They also include changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between the Administration contributions and proportionate share of contributions, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (Continued)

Annual Contributions

Under the Federally Assisted Low Income Housing Program (Title III), HUD makes annual contributions to the Administration. Contributions received for public housing construction and/or modernization projects and for the payment or forgiveness of principal amounts of notes and bonds payable are recorded as capital contributions.

Contributions received for the subsidy of operations, as reimbursement of expenses, and for payment of interest are credited to operating revenues. Grants are recorded in the accounting period in which they are earned and become measurable.

Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position is presented in three components as follows:

- Net investment in capital assets - Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position - Consist of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted net position - Consists of all other assets that do not meet the definitions of “restricted” or “invested in capital assets, net of related debt.

Use of Estimates

Management of the Administration has made a number of estimates and assumptions relating to the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Risk Management

The Administration is exposed to various risks of loss, torts, theft, damage to, and destruction of assets, employee injuries and illnesses, natural disasters, and other losses. Commercial insurance coverage is obtained for claims arising from such matters. Such coverage is negotiated by the Department of Treasury of the Commonwealth of Puerto Rico and paid by the Administration.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements

The GASB has issued the following accounting standards, which were adopted when applicable, by PRPHA or are being evaluated for the impact that these standards will have in the financial statements.

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payments Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange like transaction. This Statement requires that PPPs that meet the definition of a lease apply the guidance in Statement No. 87, Leases, as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of a service concession arrangement (SCA). This Statement also provides specific guidance in financial statements prepared using the economic resources measurement focus for a government that is an operator in a PPP that either (1) meets the definition of an SCA or (2) is not within the scope of Statement 87, as amended (as clarified in this Statement). This Statement also requires a government to account for PPP and non-PPP components of a PPP as separate contracts. This Statement also requires an amendment to a PPP to be considered a PPP modification, unless the operator's right to use the underlying PPP asset decreases, in which case it should be considered a partial or full PPP termination. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements (Continued)

GASB Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections*-an amendment of GASB Statement No. 62. 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 requirements of this statement are effective for fiscal years beginning after June 15, 2023. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023. Earlier application is encouraged.

2. DEPOSITS AND CUSTODIAL CREDIT RISK

Puerto Rico laws authorize governmental entities to invest in direct obligations or obligations guaranteed by the Federal Government or the Commonwealth of Puerto Rico.

The Administration is also allowed to invest in bank acceptances, other bank obligations and certificates of deposit in financial institutions authorized to do business under the Federal and Commonwealth laws. During the year, the Administration invests its funds in interest-bearing bank accounts and certificates of deposit. The Administration is subject to the following credit risk:

Custodial credit risk is the risk that in the event of bank failure, government deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk.

The Commonwealth requires that public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of Federal Depository Insurance. All securities pledged as collateral are held by the Secretary of the Treasury of the Commonwealth. The Administration had the following amounts deposited in commercial banks at:

Bank (s) balance in	June 30, 2022	June 30, 2021
Insured depository accounts	$ 250,000	$ 250,000
Collaterized depository accounts-held under the Administration's name	493,978,677	457,526,011
	$ 494,228,677	$ 457,776,011

3. RENT AND OTHER ACCOUNTS RECEIVABLE, NET

Rent and other accounts receivable, net of the allowance for doubtful accounts, consist of the following at June 30:

Description	2022	2021
Rent and other receivables:		
Accounts receivable from tenants	$ 24,187,276	$ 26,879,331
Others	34,112,963	37,853,674
	58,300,239	64,733,005
Less: allowance for doubtful accounts	(25,715,844)	(27,400,071)
Total rent and other accounts receivable, net	32,584,395	37,332,934
HUD grant receivable	5,742,635	6,288,498
Interest receivable	14,987	41,185
Accounts receivable from Department of Housing of the Commonwealth of Puerto Rico	11,708,280	9,891,606
Advances to management agents	36,813,605	26,398,744
Total accounts receivable	**$ 86,863,902**	**$ 79,952,967**

The HUD grant receivable represents the amount pending to be received by PRPHA as of June 30, 2022, and 2021 under the Capital Fund's expenditure driven agreement for allowable costs already incurred at June 30, 2022 and 2021, but for which HUD had not made the drawdown of funds on behalf of PRPHA. These costs are mainly for capital assets additions and other expenses related to the modernization of dwelling units.

4. FISCAL AGENT FUNDS, RESTRICTED

This amount represents the current portion of restricted funds on deposits with the fiscal agent for the payment of interest on, and principal of, the fixed liability of obligations, and the current liabilities incurred for the modernization of housing projects, of the Capital Fund Program Bonds.

The current portion amount deposited by the Administration with this fiscal agent for the years ended June 30, 2022 and 2021 amounted to $30,800,00 and $29,295,000, respectively.

This reclassification is solely to comply with the financial statement presentation required by Real Estate Assessment Center (REAC). The Administration will use this amount for the repayment of the principal of the outstanding debt incurred for the modernization of housing projects under the Capital Revenue Bond agreement.

5. RESTRICTED ASSETS

Restricted assets at June 30 consist of the following:

Description	Classification	2022
Certificate of deposit at .10% due on March 2023	Short-term	$ 1,697,265
Fiscal Agent Funds	Short-term	30,800,000
Cash and cash equivalents in Banco Popular de Puerto Rico	Short-term	137,052,544
Total restricted assets, current		169,549,809
Deposits with HUD	Long-term	481,644
		$ 170,031,453

Description	Classification	2021
Certificate of deposit at .25% due on March 2022	Short-term	$ 1,693,032
Fiscal Agent Funds	Short-term	29,295,000
Cash and cash equivalents in Banco Popular de Puerto Rico	Short-term	128,688,707
Total restricted assets, current		159,676,739
Deposits with HUD	Long-term	1,521,156
Cash restricted for operating expenses of dwelling units	Long-term	695,488
Total restricted assets, non-current		2,216,644
		$ 161,893,383

At June 30, the funds received from and/or held by HUD earmarked for certain specific purposes include:

Description	2022	2021
Homebuyers earned home payment	$ 339,453	$ 338,606
Proceeds from units sold under Turnkey III projects remited to HUD	481,644	1,521,156
Amount to be used for the repair and/or improvement of the electric and plumbing systems, kitchen cabinets, and other non-routine maintenance of the Turnkey III projects	1,357,812	1,354,426
Fiscal Agent Fund	30,800,000	29,295,000
Proceeds from the Capital Fund Program Bonds to be used for the modernization of approximately 40 properties containing approximately 8,000 units	-	695,488
Investment with Banco Popular de Puerto Rico	137,052,544	128,688,707
Total restricted assets-earmarked for specific purposes	$ 170,031,453	$ 161,893,383

PRPHA operates the Turnkey III projects in accordance with requirements for the Homeownership Opportunity Program for Low Income Families. During 1986, Congressional Legislation was approved to return the funds to PRPHA in order to establish a loan fund oriented towards improving the dwelling units. These loans, which are exclusively for the Turnkey III owners, will allow them to repair and/or improve the electrical equipment and other systems.

6. CAPITAL ASSETS, NET

Capital assets net of accumulated depreciation consist of the following:

	Balance at June 30, 2021	Additions	Retirements	Transfers	Balance at June 30, 2022
Capital assets not being depreciated:					
Land	$ 188,932,349	$ -	$ (1,548,179)	$ -	$ 187,384,170
Intangible Asset	266,757	-	-	-	266,757
Construction in progress	14,966,642	30,610,224	(2,453,126)	(11,795,041)	31,328,699
Total capital assets not being depreciated	204,165,748	30,610,224	(4,001,305)	(11,795,041)	218,979,626
Capital assets being depreciated:					
Buildings and building improvements	3,210,639,491	7,541,080	(37,777,686)	11,795,041	3,192,197,926
Furnitures, fixtures and equipments	46,498,063	7,958,034	(1,556,469)	-	52,899,628
Vehicles	20,402,000	2,191,441	(1,117,988)	-	21,475,453
	3,277,539,554	17,690,555	(40,452,143)	11,795,041	3,266,573,007
Less: accumulated depreciation	(2,250,959,274)	(92,083,916)	32,067,700	-	(2,310,975,490)
Total capital assets being depreciated, net	1,026,580,280	(74,393,361)	(8,384,443)	11,795,041	955,597,517
Total capital assets, net	$ 1,230,746,028	$ (43,783,137)	$ (12,385,748)	$ -	$ 1,174,577,143

6. CAPITAL ASSETS, NET (CONTINUED)

	Balance at June 30, 2020	Additions	Retirements	Transfers	Balance at June 30, 2021
Capital assets not being depreciated:					
Land	$ 189,411,928	$ -	$ (479,579)	$ -	$ 188,932,349
Intangible Asset	266,757	-	-	-	266,757
Construction in progress	49,816,663	24,607,730	(5,681,444)	(53,776,307)	14,966,642
Total capital assets not being depreciated	239,495,348	24,607,730	(6,161,023)	(53,776,307)	204,165,748
Capital assets being depreciated:					
Buildings and building improvements	3,162,799,479	6,110,000	(12,046,295)	53,776,307	3,210,639,491
Furnitures, fixtures and equipments	44,673,855	3,259,756	(1,435,548)	-	46,498,063
Vehicles	20,483,291	92,950	(174,241)	-	20,402,000
	3,227,956,625	9,462,706	(13,656,084)	53,776,307	3,277,539,554
Less: accumulated depreciation	(2,159,769,121)	(93,359,444)	2,169,291	-	(2,250,959,274)
Total capital assets being depreciated, net	1,068,187,504	(83,896,738)	(11,486,793)	53,776,307	1,026,580,280
Total capital assets, net	$ 1,307,682,852	$ (59,289,008)	$ (17,647,816)	$ -	$ 1,230,746,028

7. BONDS PAYABLE, NET

On October 1, 2020, the Puerto Rico Housing Finance Authority issued Capital Fund Modernization Program Refunding Bonds, Series 2020 at a premium of $36.9 million, bearing interest on bonds at 5%. The proceeds from the Series 2020 bonds were used to advance the outstanding Series 2003 bonds aggregating $78.8 million and bearing interest ranging from 2% to 5% and the outstanding Series 2008 bonds amounted to $221.7 million bearing interest ranging from 3% to 5.5%. Approximately $306.7 million from the net proceeds of the issued Series 2020 bonds were deposited in an irrevocable trust fund with an escrow agent to provide for all future debt services payments of the refunded bonds. Accordingly, the Series 2003 and 2008 refunded bonds are considered to be defeased. The difference between the reacquisition price and the carrying amount of the Series 2003 bonds amounted to $1.2 million and was recorded as a loss on refunding and amortized over the life of the old debt, which is shorter, using the straight-line method, as an adjustment to interest expense.

The following table illustrates the amortization of loss on refunding over subsequent periods:

Year Ending June 30,	Amortization	Loss on bonds refunding
2022	229,629	778,445
2023	229,629	548,816
2024	229,629	319,187
2025	229,629	89,558
2026	89,558	-
	$ 1,008,074	

To pay the debt service, the Administration pledged future revenues derived from Capital Fund Grants received from HUD. The 1937 Housing Act permits PRPHA the appropriation from the Capital Housing Capital Fund to use, assign and or pledge such future Capital Fund Allocations for debt service on bonds. The purpose of the issuance of the CIRB 2020 is the modernization of certain public housing projects. The financing arrangement was executed through a bond issue between the Authority, (the bond issuer) and the Bank of New York Mellon (the Trustee). HUD has agreed, subject to the availability of appropriations, to make payments needed for debt service on the loan automatically and directly to the trustee, both for the benefit of the Administration.

7. BONDS PAYABLE, NET (CONTINUED)

The following is a summary of the activity of the Capital Fund Program bonds payable as of June 30:

2022	Balance at June 30, 2021	Increases and new issuances	Decreases and payments	Balance at June 30, 2022
Capital Improvement Revenue Refunding Bonds maturing in various dated through the year 2027, bearing interest of 5% annually.	$ 220,315,000	$ -	$ (29,295,000)	191,020,000
Unamortized premium	31,123,049	-	(8,254,669)	22,868,380
	$ 251,438,049	$ -	$ (37,549,669)	$ 213,888,380
Less: current portion of bonds payable				(30,800,000)
				$ 183,088,380

2021	Balance at June 30, 2020	Increases and new issuances	Decreases and payments	Balance at June 30, 2021
Capital Improvement Revenue Refunding Bonds maturing in various dated through the year 2027, bearing interest of 5% annually.	$ -	$ 249,155,000	$ (28,840,000)	220,315,000
Capital Fund Program Bonds, maturing in various dates through the year 2025, bearig interest rates between 2% to 5% annually.	78,760,000	-	(78,760,000)	-
Unamortized premium	37,660	36,909,278	(5,823,889)	31,123,049
	$ 78,797,660	$ 286,064,278	$ (113,423,889)	$ 251,438,049
Less: current portion of bonds payable				(29,295,000)
				$ 222,143,049

7. BONDS PAYABLE, NET (CONTINUED)

The net premium is amortized over the life of the debt, using the interest method, as an adjustment to interest expense. Interest expenses amounted to $3.6 and $3.7 million for the years ended June 30, 2022, and 2021, respectively.

The principal and interest payments of bonds payable for the next five years and thereafter are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	30,800,000	8,781,000	39,581,000
2024	32,375,000	7,201,625	39,576,625
2025	29,435,000	5,656,375	35,091,375
2026	30,945,000	4,146,875	35,091,875
2027	32,530,000	2,560,000	35,090,000
2028	34,935,000	873,375	35,808,375
	191,020,000	$ 29,219,250	$ 220,239,250
Plus unamortized premium	22,868,380		
	$ 213,888,380		

8. ACCOUNTS PAYABLE, ACCRUED LIABILITIES, COMPENSATED ABSENCES, AND TERMINATION BENEFITS

The accounts payable and accrued liabilities consist of the following at June 30:

	2022	2021
Contractors and others	$ 12,788,804	$ 6,781,416
Reserve for contingencies **(Note 12)**	6,000,000	6,000,000
Fee retention to contractors	133,720	116,971
Others	67,383,124	58,168,433
	$ 86,305,648	$ 71,066,820

Year	Beginning Balance	Additions	Deductions	Ending Balance	Due within one year	Long-term portion
2022	$ 2,946,387	$ 1,063,318	$ (1,480,196)	$ 2,529,509	$ 2,016,925	$ 512,584
2021	$ 2,349,281	$ 597,106	$ -	$ 2,946,387	$ 1,726,394	$ 1,219,993

9. CAPITAL CONTRIBUTIONS

Capital contributions received during the years ended June 30, from HUD, were as follow:

	2022	2021
Contributed capital for the development and modernization of Public Housing Capital Fund Program (CFP)	$ 70,292,109	$ 60,734,796

10. OTHER FEDERAL GRANTS

The Omnibus Consolidated Rescissions and Appropriations Act (OCRAA) enacted on April 24, 1996, permits the PRPHA to transfer funds from the Public Housing Capital Fund Program (CFP) approved annual grants to operational activities in amounts ranging from 10% to 20%. For the fiscal years ended June 30, 2022 and 2021, there were no transfers in accordance with the approved fiscal year budgets.

11. EMPLOYEES' RETIREMENT PLAN

Plan description

The Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (ERS) is a multi-employer defined benefit plan administered by the Retirement System Board.

The Administration accounts for pension liability based on actuarial valuations measured as of the beginning of the year (June 30, 2021). The Corporation retirement plan were administered as trusts following the guidance in GASB Statement No. 73 since there are no assets accumulated in trusts meeting the following criteria established by GASB Statement No. 68:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to provide pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. Defined benefit pension plan assets also are legally protected from creditors of the plan members.

On January 18, 2022, the Title III Court entered an order confirming the Eighth Amended Plan for the Commonwealth, ERS, and PBA. The Eighth Amended Plan preserves all accrued pension benefits for current retirees and employees at ERS.

Between January 28, 2022 and February 17, 2022, six appeals of the Confirmation Order were filed in the First Circuit. By March 11, 2022, the First Circuit denied all parties' motions for a stay pending appeal, which allowed the Commonwealth Plan of Adjustment to become effective despite the appeals. Oral argument on the merits of the appeals is currently scheduled for April 28, 2022.

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

11. EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Plan description (Continued)

(a) ERS

Plan Description – Prior to Act No. 106-2017, ERS administered different benefit structures pursuant to Act No. 447-1951, as amended, including a cost-sharing, multi-employer, defined benefit program, a defined contribution program (System 2000 program) and a contributory hybrid program. Benefit provisions vary depending on a member's date of hire. Substantially all full-time employees of the Commonwealth and its instrumentalities (the Commonwealth, 78 municipalities, and 55 public corporations) were covered by the ERS. These benefits were paid by the ERS until June 30, 2018. Through Act No. 106-2017, the Commonwealth transformed the retirement systems into a single pay-as-you-go system (whereby future benefit payments are guaranteed by the Commonwealth's General Fund) and created the Retirement System Board as the new Retirement Systems governing body.

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

- Members of Act No. 447-1951 are generally those members hired before April 1, 1990 (contributory, defined benefit program).
- Members of Act No. 1-1990 are generally those members hired on or after April 1, 1990, and on or before December 31, 1999 (together with Act No. 447 participants, the Defined Benefit Program).
- Members of Act No. 305-1999 (Act No. 305-1999 or System 2000) were generally those members hired on or after January 1, 2000, and on or before June 30, 2013 (the System 2000 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, became members of the Contributory Hybrid Program as a condition to their employment. In addition, participant employees of previous programs as of June 30, 2013, became part of the Contributory Hybrid Program on July 1, 2013. Pursuant to a settlement incorporated into the Eighth Amended Plan, on the effective date of the Eighth Amended Plan, all participants in the System 2000 Program will receive a one-time payment in the amount of their contributions (plus accrued interest) as of the Commonwealth's petition date in their defined contribution accounts established under Act No. 106-2017 (discussed below). Upon the payment of these refunds, all claims related to the System 2000 Program will be discharged.

The Commonwealth, through Act No. 106-2017, created a "New Defined Contribution Plan" that consisted of a trust fund, not subject to the provisions of Act No. 219-2012, known as "*The Trusts Act*", that will maintain an individual account for each participant of the Retirement Systems that becomes a participant of the plan.

11. EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Plan description (Continued)

(a) ERS (Continued)

The following employees will participate in the New Defined Contribution Plan:

- All active participants of the ERS as of July 1, 2017
- New hires entering the public service workforce after July,1 2017
- Any business or public corporation with employees not participating in the Retirement Systems as of July 1, 2017, can, through an approved resolution by its board of directors or governing body, join the New Defined Contribution Plan. The Retirement Systems Board is responsible for establishing the eligibility requirements and procedures to be followed to join the New Defined Contribution Plan.

Enrollment in the New Defined Contribution Plan is optional for the chiefs of public corporations and for employees of public corporations of the Commonwealth of Puerto Rico working and living outside the territorial limits of Puerto Rico.

The following summary of ERS plan provisions is intended to describe the essential features of the plan. All eligibility requirements and benefit amounts should be determined in strict accordance with the applicable laws and regulations.

(i) Service Retirements Eligibility Requirements

(a) *Eligibility for Act No. 447-1951 Members:* Act No. 447-1951 members who were eligible to retire as of June 30, 2013 would continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 447-1951 members could retire upon (1) attainment of age 55 with 25 years of credited service; (2) attainment of age 58 with 10 years of credited service; and (3) any age with 30 years of credited service. In addition, Act No. 447-1951 members who would attain 30 years of credited service by December 31, 2013 would be eligible to retire at any time.

Act No. 447-1951 members who were not eligible to retire as of June 30, 2013 and did not attain 30 years of credited service by December 31, 2013 are eligible to retire upon attainment of the retirement eligibility age shown in the table below with 10 years of credited service.

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

11. EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Plan description (Continued)

(a) ERS (Continued)

(a) In addition to the requirements in the table above, Act No. 447-1951 Public Officers in High-Risk Positions who were not eligible to retire as of June 30, 2013 and did not attain 30 years of credited service by December 31, 2013 are eligible to retire directly from active service upon the attainment of age 55 with 30 years of credited service.

(b) Eligibility for Act No. 1-1990 Members: Act No. 1-1990 members who were eligible to retire as of June 30, 2013 continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 1-1990 members could retire upon (1) attainment of age 55 with 25 years of credited service and (2) attainment of age 65 with 10 years of credited service.

Act No. 1-1990 members who were not eligible to retire as of June 30, 2013, are eligible to retire upon attainment of age 65 with 10 years of credited service.

(c) *Eligibility for System 2000 Members*: System 2000 members who were eligible to retire as of June 30, 2013, continue to be eligible to retire at any time. Prior to July 1, 2013, System 2000 members could retire upon attainment of age 60.

System 2000 members who were not eligible to retire as of June 30, 2013 are eligible to retire upon attainment of the retirement eligibility age shown in the table below otherwise.

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

(d) Eligibility for Members Hired after June 30, 2013: Attainment of age 67.

11. EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Plan description (Continued)

(a) ERS (Continued)

(ii) Service Retirement Annuity Benefits

An annuity payable for the lifetime of the member equal to the annuitized value of the balance in the hybrid contribution account at the time of retirement, plus, for Act No. 447-1951 and Act No. 1-1990 members, the accrued benefit determined as of June 30, 2013. If the balance in the hybrid contribution account was $10,000 or less, it would have been paid as a lump sum instead of as an annuity.

(a) *Accrued Benefit* as of June 30, 2013 for Act No. 447-1951 Members: The accrued benefit as of June 30, 2013 was determined based on the average compensation, as defined, for Act No. 447-1951 members, the years of credited service, and the attained age of the member all as of June 30, 2013.

If the Act No. 447-1951 member had at least 30 years of credited service as of June 30, 2013, the accrued benefit equals 65% of average compensation if the member was under age 55 as of June 30, 2013, or 75% of average compensation if the member was at least age 55 as of June 30, 2013. For participants selecting the Coordination Plan, the benefit was recalculated at the Social Security Retirement Age (SSRA), as defined, as 1.5% of average compensation up to $6,600 multiplied by years of credited service, up to 30 years, plus 65% (75% if member was at least age 55 as of June 30, 2013) of average compensation in excess of $6,600.

If the Act No. 447-1951 member had less than 30 years of credited service as of June 30, 2013 and attained 30 years of credited service by December 31, 2013, the accrued benefit equaled 55% of average compensation if the member was under age 55 as of June 30, 2013 or 60% of average compensation if the member was at least age 55 as of June 30, 2013. For participants selecting the Coordination Plan, the benefit was recalculated at SSRA as 1.5% of average compensation up to $6,600 multiplied by years of credited service, up to 30 years, plus 55% (60% if member was at least age 55 as of June 30, 2013) of average compensation in excess of $6,600. Member contributions received from Act No. 447-1951 members eligible for this transitory benefit during the period beginning July 1, 2013 and ending upon the attainment of 30 years of credited service were considered pre- July 1, 2013 contributions; the contributions to the hybrid contribution account begin after the member attains 30 years of credited service.

If the Act No. 447-1951 member had less than 30 years of credited service as of December 31, 2013, the accrued benefit equaled 1.5% of average compensation multiplied by years of credited service up to 20 years, plus 2% of average compensation multiplied by years of credited service in excess of 20 years. The maximum benefit is 75% of average compensation.

11. EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Plan description (Continued)

(a) ERS (Continued)

(ii) Service Retirement Annuity Benefits (Continued)

(a) For participants selecting the Coordination Plan, the basic benefit is recalculated at SSRA as 1% of average compensation up to $6,600 multiplied by years of credited service up to 20 years, plus 1.5% of average compensation up to $6,600 multiplied by years of credited service in excess of 20 years, plus 1.5% of average compensation in excess of $6,600 multiplied by years of credited service up to 20 years, plus 2.0% of average compensation in excess of $6,600 multiplied by years of credited service in excess of 20 years. The benefit was actuarially reduced for each year payment commences prior to age 58.

(b) *Accrued Benefit* as of June 30, 2013 for Act No. 1-1990 Members: The accrued benefit as of June 30, 2013 is determined based on the average compensation for Act No. 1-1990 members, the years of credited service, and the attained age of the member all as of June 30, 2013.

For Act No. 1-1990 members, the accrued benefit equaled 1.5% of average compensation multiplied by years of credited service. The benefit was actuarially reduced for each year payment commences prior to age 65.

(iii) Compulsory Retirement

All Act No. 447-1951 were required to retire upon attainment of age 58 and 30 years of credited service.

(iv) Termination Benefits

(a) Lump Sum Withdrawal

Eligibility: A Member was eligible upon termination of service prior to 5 years of service or if the balance in the hybrid contribution account is $10,000 or less.
Benefit: The benefit equaled a lump sum payment of the balance in the hybrid contribution account as of the date of the permanent separation of service.

(b) Deferred Retirement

Eligibility: A Member was eligible upon termination of service with 5 or more years of service (10 years of credited service for Act No. 447-1951 and Act No. 1-1990 members) prior to the applicable retirement eligibility, provided the member had not taken a lump sum withdrawal of the accumulated contributions from the hybrid contribution account.

Benefit: An annuity payable for the lifetime of the member commencing at the applicable retirement eligibility age equal to the annuitized value of the balance in the hybrid contribution account at the time of retirement, plus, for Act No. 447-1951 and Act No. 1-1990 members, the accrued benefit determined as of June 30, 2013.

11. EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Plan description (Continued)

(a) ERS (Continued)

(v) Death Benefits

(a) Pre-retirement Death Benefit

Eligibility: Any current nonretired member was eligible.

Benefit: A refund of the hybrid contribution account, plus the accumulated contributions for Act No. 447-1951 and Act No. 1-1990 members.

(b) High Risk Death Benefit under Act No. 127-1958

Eligibility: Employees in specified high-risk positions who die in the line of work due to reasons specified in Act No. 127-1958, as amended.

Spouse's Benefit: 50% of the participant's compensation at date of death, payable as an annuity until death or remarriage.

Children's Benefit: 50% of the participant's compensation at date of death, payable as an annuity, and allocated pro rata among eligible children. The annuity was payable for life for a disabled child, until age 18 for a nondisabled child not pursuing studies, and until age 25 for a nondisabled child who is pursuing studies.

Benefit if No Spouse or Children: The parents of the member should each receive 50% of the participant's compensation at date of death, payable as an annuity for life.
Post death Increases: Effective July 1, 1996, and subsequently every three-years, the above death benefits are increased by 3% provided that the beneficiary(ies) had been receiving payments for at least three-years.

The cost of these benefits was paid by the Commonwealth.

(c) Postretirement Death Benefit for Members Who Retired prior to July 1, 2013
Eligibility: Any retiree or disabled member receiving a monthly benefit who had not elected a reversionary annuity and whose benefits commenced prior to July 1, 2013.

Benefit: The benefit is as follows (Act No. 105, as amended by Act No. 4):

i. For those married or with dependent children at the time of death, the annual income to a widow, or widower or dependent children is equal to 60% (50% if in the Coordination Plan – 30%, prior to January 1, 2004) of the retirement benefit payable for life for a surviving spouse and/or disabled children and payable until age 18 (age 25 if pursuing studies) for nondisabled children. If in the Coordination Plan, the benefit to the surviving spouse does not begin until the spouse.

ii.

attainment of age 60 and the surviving spouse must have been married to the member for at least 10 years to be eligible for this benefit. The increase in the percentage from 30% to 50% if in the Coordination Plan is paid by the Commonwealth for former government employees or by the public enterprise or municipality for their former employees. *See* Act No. 105 of 1969, as amended by Act No. 158 of 2003.

11. EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Plan description (Continued)

iii. The benefit, when there is no relation as stated above, is equal to the remaining balance of accumulated contributions at the time of retirement after the deduction of lifetime annual income paid and is payable to a beneficiary or to the Member's estate. In no case may the benefit be less than $1,000. Either the Commonwealth for former government employees or the public enterprise or municipality for their former employees pays the difference, up to $250, between (1) the accumulated contributions less the lifetime annual income paid and (2) $1,000. ERS pays for the rest. *See* Article 2-113 of Act No. 447-1951, as amended by Act No. 524-2004.

(d) Postretirement Death Benefit for Members Who Retired after June 30, 2013

Eligibility*:* Any retiree or disabled member who began receiving a monthly benefit after June 30, 2013.

Benefit: If the member elected at the time of retirement to transfer a portion of the annuity to a beneficiary by selecting an actuarially equivalent optional form of payment, the applicable survivor benefit.

For all members, the excess, if any, of the hybrid contribution account, plus the accumulated contributions for Act No. 447-1951 and Act No. 1-1990 members, at the time of retirement over the total annuity payments paid to the member and any beneficiary per the terms of the optional form of payment must be payable to a beneficiary or the member's estate.

(e) Beneficiaries receiving occupational death benefits as of June 30, 2013, continue to be eligible to receive such benefits.

Disability Benefits

(a) Disability

Eligibility: All members are eligible upon the occurrence of disability.

Benefit: The balance of the hybrid contribution account payable as lump sum distribution, an immediate annuity, or a deferred annuity at the election of the participant. Act No. 447-1951 and Act No. 1-1990 members remain eligible to receive the accrued benefit as of June 30, 2013, commencing at the applicable retirement eligibility age.

(b) High Risk Disability under Act No. 127-1958

Eligibility: Employees in specified high-risk positions who are disabled in the line of work due to reasons specified in Act No. 127-1958 (as amended).

11. EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Plan description (Continued)

Benefit: 80% (100% for Act No. 447-1951 members) of compensation as of date of disability, payable as an annuity. If the member died while still disabled, this annuity benefit continued to his beneficiaries. Beneficiaries include the surviving spouse and/or disabled children (for life), nondisabled children until age 18 (age 25 if pursuing studies), and the parents if no other beneficiaries. Effective July 1, 1996, and subsequently every three years, the disability benefit was increased by 3% provided that the member (or beneficiary) had been receiving payments for at least three-years (Act No. 127-1958, as amended). The cost of these benefits was paid by the Commonwealth.

(c) Members who qualified for occupational or nonoccupational disability benefits as of June 30, 2013, continue to be eligible to receive such benefits.

(vi) Special Benefits

(a) Minimum Benefits

i. *Past Ad hoc Increases*: The Legislature, from time to time, increased pensions for certain retirees as described in Act No. 124-1973 and Act No. 23-1983. The benefits were paid 50% by the Commonwealth and 50% by ERS.

ii. Minimum Benefit for Members Who Retired before July 1, 2013 (Act No. 156-2003, Act No. 35-2007, and Act No. 3-2013): The minimum monthly lifetime income for members who retired or become disabled before July 1, 2013, is $500 per month effective July 1, 2013 ($400 per month effective July 1, 2007, and $300 per month up to June 30, 2007). The increase in the minimum monthly benefit from $200 per month to $300 per month was paid by the Commonwealth for former government and certain public corporations without their own treasuries' employees or by certain public corporations with their own treasuries or municipalities for their former employees. The increase in the minimum monthly benefit from $300 per month to $400 per month was to be paid by ERS for former government and certain public corporations without their own treasuries' employees or by certain public corporations with their own treasuries or municipalities for their former employees.

iii. *Coordination Plan Minimum Benefit:* A minimum monthly benefit was payable upon attainment of SSRA such that the benefit, when added to the Social Security Benefit, was not less than the benefit payable prior to SSRA.

11. EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Plan description (Continued)

(b) *Cost of Living Adjustments (COLA) to Pension Benefits:* The Legislature, from time to time, increased pensions by 3% for retired and disabled members. Beneficiaries were not entitled to COLAs granted after the retiree's death. The first increase was granted by Act No. 10-1992. Subsequent 3% increases have been granted every third year since 1992, with the latest 3% increase established on April 24, 2007, and effective July 1, 2007 (retroactive to January 1, 2007) for retired and disabled members that were receiving a monthly benefit on or before January 1, 2004 (Act No. 35-2007). In addition, effective July 1, 2008, any retired or disabled member that was receiving a monthly annuity on or before January 1, 2004, less than $1,250 per month received an increase of up to 3% without exceeding the limit of $1,250 per month (Act No. 35-2007). The COLAs granted in 1992 to all retirees and in 1998 to retirees who are former government or municipal employees are to be paid by ERS. All other COLAs granted in 1995 and later were required to be paid by the Commonwealth for former government and certain public corporations without their own treasuries or by certain public corporations with their own treasuries or municipalities for their former employees.

Under the Eighth Amended Plan, these COLAs will be eliminated from and after the Effective Date. As of the date hereof, the Effective Date has not yet occurred. For further information on the Eighth Amended Plan's impact on pension benefits, refer to the final version of the Eighth Amended Plan, which is available at https://cases.primeclerk.com/puertorico/Home-DocketInfo.

(c) *Special "Bonus" Benefits*

(i) *Christmas Bonus (Act No. 144-2005, as Amended by Act No. 3-2013):* An annual bonus of $200 for each retiree, beneficiary, and disabled member has historically been paid in December provided the member retired prior to July 1, 2013. This benefit is paid from the supplemental contributions received from the Commonwealth for former government and certain public corporations without their own treasuries, or by certain public corporations with their own treasuries or municipalities for their former employees.

(ii) *Medication Bonus (Act No. 155-2003, as Amended by Act No. 3-2013):* An annual bonus of $100 for each retiree, beneficiary, and disabled member to cover health costs paid in July provided the member retired prior to July 1, 2013. Evidence of coverage is not required. The amount is prorated if there are multiple beneficiaries. This benefit is paid from the Supplemental Contributions received from the Commonwealth for former government and certain public corporations without their own treasuries, or by certain public corporations with their own treasuries or municipalities for their former employees.

Before July 1, 2017, the Commonwealth made contributions to the ERS for the special benefits granted by special laws. The funding of the special benefits was provided to the ERS through legislative appropriations each January 1 and July 1. Special benefits to eligible Act 447-1951 participants are being paid by each employer as they become due since July 1, 2017.

11. EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Plan description (Continued)

(vii) Contributions

Contributions by members consist, as a minimum, of 8.5% of their compensation directly deposited by the Puerto Rico Department of Treasury in the individual member accounts under the New Defined Contribution Plan created pursuant to Act No. 106-2017. Also, as of that date, System's participants shall make no individual contributions or payments to the accumulated pension benefits payment account or additional contributions to ERS.

Participating employers are responsible for the payment of the PayGo fee to the accumulated pension benefits payment account, which is computed based on the amount of actual benefits paid to retirees, disabled and beneficiaries of each participating employer.

(viii) Early Retirement Programs

On July 2, 2010, the Commonwealth enacted Act No. 70 establishing a program that provides benefits for early retirement or economic incentives for voluntary employment termination to eligible employees, as defined. Act No. 70-2010 also established that early retirement benefits will be provided to eligible employees that have completed between 15 and 29 years of creditable services and will consist of monthly benefits ranging from 37.5% to 50% of each employees' monthly salary. Benefits under this program will be paid by the General Fund of the Commonwealth and by the public corporations, covering their respective employees until the plan member reaches the later of age 55 for members under Act No. 447-1951 or age 65 for members under Act No. 1-1990, or the date the plan member would have completed 30 years of service had the member continued employment. In addition, the public corporations will also be required to continue making the required employee and employer contributions to ERS. The General Fund of the Commonwealth will be required to continue making its required employer contributions. ERS will be responsible for benefit payments afterward.

On December 8, 2015, the Commonwealth enacted the Voluntary Early Retirement Law, Act No. 211 of 2015 (Act No. 211-2015), establishing a voluntary program to provide pre-retirement benefits to eligible employees, as defined. Act 106-2017 repealed Act No. 211-2015, while creating incentives, opportunities, and retraining programs for public workers.

Total Pension Liability, Pension Expense (Benefit), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

ERS issued audited reports for the years ended June 30, 2022 and 2021, in accordance with GASB Statement No. 73, providing information about pension amounts by employer and the corresponding employer allocation percentage. The Authority disclosed the below mentioned information based on this audited data reported by ERS and the ERS Actuarial Valuation Report.

11. EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Plan description (Continued)

The Administration reported a liability of approximately $54 million and $57 million for its proportionate share of the total pension liability as of June 30, 2022 and 2021, respectively. The collective total pension liability as of June 30, 2022 which amounted to approximately $30.7 billion was determined by an actuarial valuation as of July 1, 2021 that was rolled forward to June 30, 2022 (measurement date as of June 30, 2021) and the collective total pension liability as of June 30, 2021 which amounted to approximately $31.7 billion was determined by an actuarial valuation as of July 1, 2020 that was rolled forward to June 30, 2021 (measurement date as of June 30, 2020).

The Administration's proportion of the total pension liability was based on the ratio of the Administration's actual benefit payments for allocation to the aggregate total of benefit payments for allocation paid by all participating entities during the year ending on the measurement date. The Administration's proportionate share was 0.19868% and 0.20319% as of June 30, 2022 and 2021, respectively.

For the years ended June 30, 2022 and 2021, the Administration recognized a pension expense of approximately $2.4 million and $3.3 million, respectively. Pension expense (benefit) represents the change in the total pension liability during the measurement period. As of June 30, 2022 and 2021, the Administration reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

Source		2022 Deferred outflows of resources	2021 Deferred outflows of resources
Benefits payments made subsequent to the measurement date	$	2,586	2,537
Changes in proportion and differences between actual contributions and proportionate share		5,529	1,741
Differences between expected and actual experience in measuring the total pension liability		86	118
Changes in assumptions		1,219	7,160
Net difference between projected and actual earnings on pension plan investments		—	—
Balance as of June 30	$	9,420	11,556

11. EMPLOYEES' RETIREMENT PLAN (CONTINUED)

		2022	2021
Source		**Deferred inflows of resources**	**Deferred inflows of resources**
Benefits payments made subsequent to the measurement date	$	—	—
Changes in proportion and differences between actual contributions and proportionate share		1,543	104
Differences between expected and actual experience in measuring the total pension liability		1,609	1,284
Changes in assumptions		638	979
Net difference between projected and actual earnings on pension plan investments		—	—
Balance as of June 30	$	3,790	2,367

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

		2022	2021
Year ended June 30:			
2021		-	1,663
2022		913	1,663
2023		913	1,663
2024		1,218	1,663
Total	$	3,044	6,652

Actuarial methods and assumptions

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

Discount Rate

The discount rate for the fiscal years ended June 30, 2022 (June 30, 2021 measurement date) and 2021 (June 30, 2020 measurement date) was 2.16% and 2.21%, respectively. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

11. EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Mortality

The mortality tables used in the June 30, 2021 (measurement date) actuarial valuation are as follows:

a) *Pre-retirement Mortality*

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

b) *Post-retirement Retiree Mortality*

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

c) *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 PuG-2010 disable retiree rates, adjusted by 80% for males and 100% for females. The base rates are projected using Mortality Improvement Scale MP-2021 on a generation basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

d) *Post-retirement Beneficiary Mortality*

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

11. EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Actuarial methods and assumptions (Continued)

Other assumptions as of June 30, 2021 (measurement date)

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

The mortality tables used in the June 30, 2020 (measurement date) actuarial valuation are as follows:

a) *Pre-retirement Mortality*

For general employees not covered under Act No. 127, PubG-2010 employee rates, adjusted by 100% for males and 110% females projected using MP-2020 on a generational basis. For members covered under Act No. 127, PubS-2010 employee rates for males and females, projected using MP-2020 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date. 100% of deaths while in active service are assumed to be occupational for members covered under Act No. 127.

b) *Post-retirement Healthy Mortality*

The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2020 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date. This assumption is also used for beneficiaries prior to the member's death.

c) *Post-retirement Disabled Mortality*

The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females, projected using MP-2020 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Other assumptions as of June 30, 2020 (measurement date)

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

11. EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Sensitivity of the Authority's Proportionate Share of the Total Pension Liability to Changes in the Discount Rate

The following presents the total pension liability as of June 30, 2022 and 2021, calculated using the discount rate of 2.16%, and 2.21%, respectively, as well as what the total pension liability would be if it was calculated using a discount rate that is 1 percent-point level lower (1.16% and 3.16%) or 1 percent-point higher (1.21% and 3.21%) than the current rate (in thousands):

		At 1% decrease (1.16%)	At current discount rate (2.16%)	At 1% increase (3.16%)
Administation's proportionate share of the total pension liability measured as of June 30, 2021	$	61,707	54,009	47,771

		At 1% decrease (1.21%)	At current discount rate (2.21%)	At 1% increase (3.21%)
Administation's proportionate share of the total pension liability measured as of June 30, 2020	$	65,423	57,035	50,270

12. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The Administration participates in the Other Postemployment Benefit Plan of the Commonwealth of Puerto Rico for Retired Participants of the Employees' Retirement System (the "OPEB Plan"). The OPEB Plan is an unfunded defined benefit other postemployment healthcare benefit plan 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 No. 75").

Under the guidance of GASB 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.

12. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Plan Description (Continued)

The OPEB 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 OPEB Plan is financed by the Commonwealth through legislative appropriations. However, the Commonwealth claims reimbursement from each employer monthly for the corresponding amount of the OPEB payments made by the Commonwealth in relation to the retirees associated with each employer. There is no contribution requirement from the plan members during active employment. The retirees contribute the amount of the healthcare insurance premium not covered by the Commonwealth contribution. Plan members were eligible for benefits upon reaching the applicable retirement age. Act No. 3 of 2013 eliminated this healthcare benefit to the OPEB plan members that retired after June 30, 2013.

Total OPEB Liability

The Administration reported a liability of approximately $1.4 million and $1.5 million for its proportionate share of total OPEB liability as of June 30, 2022 and 2021, respectively. The total OPEB liability as of June 30, 2022 which amounted to approximately $798.1 billion was determined by an actuarial valuation as of July 1, 2021 that was rolled forward to June 30, 2022 (measurement date as of June 30, 2021) and the total OPEB liability as of June 30, 2021 which amounted to approximately $874.6 billion was determined by an actuarial valuation as of July 1, 2020 that was rolled forward to June 30, 2021 (measurement date as of June 30, 2020). The Administration's proportionate share was 0.16982% and 0.17278% as of June 30, 2022 and 2021, respectively.

OPEB Expense (Benefit)

For the years ended June 30, 2022 and 2021, the Administration recognized an OPEB expense of approximately $103.1 thousand and $206.6 thousand, respectively. OPEB expense (benefit) represents the change in the total OPEB liability during the measurement period.

OPEB Deferred Outflows of Resources and Deferred Inflows of Resources

GASB No. 75 requires to determine deferred outflows of resources and deferred inflows of resources in order to be amortized and recognized in the annual OPEB expense. There are no deferred outflows or inflows of resources as changes in actuarial assumptions, economic or demographic gains and losses, and changes in proportionate share are recognized immediately during the measurement date.

However, the Administration reported deferred outflows of resources related to OPEB, resulting from the benefits paid subsequent to the measurement date, that will be recognized as a reduction of total OPEB liability in the year ended June 30, 2022 and 2021, of approximately $107 thousand and $115 thousand as of June 30, 2022 and 2021, respectively.

Actuarial Methods and Assumptions

The actuarial valuation used the following actuarial assumptions:

12. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Plan Description (Continued)

Discount Rate

The discount rate for the fiscal years ended June 30, 2022 (June 30, 2021 measurement date) and 2021 (June 30, 2020 measurement date) was 2.16% and 2.21%, respectively. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

The mortality tables used in the June 30, 2021 (measurement date) actuarial valuation are as follows:

a) *Pre-retirement Mortality*

For general employees not covered under Act No. 127-1958, PubG-2010 employee rates, adjusted by 100% for males and 110% females projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. For members covered under Act No. 127, PubS-2010 employee rates for males and females, projected using MP-2020 on a generational basis. As generational tables, they reflect Mortality Improvement Scale MP-2021 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.100% of deaths while in active service are assumed to be occupational for members covered under Act No. 127.

b) *Post-retirement Mortality*

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

c) *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, 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.

d) *Post-retirement Beneficiary Mortality*

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

12. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Plan Description (Continued)

Other assumptions as of June 30, 2021 (measurement date)

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

The mortality tables used in the June 30, 2020 (measurement date) actuarial valuation are as follows:

a) *Pre-retirement Mortality*
For general employees not covered under Act No. 127, PubG-2010 employee rates, adjusted by 100% for males and 110% females projected using MP-2020 on a generational basis. For members covered under Act No. 127, PubS-2010 employee rates for males and females, projected using MP-2020 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date. 100% of deaths while in active service are assumed to be occupational for members covered under Act No. 127.

b) *Post-retirement Healthy Mortality*
The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2020 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date. This assumption is also used for beneficiaries prior to the member's death.

c) *Post-retirement Disabled Mortality*

The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females, projected using MP-2020 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Other assumptions as of June 30, 2020 (measurement date)

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

12. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Plan Description (Continued)

Sensitivity of the Authority's Proportionate Share of Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability as of June 30, 2022 and 2021, calculated using the discount rate of 2.16%, and 2.21%, respectively, as well as what the total pension liability would be if it was calculated using a discount rate that is 1 percent-point level lower (1.16% and 3.16%) or 1 percent-point higher (1.21% and 3.21%) than the current rate (in thousands):

		At 1% decrease (1.16%)	At current discount rate (2.16%)	At 1% increase (3.16%)
Administation's proportionate share of the total OPEB liability measured as of June 30, 2021	$	1,487	1,355	1,242

		At 1% decrease (1.21%)	At current discount rate (2.21%)	At 1% increase (3.21%)
Administation's proportionate share of the total OPEB liability measured as of June 30, 2020	$	1,666	1,511	1,380

13. COMMITMENTS AND CONTINGENCIES

The Administration is a defendant in a number of lawsuits pertaining to material matters, including those claims asserted which are incidental to performing their routine operations. These litigations include, but are not limited to, actions commenced, and claims asserted against the Administration arising out of alleged torts, alleged breaches of contracts, alleged violation of law, discriminations against employees and/or former employees, unlawful discharge, unlawful dispossession on tenants and condemnation proceedings, among others. The Administration's management, after consultation with its legal counsel, has determined that at this stage it cannot determine the financial effects of these outstanding litigations and claims.

Law 104 from June 29, 1955, as amended, of the Commonwealth of Puerto Rico, known as Claims and Lawsuits against the State, provides that lawsuits and claims initiated by an agency or instrumentality of the Commonwealth of Puerto Rico may be represented by the Commonwealth of Puerto Rico's Department of Justice. Any adverse claims to the defendants are to be paid by the Commonwealth of Puerto Rico's General Fund within the limitations provided by the law. However, the Secretary of the Treasury has the right to request the reimbursement of the funds expended for these purposes from the defendants. For the years ended June 30, 2022 and 2021, the accounts payable and accrued liabilities including litigation contingencies amounted to approximately $6 million.

13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Administration has certain claims of payables from two utilities public corporations in dispute, because of continuous adjustments related to instances of over-invoicing of the utility's services. The Administration management has estimated the amount to be accrued based on the information available and maintains a reserve for the amount of approximately $7.8 million as of June 30, 2022, and 2021. The outcome and financial impact of the disputed payables is uncertain at this time and cannot be determined at the date of the financial statements.

As of June 30, 2022 and 2021, the Administration had pending construction project contracts in progress for the development and modernization of public housing projects. Total commitments related to these construction contracts amounted to $98 million and $144.4 million, respectively.

14. FEDERAL FINANCIAL ASSISTANCE

The Administration receives financial assistance from the Federal Government. Federal assistance is subject to the financial and compliance audits by the grantor agencies, which could result in requests for reimbursement by the grantor agencies for expenditures, if disallowed under the terms of the program grants.

The amounts of expenditures if any, which may be disallowed by the granting agencies, cannot be determined at this time. The Administration believes that such disallowances, if any, will not have an adverse effect on the financial position of the Administration.

15. RESTRICTED NET POSITION

Restricted net position at June 30 consists of the following:

	2022	2021
Restricted assets **(Note 5)**	$ 170,031,453	$ 161,893,383
Restricted for capital fund program bonds	-	(695,488)
Current portion of bonds payable	(30,800,000)	(29,295,000)
	$ 139,231,453	$ 131,902,895

16. RELATED PARTY TRANSACTIONS

General

The Administrator of the PRPHA is appointed by the Governor of Puerto Rico and, by law, the appointee is the Secretary of the Department of Housing of the Commonwealth of Puerto Rico ("PRDOH").

The PRPHA has a joint agreement with the PRDOH to share a series of resources, especially considering that both entities share the same central office building. Services that are shared include general maintenance, office space, utilities, human resources and payroll, other general and administrative services.

During the fiscal years ended on June 30, 2022 and 2021, the PHA has paid approximately $5 million to the PRDOH for these services.

16. RELATED PARTY TRANSACTIONS (CONTINUED)

Mixed Finance

On August 1, 2008, PRDOH entered into an agreement of partnership in its capacity of general partner (the General Partner) with Hudson SLP XL LLC, a Delaware limited liability company, as the Special Limited Partner (the Special Limited Partner) and Hudson Housing Tax Credit Fund XL LP (a Delaware limited partnership), who will act as the Investment Partnership (the "Investment Partnership"; collectively with the Special Limited Partner, the "Limited Partners") to form Vivienda Modernization Holding 1, S.E. (the Partnership) pursuant to the Puerto Rico Civil Code.

The Partnership was formed to acquire the 100%-member interest in Vivienda Modernization Holding 1, LLC, a Puerto Rico limited liability company (the Project Company). The Project Company has been formed to acquire, develop, rehabilitate, own, maintain and operate thirty-three 33 residential rental housing developments intended for rental to persons of low and moderate income located in the Commonwealth of Puerto Rico.

The Project Company was organized exclusively to acquire 99-year term surface rights with respect to the land and to acquire, develop, finance, rehabilitate, maintain, operate, lease and sell or otherwise dispose of each apartment complex in order to obtain for the company and its member statutory compliance, long term appreciation, cash income, tax benefits consisting of Tax Credits and Tax Losses over the term hereof.

On August 7, 2008, the Administration and the Project Company entered into a Regulatory and Operating Agreement (the Agreement). The Administration and the Project Company determined that it would be deliverable for the public housing rental developments to undergo comprehensive modernization (e.g. new floors, electrical wiring, plumbing, windows, doors, roofs and accessibility features) or development, which modernization or development will be undertaken and operated by the Project Company. The developments are collectively known as "Vivienda Modernization 1, LLC". The Project Company entered into a Purchase and Sales Agreement dated August 7, 2008, with the PRDOH. Under this agreement, the Project Company acquired the surface rights of a property (the Property) and the improvements erected on such Property from the PRDOH under those certain deeds of Constitution of Surface Rights and Transfer of Improvements dated August 7, 2008, which will require the Project Company to rehabilitate or construct on the Property four thousand one hundred thirty-two (4,132) residential rental units (the Units or collectively the Development) all of which will receive the benefit of operating subsidy and the benefit of low-income housing tax credits under Section 42 of the Internal Revenue Code of 1986, as amended.

The title to the eligible public housing projects was transferred by the Administration to the PRDOH, who in turn sold the buildings and improvements of the project to Vivienda Modernization 1, LLC by way of a constitution of surface rights over, upon and underneath the transferred land and conveyance of improvements.

The development comprises 33 public housing sites as mentioned above and was transferred to the Project Company by the deed. Each site has a separate Asset Management Project Number that, to the extent, the site is adjacent to or near a public housing site owned by the Administration.

Based on the Purchase and Sale Agreement, the Administration received $92,479,688 from the Project Company, which was used to pay eligible project expenses incurred by the Administration on an interim basis to minimize the expenditure of 2003 tax-exempt bonds that were ineligible for inclusion in the tax credit transaction. The Administration received $18,137,698 from the Project Company for CFP funds previously expensed by the Administration from June and July 2009.

16. RELATED PARTY TRANSACTIONS (CONTINUED)

Mixed Finance (Continued)

The Administration entered into an Interagency Agreement dated August 7, 2008, with the PRDOH, in PRDOH’s capacity as general partner of the Partnership, to delegate management and operational duties related to the Development to the Administration as set forth in the Interagency Agreement. The Project Company and the Administration also intend that the units be developed, operated and managed so as to assure receipt by the Project Company of the above-mentioned economic and tax benefits to the full extent available to Owner.

The Administration submitted, and HUD approved in writing, a rental term sheet for the mixed-finance development in accordance with Section 35 of the Act and the regulations under 24 CFR 941 subpart F (the Mixed-Finance Proposal). HUD authorized the Administration to use a combination of private financing, public housing, and other funds to develop public housing units. Projects developed under this method of financing are known as “Mixed Finance” projects.

The Puerto Rico Housing Finance Authority (The Authority) and the Administration are parties to a certain Intercreditor, and Subordinator Agreement (the Intercreditor) dated August 7, 2008, executed in connection with the mixed finance low-income housing development known as Vivienda Modernization 1 LLC. The Intercreditor is an integral part of a conduit debt issued for Vivienda Modernization 1, LLC. The Intercreditor provides that upon the payment in full of certain Short-Term Bonds, which were paid prior to June 30, 2014, the Authority (as Assignor) shall cancel the Short-Term Bond Loan Note and assign the Permanent Loan and all of its rights under the documents related thereto to the Administration. (As Assignee). The Assignor is the conduit debt issuer on this transaction. Given that the permanent loan was not intended to constitute an asset or liability for the Assignor.

On August 14, 2014, the Administration signed an Assignment and Assumption of Permanent Loan Agreement (the Agreement) with the Authority, as Assignor. The agreement is executed to implement the assignment contemplated in the Intercreditor.

As a result, the original $100,000,000 note, where Vivienda Modernization 1, LLC is the Obligator was assigned to the Administration and recorded in the statement of net position, representing the indebtedness under the Permanent Loan. The note bears no interest unless there is an event of default. In such a case, interest will be 8%, compounded annually.

Prior to an event of default, no payment shall be due on this note, until a $382,348,829 loan of August 7, 2008, had been paid in full. Once the said loan has been paid in full, the Obligator is required to make quarterly payments equal to 100% of the Obligator’s net cash flows for the immediately preceding calendar quarter, subject to the terms of the Intercreditor and other agreements. In the event of default by the Obligator, the note becomes due, and in the event of a sale or refinancing of a material portion of the property, 100% of the net cash flows of the capital transaction shall be applied to the note; otherwise, the note is due on September 1, 2053. The final payment of the note shall include interest, if any, plus any additional amount required to pay off a certain Purchase Price Note.

On August 1, 2008, the Administration, the Authority, Vivienda Modernization 1, LLC and the U.S. Bank Trust National Association as Trustee entered into a loan agreement in which the Authority loaned proceeds from the 2008 capital fund bonds to Vivienda Modernization 1, LLC for the modernization and capital improvements of public housing projects. The Authority was the conduit debt issuer of the 2008 capital funds bonds.

16. RELATED PARTY TRANSACTIONS (CONTINUED)

Mixed Finance (Continued)

On August 7, 2008 Vivienda Modernization 1, LLC signed a capital fund note (2008 Bond Loan Note) which represents a full recourse liability in the transaction. The Administration in consideration of the participation by Vivienda Modernization 1, LLC in the capital fund program for the benefit of public housing in the Commonwealth of Puerto Rico, pledged its unobligated capital fund allocation receive in each federal fiscal year for the payment of the debt service of the 2008 capital fund bonds. Section 5 of the Intercreditor also provides that upon the payment in full of the Series 2008 Bonds the Authority shall assign the 2008 Bond Loan Note for the principal amount of $382,348,829.30, to the order of the Authority and all of its rights under the documents to the Administration.

On October 13, 2020, the Authority issued the 2020 Capital Fund bonds for the amount of $249,155,000.The Administration in consideration for the assignment by the Authority to the Administration of loan instruments and the refunding of the 2003 Bonds and the 2008 Bonds, will cause capital grant funds payable by the U.S. Department of Housing and Urban Development (“HUD”) to the Administration to be assigned to the Trustee to secure the Bonds, in amounts sufficient to repay the interest on, and principal or Redemption Price of, the Bonds, plus certain administrative fees. The balance of the 2020 Capital Funds bonds amounted to $191,020,000 as of June 30, 2022, and the balance an unamortized premium on the bonds amounted to $22,868,380.

On September 22, 2022, the Authority (as Assignor) assigned, transferred, and conveys to the Administration (as Assignee) all of its rights, titles, and interests in and to the 2008 Loan Agreement. The Assignor represented, warranted and certified that the 2008 Bond Loan was free and clear of any liens. The Assignor delivered and assigned to the Assignee the original 2008 Bond Loan Note previously mentioned, representing the indebtedness under the 2008 Bond Loan. The Administration recorded as of June 30, 2021 the 2008 Bond Loan Note by the net amount of $377,213,278 which represents the amount disbursed to Vivienda Modernization 1, LLC. for eligible costs requested.

On September 23, 2022, PRPHA (as “Assignee”) signed an Assignment and Assumption of 2008 Bond Loan Note (the “Agreement”) with the Puerto Rico Housing Finance Authority (as “Assignor”). The Assignor and the Assignee are parties to a certain Intercreditor, and Subordination Agreement (the “Intercreditor”) dated August 7, 2008 and executed in connection with the housing and low-income housing tax credits units known as Vivienda Modernization 1, LLC. The Intercreditor is an integral part of a conduit debt issuance for Vivienda Modernization 1, LLC. The Assignor is the conduit debt issuer on this transaction. Given that, the 2008 Bond Loan was not intended to constitute an asset or liability for the Assignor. Section 5 of the Intercreditor provides that upon the payment in full of the Series 2008 Bonds, Assignor shall assign the 2008 Bond Loan Note issued by Vivienda Modernization 1, LLC, to the order of PRPHA. The Agreement was executed to implement and evidence the assignment of the 2008 Bond Loan Note and all of its rights to PRPHA where Vivienda Modernization 1, LLC is the Obligor

As of June 30, 2022 and 2021, total notes receivable balances from the previously mentioned transactions related to the assignment and assumption agreements amounted to $477,213,278 and $100,000,000, respectively.

16. RELATED PARTY TRANSACTIONS (CONTINUED)

Mixed Finance – development

During the year ended June 30, 2018 the U.S. Department of Housing executed certain mixed-finance amendments to the consolidated annual contribution contract (Mixed-Finance ACC Amendment) with PRPHA to provide grant assistance for the development of certain projects arising a mixed-finance strategy. The projects' names are Puerta de Tierra and Las Gladiolas. The projects will be developed using several financing sources including the before mentioned public housing funds to be provided by the Administration

The Administration entered into a memorandum of understanding with PRDH which has the authority to execute the necessary contract and/or agreements whether with governmental agencies or with private entities to share resources, assistance and asset management responsibilities to execute the redevelopment/ reposition strategy for the before mentioned projects. The Administration transferred to the Puerto Rico Department of Housing (PRDH) the projects' plot of lands to be developed. In turn, PRDH then leased the sites to the limited liability companies designed as owner entities for each project.

For purposes of coordination of the development of the Mixed-Finance projects, PRDH serves as representative for both PRDH and the Administration and has a lead on the Mixed-Finance redevelopment activity working closely with the Administration.

PRDH will lend public housing funds to the development owner entities to be made available through the Administration as construction loan facilities that will initially operate as non-revolving line of credits and will eventually be converted into term loans upon expiration of the construction period bearing interest at 0% over 55 years. For the years ended June 30, 2022, and 2021, the Administration released $3 million and $6.5 million in public housing funds from the capital funds program to fund the before mentioned credit facilities respectively.

The Administration, PRDH and the owners of the projects entered into a Regulatory and Operating Agreement that govern the rights and responsibilities of the parties with respect to the operations and operating subsidy associated with the public housing units planned as part of the project's redevelopment.

PRDH and the Administration entered into and recorded a Deed of Release and Restrictive Covenants and New Constitution of Restrictive Covenants with the owners of the projects in favor of HUD containing a covenant that will assure to the satisfaction of HUD that the public housing units will be subject to a covenant obligating the parties to develop, maintain and operate the public housing apartments for the period required by law in accordance with the Mixed-Finance ACC Amendment and applicable housing requirements.

The Administration competitively selected McCormack Baron Salazar, Inc., a corporation duly organized and existing under the laws of the State of Missouri and duly authorized to conduct business in the Commonwealth of Puerto Rico as a developer in connection with the Developments, and related off-site developments, and as the development's "partner", as described in 24 CFR 905.604, for the mixed-finance development of replacement public housing units in accordance with an implementation Plan.

17. TERMINATION BENEFITS

On July 2, 2010, the Commonwealth Enacted Act No. 70 to establish a program that provides benefits for early retirement or economic incentives for voluntary employment termination to eligible employees, as defined, including employees of the Puerto Rico

Public Housing Administration (PRPHA). Act No. 70 established that early retirement benefits will be provided to eligible employees that have completed between 15 to 29 years of creditable services in the Retirement System and will consist of biweekly benefits ranging from 37.5% to 50% of each employee' salary, as defined.

In this early retirement benefit program, PRPHA will make the employer contributions to the Retirement System and pay the corresponding pension until the employee complies with the requirements of age and 30 years of credited service in the Retirement System.

Economic incentives are available to eligible employees who have less than 15 years of credited service in the Retirement System or who have at least 30 years of credited service in the Retirement System and the age for retirement or who have the age for retirement. Economic incentives will consist of a lump-sum payment ranging from one-month to six-month salary based on employment years.

Additionally, eligible employees that choose to participate in the early retirement benefit program or that choose the economic incentive and have less than 15 years of credited service in the Retirement System are eligible to receive health plan coverage for up to 12 months in a health plan selected by management of PRPHA.

18. RESTATED 2021 NET POSITION BALANCE

As described in Note 16 to the financial statements, the Administration in consideration of the participation of Vivienda Modernization 1, LLC in the capital fund program for the benefit of public housing in the Commonwealth of Puerto Rico, pledged its unobligated capital fund allocation receive in each federal fiscal year for the payment of the debt service of the 2008 capital fund bonds, make deposits for debt service fund and recognized as pass-through contributions since 2009 the principal payments of this conduit debt because it did not have an obligated asset to secured the debt and was not entitled to receive the financial claim related to the assignment and assumption of the 2008 bond loan note until the 2008 capital fund bonds were paid in full. Therefore, a prior period adjustment of $177,258,295 was recorded to the beginning restated net position balance of the 2021 fiscal year to recognize the portion of the financial claim over the 2008 Bond Note assigned related to debt service payment of the 2008 Capital Fund Bond previously made by the Administration and charged as pass-through contributions.

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 30, 2023, which is the date the Financial Statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

COMMONWEALTH OF PUERTO RICO
PUERTO RICO PUBLIC HOUSING ADMINISTRATION
(A Fund of the Commonwealth of Puerto Rico)
SCHEDULE OF PROPORTIONED SHARE OF THE COLLECTIVE TOTAL PENSION LIABILITY
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021	2020	2019
Proportion (percentage) of the collective total pension liability	0.19868%	0.20319%	0.19964%	0.20031%
Proportionate share (amount) of the collective total pension liability	$ 54,008,503	$ 57,035,939	$ 49,611,911	$ 49,055,061

Notes to required supplementary information:

1. 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.

2. The Administration's proportion of the collective total pension liability was actuarially determined based on the ratio of the Administration’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.

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

4. The amounts presented have a measurement date of the previous year end.

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

6. Changes in the actuarial assumptions or inputs of the total pension liability as a results of a decrease in discounts rate through the years from 2.16%-2021, 2.21%-2020, 3.50%-2019 and 3.87%-2018.

COMMONWEALTH OF PUERTO RICO
PUERTO RICO PUBLIC HOUSING ADMINISTRATION
(A Fund of the Commonwealth of Puerto Rico)
SCHEDULE OF PROPORTIONED SHARE OF THE COLLECTIVE TOTAL OPEB LIABILITY
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021	2020	2019	2018
Proportion (percentage) of the collective total OPEB liability	0.16982%	0.17278%	0.17092%	0.16525%	0.16111%
Proportionate share (amount) of the collective total OPEB liability	$ 1,355,391	$1,511,213	$1,422,419	$1,391,679	$ 1,483,062

Notes to required supplementary information:

1. The Administration's proportion of the collective total OPEB liability was actuarially determined based on the ratio of the Administration’s benefit payments to the total benefit payments made by all participating employers under the OPEB Plan for the year ending on the measurement date.

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

3. The amounts presented have a measurement date of the previous year end.

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

5. Changes in the actuarial assumptions or inputs of the total pension liability as a results of a decrease or increase in discounts rate through the years from 2.16%-2021, 2.21%-2020, 3.50%-2019, 3.87%-2018 and 3.58%-2017

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS AND UNIFORM GUIDANCE

COMMONWEALTH OF PUERTO RICO
PUERTO RICO PUBLIC HOUSING ADMINISTRATION
(A Fund of the Commonwealth of Puerto Rico)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2022	Assistance Listing Number	2022 Federal Expenditures	
U.S Deparment of Housing and Urban Development/ Direct Programs:			
Public and Indian Housing	14.850	$ 319,541,169	*
Public Housing Capital Fund	14.872	88,938,869	
Housing Choice Voucher	14.871	77,546,717	**
HCVMSVP Mainstream Vouchers	14.879	65,847	
		77,612,564	
Section 8 SRO and	14.249	615,415	
Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitation	14.856	1,040,332	
		1,655,747	
Office of Justice Programs, Department of Justice:			
Project Safe Neighborhoods	16.609	43,154	
Department of Treasury:			
EMERGENCY RENTAL ASSISTANT PROGRAM ERAP	21.023	23,889,403	
Department of Homeland Security (DHS):			
Disaster Case Management	97.088	1,424,249	
Total expenditures of federal awards		$ 513,105,155	

* Includes Cares Act Funding for $33,401,418
** Includes Cares Act Funding for $2,007,587 and Emergency Housing Voucher for $583,637

The accompanying notes are an integral part of this schedule.

COMMONWEALTH OF PUERTO RICO
PUERTO RICO PUBLIC HOUSING ADMINISTRATION
(A FUND OF THE COMMONWEALTH OF PUERTO RICO)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

1. Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Puerto Rico Public Housing Administration under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Puerto Rico Public Housing Administration, it is not intended to and does not present the financial position, changes in net assets or cash flows of Puerto Rico Public Housing Administration.

2. Summary of significant accounting policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Administrative costs

The Administration does not have a federally negotiated indirect cost rate applicable to the programs and therefore there is no election to the 10 percent de minimis cost rate as defined in 2 CFR 200.414.

4. Assistance Listing Number (ALN)

The ALN included in this schedule are determined based on the program name, review of grant contract information and the U.S. Office of Management and Budget's Federal Assistance Listing.

COMMONWEALTH OF PUERTO RICO
PUERTO RICO PUBLIC HOUSING ADMINISTRATION
(A FUND OF THE COMMONWEALTH OF PUERTO RICO)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2022

5. Relationship to the statement

A reconciliation of the expenses reported in the statement of revenues, expense, and changes in net position with the schedule of expenditures of federal awards is detailed as follows:

Description	Amount
Total expenses per statement of revenues, including interest expense and loss on disposition of assets:	$ 515,863,471
Plus or Less amounts not included in the Schedule of expenditures of federal awards:	
Depreciation	(92,083,477)
Local and Legislative grants	(2,453,262)
Other-non-federal grants	(163,603)
Interest, bond issue cost and underwriten's expense bonds	(2,136,269)
Use of Sales Proceeds	(21,599)
CARES Transfer	4,477,135
Soft cost	(1,687,046)
Reserve Operational	(137,735)
Mixed finance subsidy	21,155,431
Capital contributions from federal funds	70,292,109
Total expenses per Schedule of expenditures of federal awards	$ 513,105,155

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Puerto Rico Public Housing Administration
San Juan, Puerto Rico

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Puerto Rico Public Housing Administration of the Commonwealth of Puerto Rico (the Administration), as of and for the years ended June 30, 2022 and 2021, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements, and have issued our report thereon dated March 30, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Administration's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Administration's internal control. Accordingly, we do not express an opinion on the effectiveness of the Administration's internal control.

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

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

(Continues)

President of the Governing Board
Puerto Rico Public Housing Administration
San Juan, Puerto Rico
Page 2

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (CONTINUED)

Report on Compliance and Other Matters

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

Purpose of This Report

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

Baker Tilly Puerto Rico, CPAs, PSC

BAKER TILLY PUERTO RICO, CPAs, PSC
License No. 218
Expires December 1, 2023.

Guaynabo, Puerto Rico
March 30, 2023
The stamp number E520944 was
affixed to the original of this report.

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Puerto Rico Public Housing Administration of the Commonwealth of Puerto Rico (the Administration) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Administration's major federal programs for the year ended June 30, 2022. The Administration's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Administration complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

(Continues)

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (CONTINUED)

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

(Continues)

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (CONTINUED)

Other Matters

The results of our auditing procedures disclosed two instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-003 and 2022-005. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Administration's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Administration's response was not subject to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified. During our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that are considered to be significant deficiencies.

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (CONTINUED)

Report on Internal Control over Compliance (Continued)

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002 and 2022-004 to be significant deficiencies.

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

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

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

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Expires December 1, 2023.

Guaynabo, Puerto Rico
March 30, 2023
The stamp number E520945 was affixed to the original of this report.

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COMMONWEALTH OF PUERTO RICO
PUERTO RICO PUBLIC HOUSING ADMINISTRATION
(A FUND OF THE COMMONWEALTH OF PUERTO RICO)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

COMMONWEALTH OF PUERTO RICO
PUERTO RICO PUBLIC HOUSING ADMINISTRATION
(A FUND OF THE COMMONWEALTH OF PUERTO RICO)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

SECTION I - SUMMARY OF AUDITORS' RESULTS

A. FINANCIAL STATEMENTS

1.	Type of auditors' report issued	Unqualified	
2.	Internal control over financial reporting:	**Yes**	**No**
	▫ Material weakness(es) identified		X
	▫ Significant deficiencies identified that are not considered to be material weaknesses		X
3.	Noncompliance material to financial statements noted		X

B. FEDERAL AWARDS

		Yes	**No**
1.	Internal control over major programs:		
	▫ Material weakness(es) identified		X
	▫ Significant deficiencies identified that are not considered to be material weaknesses	X	
2.	Type of auditors' report issued	Unmodified	
3.	Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a).	X	

4. Identification of major programs

AssistanceListing number	Name of Federal Program or Cluster
14.850	Public and Indian Housing Program
14.872	Capital Fund Program
14.871	Housing Choice Voucher
21.023	Emergency Rental Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs: $3,000,000

Auditee qualified as low-risk auditee ____ YES _X_ NO

SECTION II – FINANCIAL STATEMENTS FINDINGS

None.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Our audit disclosed findings that are required to be reported herein in accordance with 2 CFR 200.516(a).

COMMONWEALTH OF PUERTO RICO
PUERTO RICO PUBLIC HOUSING ADMINISTRATION
(A FUND OF THE COMMONWEALTH OF PUERTO RICO)
SCHEDULE OF FINDING AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding number: 2022-001

Cluster:

Housing Voucher Federal Programs: Assistance Listing 14.871 Section 8 Housing Choice Vouchers

Category:

Internal control – control activities – Eligibility

Criteria or specific requirement:

Title 2 2 CFR Part 200 Uniform Guidance section 200.303 indicates that the internal controls required to be established by a non-federal entity receiving federal funds should be in compliance with guidance in "Standards for Internal Control in the Federal Government," issued by the Comptroller General of the United States (the Green Book) or the "Internal Control Integrated Framework" issued by the Committee of Sponsoring Organizations for the Treadway Commission (COSO).

Condition:

There were no formal written procedures outlining processes and control activities specific to the eligibility compliance requirement.

Questioned cost:

No questioned costs were identified.

Cause:

Management of these programs was assigned about a year ago to the Administration and formal procedures have not been implemented yet.

Effect:

There were no internal control measures documented that allow the Administration to timely prevent and/or detect a noncompliance with the eligibility compliance requirement and avoid possible sanctions or restrictions in the use of funds by the federal awarding entity.

Recommendation:

We recommend that the Administration design and implement control activities procedures to achieve the objectives and respond to the risks associated with the eligibility requirement.

Views of responsible officials and planned corrective action:

See Administration's corrective action plan.

COMMONWEALTH OF PUERTO RICO
PUERTO RICO PUBLIC HOUSING ADMINISTRATION
(A FUND OF THE COMMONWEALTH OF PUERTO RICO)
SCHEDULE OF FINDING AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2022

Finding number: 2022-002

Cluster:

Housing Voucher Federal Programs: Assistance Listing 14.871 Section 8 Housing Choice Vouchers

Category:

Internal control – control activities – Special tests and provisions (waiting list, reasonable rent, housing quality standards inspection, HQS enforcement and housing assistance payment)

Criteria or specific requirement:

Title 2 2 CFR Part 200 Uniform Guidance section 200.303 indicates that the internal controls required to be established by a non-federal entity receiving federal funds should be in compliance with guidance in "Standards for Internal Control in the Federal Government," issued by the Comptroller General of the United States (the Green Book) or the "Internal Control Integrated Framework" issued by the Committee of Sponsoring Organizations for the Treadway Commission (COSO).

Condition:

There were no formal written procedures outlining processes and control activities specific to the special tests and provisions applicable to the program.

Questioned cost:

No questioned costs were identified.

Cause:

Management of these programs was assigned about a year ago to the Administration and formal procedures have not been implemented yet.

Effect:

There were no internal control measures documented that guide the manager of the federal program to timely prevent and/or detect a noncompliance with the special tests and provisions applicable to the program.

Recommendation:

We recommend that the Administration document the control activities procedures to achieve the objectives and respond to the risks associated with the areas involved in the special tests and provisions of the Housing Voucher program.

Views of responsible officials and planned corrective action:

See Administration's corrective action plan.

Finding number: 2022-003

Federal program:

14.872 Public Housing Capital Fund (CFP)

Category:
Compliance - Cash Management

Criteria or specific requirement:
24 CFR section 570.489 (c)(1) establishes that units of general local governments shall use procedures to minimize the time elapsing between the transfer of funds by the federal government and the disbursement made by the grantee.

Condition:
In testing compliance with the cash management requirement related to the time elapsed between the receiving of the request of funds from the federal government and the disbursement of funds; we observed that two (2) out of sixty (60) files requests of funds from the Capital Fund did not comply with the maximum three days of disbursement. In one instance, the days were exceeded by eight (8) days and in other instance by five (5) days.

Questioned costs:
No questioned costs were identified.

Perspective information:
We selected for testing sixty (60) requests from the Capital Fund out of 296 requests made during the year ended June 30, 2022.

Cause:
There was a lack of coordination by certain employees in charge of monitoring the time that elapsed between the cash requests and the disbursements of funds.

Effect:
In these instances, the Administration did not follow the established procedures to comply with 24 CFR, Section 570.489 (c) (1) to avoid requesting excess of cash.

Recommendation:
We recommend management to strengthen its disbursements procedures to minimize the time between the transfer of funds by the federal government and disbursements made by the PRPHA.

Views of responsible officials and planned corrective action:

See Administration’s corrective action plan.

COMMONWEALTH OF PUERTO RICO
PUERTO RICO PUBLIC HOUSING ADMINISTRATION
(A FUND OF THE COMMONWEALTH OF PUERTO RICO)
SCHEDULE OF FINDING AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2022

Finding number: 2022-004

Federal program:

Assistance Listing 21.023 Emergency Assistance Program

Category:
Internal control – Eligibility and Reporting

Criteria or specific requirement:
Title 2 2 CFR Part 200 Uniform Guidance section 200.303 indicates that the internal controls required to be established by a non-federal entity receiving federal funds should be in compliance with guidance in "Standards for Internal Control in the Federal Government," issued by the Comptroller General of the United States (the Green Book) or the "Internal Control Integrated Framework" issued by the Committee of Sponsoring Organizations for the Treadway Commission (COSO).

Condition:
There was no evidence of formal written procedures to monitor the evaluation of the eligibility determination of participants neither was written evidence to ensure that the reporting to the federal awarding agency was complete and accurate.

Questioned costs:
No questioned costs were identified.

Perspective information:
We selected a sample of testing sixty (60) requests of participants for rental assistance out of 16,320 requests made for the year. Also, we selected the ERAP special reports for its corresponding reporting compliance for the three-quarter submitted during the year ended June 30, 2022.

Cause:
This Federal program was recently assigned to the Administration and formal procedures have not been implemented yet.

Effect:
There were no monitoring activities documented that allowed the Administration to timely prevent or detect a noncompliance with the requirements of eligibility and reporting.

Recommendation:
We recommend that the Administration design and implement written procedures to monitor the processes of eligibility determination and the completion of special reports.

Views of responsible officials and planned corrective action:

See Administration's corrective action plan.

COMMONWEALTH OF PUERTO RICO
PUERTO RICO PUBLIC HOUSING ADMINISTRATION
(A FUND OF THE COMMONWEALTH OF PUERTO RICO)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
Finding number: 2022-005

Federal Program: Housing Voucher Cluster - 14.871 Section 8 Housing Choice Vouchers

Category:
Compliance and Internal Control – Eligibility

Criteria or specific requirement:
24 CFR part 5, subpart F sections 5.601, 982.201, 982.515 and 982.516 determine whether income eligibility and calculate the tenant's rent payment were made using the documentation from a third-party verification.

Condition:
In testing compliance with the eligibility requirements related to income-eligibility and tenant's rent payment, we noticed the following from the sample of sixty (60) files:

- In one (1) instance the participant's pay stubs used as evidence of the income determination were for salaries received in 2020 when it should have been salary stub for 2021.
- Two (2) of the files examined did not have the last certification of the Nutrition Assistance Program (PAN) used in form 50058 to document total annual family income.
- In one (1) of the files examined the annual income received by the participant and documented in form 50058 was not properly calculated since the computation was made on a monthly basis instead of a weekly basis as the income was actually received by the participant.

Questioned cost:
No questioned costs were identified.

Perspective information:
We selected sixty (60) files of new tenants during 2021-2022 fiscal year from the Section 8 waiting lists.

Cause:
The Administration's review process of the eligibility documentation in the files was not effective in these cases.

Effect:
Any error in income calculation and with the evidence presented by the participants could lead to wrong eligibility determination.

Recommendation:
We recommend the Administration to reinforce their internal control procedures in the review of the eligibility determination to avoid similar situations in the future.

Views of responsible officials and planned corrective action:
See Administration's corrective action plan.

COMMONWEALTH OF PUERTO RICO
PUERTO RICO PUBLIC HOUSING ADMINISTRATION
(A FUND OF THE COMMONWEALTH OF PUERTO RICO)
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022

Finding Number: 2021-001

Condition: There were no formal written procedures outlining processes and control activities specific to the eligibility compliance requirement.

Status: The Administration is still in the process of implementing procedures to achieve the objectives and respond to the risks associated with the eligibility requirement. This is a repeated finding. Refer to finding 2022-001.

Finding Number: 2021-002

Condition: There were no formal written procedures outlining processes and control activities specific to the special tests and provisions applicable to the program

Status: The Administration is still in the process of implementing procedures to achieve the objectives and respond to the risks associated with the eligibility requirement. This is a repeated finding. Refer to finding 2022-002.

Finding Number: 2021-003

Condition: In testing compliance with the cash management requirement related to the time elapsed between the receiving of the request of funds from the federal government and the disbursement of funds; we observed that six (6) out of sixty (60) requests of funds from the Capital Fund did not comply with the maximum three days of disbursement. In three instances, the days were exceeded by one (1) day, in two (2) instances by two (2) days and in one instance by nine (9) days.

Status: The Administration is still in the process of implementing procedures to achieve the objectives associated with cash management. This is a repeated finding. Refer to finding 2022-003.

CORRECTIVE ACTION PLAN

GOBIERNO DE PUERTO RICO
ADMINISTRACIÓN DE VIVIENDA PÚBLICA

PUERTO RICO PUBLIC HOUSING ADMINISTRATION

CORRECTIVE ACTION SINGLE AUDIT 2021-2022

FINDING NO.	AUDITOR'S RECOMMENDATION	CORRECTIVE ACTION	Name Contact person responsible for corrective action Plan	Corrective Action Expected Completion Date
2022-01 Compliance/Internal Control – Eligibility				
Federal Program: Housing Voucher Cluster - 14.871 Section 8 Housing Choice Vouchers				
Title 2 2 CFR Part 200 Uniform Guidance section 200.303 indicates that the internal controls required to be established by a non-federal entity receiving federal funds should be in compliance with guidance in "Standards for Internal Control in the Federal Government," issued by the Comptroller General of the United States (the Green Book) or the "Internal Control Integrated Framework" issued by the Committee of Sponsoring Organizations for the Treadway Commission (COSO). There were no formal written procedures outlining processes and control activities specific to the eligibility compliance requirement. No questioned costs were identified. Management of these programs was assigned about a year ago to the Administration and formal procedures have not been implemented yet. There were no internal control measures documented that allow the Administration to timely prevent and/or detect a noncompliance with the eligibility compliance requirement and avoid possible sanctions or restrictions in the use of funds by the federal awarding entity.	We recommend that the Administration design and implement control activities procedures to achieve the objectives and respond to the risks associated with the eligibility requirement.	Reinforcement of the required documentation is being done frequently with the occupancy officers to request all the required documents in the kit provided to them as part of the procedures. The agency is providing continous training to the employees in order to streamline the processes, avoid missing documents and ensure rent calculations are accurate. New procedures were revised as of 2020 when PRPHA started as new Section 8 receiving agency and is in the process of updating the current documentation.	Nesherlee Soldevila-Guzman	Jun-24

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CORRECTIVE ACTION SINGLE AUDIT 2021-2022

GOBIERNO DE PUERTO RICO
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2022-02- Internal control – control activities – Special tests and provisions (waiting list, reasonable rent, housing quality standards inspection, HQS enforcement and housing assistance payment)

Federal Program: Housing Voucher Cluster: Assistance Listing 14.871 Section 8 Housing Choice Vouchers

Title 2 2 CFR Part 200 Uniform Guidance section 200.303 indicates that the internal controls required to be established by a non-federal entity receiving federal funds should be in compliance with guidance in "Standards for Internal Control in the Federal Government," issued by the Comptroller General of the United States (the Green Book) or the "Internal Control Integrated Framework" issued by the Committee of Sponsoring Organizations for the Treadway Commission (COSO). No questioned costs were identified There were no formal written procedures outlining processes and control activities specific to the special tests and provisions applicable to the program. Management of these programs was assigned about a year ago to the Administration and formal procedures have not been implemented yet. There were no internal control measures documented that guide the manager of the federal program to timely prevent and/or detect a noncompliance with the special tests and provisions applicable to the program.	We recommend that the Administration document the control activities procedures to achieve the objectives and respond to the risks associated with the areas involved in the special tests and provisions of the Housing Voucher program	Management of these programs were recently assigned to the Administration and procedures are being revised to ensure that certain process and eligilibility activities are incorporated in the current written guidelines. In addition, after restoring all normal practices after Covid 19 restriction releases, the agency has restarted the Quality Control schedules to reinforce and audit the elegibility controls.	Nesherlee Soldevila-Guzman	Jun-24

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CORRECTIVE ACTION SINGLE AUDIT 2021-2022

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2022-03 : Compliance - Cash Management				
Federal Program: 14.872 Public Housing Capital Fund (CFP)				
24 CFR section 570.489 (c)(1) establishes that units of general local governments shall use procedures to minimize the time elapsing between the transfer of funds by the federal government and the disbursement made by the grantee. In testing compliance with the cash management requirement to determine whether required time elapsed between the receiving of the request of funds from the federal government and the disbursement of funds; we observed that two (2) out of sixty (60) requests of funds from the Capital Fund did not comply with the maximum three days of disbursement. In one instance it was exceeded by one (8) days and in other instance by five (5) days. No questioned costs were identified. We selected for testing sixty (60) requests from the Capital Fund out of 296 requests during the year ended June 30, 2022. There was a lack of coordination by certain employees in charge of monitoring the time elapsed between the cash requests and the disbursement of funds. In these instances, the Administration did not follow the established procedures to comply with 24 CFR, Section 570.489 (c)(1) in order to avoid requesting on excess of cash.	We recommend management to strengthen its disbursements procedures to minimize the time between the transfer of funds by the federal government and disbursement made by the PRPHA.	Cash Disbursements are made in accordance with cash management regulations and HUD requirements. However, we have additional layers of approvals as required by our HUD Field Office which depends on availabilty of outside personnel that is not under our control. Unexpected events such as COVID 19 effect on employee assistance or different government workdays can affect our cash approvals at the bank level. We try to minimize and prevent these situations with a close coordination with the different approving officials . This is a recurring action plan.	Edna Rivera-Vargas	Jun-24

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CORRECTIVE ACTION SINGLE AUDIT 2021-2022

GOBIERNO DE PUERTO RICO
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2022-04 : Internal Control- Elegibility and Reporting				
Federal Program: Assistance Listing 21.023 Emergency Assistance Program				
Title 2 2 CFR Part 200 Uniform Guidance section 200.303 indicates that the internal controls required to be established by a non-federal entity receiving federal funds should be in compliance with guidance in "Standards for Internal Control in the Federal Government," issued by the Comptroller General of the United States (the Green Book) or the "Internal Control Integrated Framework" issued by the Committee of Sponsoring Organizations for the Treadway Commission (COSO). There was no evidence of formal written procedures to monitor the evaluation of the eligibility determination of participants and for ensuring that the reporting to the federal awarding agency was complete and accurate. No questioned costs were identified. We selected for testing sixty (60) participants elected for rental assistance out of 16,320 requests made and the ERAP special reports for the three-quarter submitted during the year ended June 30, 2022. The Federal program was recently assigned to the Administration and formal procedures have not been implemented, yet. There were no monitoring activities documented that allowed the Administration to timely prevent or detect a noncompliance with the requirements of eligibility and reporting.	We recommend that the Administration design and implement written procedures to monitor the processes of eligibility determination and the completion of special reports.	PRPHA has a provider with vast experience in this program and is currently serving other government authorities in the mainland that are entitled with this program. We have assured that they are following the regulations that are set forth by the Treasury Department. However, because of the short period of time that we have had this program in Puerto Rico we have had to adapt the practices that have been adopted in the other agencies as the formal procedures as a start up implementation. We are establishing more procedures as the program evolves in the island. This is an on going action plan.	Alejandro Salgado- Colón	Jun-24

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PUERTO RICO PUBLIC HOUSING ADMINISTRATION

CORRECTIVE ACTION SINGLE AUDIT 2021-2022

2022-05 : Compliance and Internal Control- Elegibility				
Federal Program: Housing Voucher Cluster: 14.871 Section 8 Housing Choice Vouchers				
24 CFR part 5, subpart F sections 5.601, 982.201, 982.515 and 982.516 determine whether income eligibility and calculate the tenant's rent payment were made using the documentation from a third-party verification. In testing compliance with the eligibility requirements related to income-eligibility and tenant's rent payment, we noticed the following from the sample of sixty (60) files: • In one (1) instance the participant's pay stubs used as evidence of the income determination were for salaries received in 2020 when it should have been salary stub for 2021. • Two (2) of the files examined did not have the last certification of the Nutrition Assistance Program (PAN) used in form 50058 to document total annual family income. • In one (1) of the files examined the annual income received by the participant and documented in form 50058 was not properly calculated since the computation was made on a monthly basis instead of a weekly basis as the income was actually received by the participant No questioned costs were identified. We selected sixty (60) files of new tenants during 2021-2022 fiscal year from the Section 8 waiting lists. The Administration's review process of the eligibility documentation in the files was not effective in these cases.	We recommend the Administration to reinforce their internal control procedures in the review of the eligibility determination to avoid similar situations in the future	Reinforcement of the required documentation is being done frequently with the occupancy officers to request all the required documents in the kit provided to them as part of the procedures. The agency is providing continous training to the employees in order to streamline the processes, avoid missing documents and ensure rent calculations are accurate. New procedures were revised as of 2020 when PRPHA started as new Section 8 receiving agency and is in the process of updating the current documentation.	Nesherlee Soldevila-Guzman	Jun-24