OC-DA-123

mar. 24 (Rev.)
OC-24-15

Estado Libre Asociado de Puerto Rico
Oficina del Contralor
San Juan, Puerto Rico

Certificación de Cumplimiento con la Ley 273-2003, según enmendada; y de Notificación de Envío de Cartas de Recomendaciones (Management Letters), Informes de Auditoría, Estados Financieros Auditados y Otros[1]

Yo, Fermín E. Fontanés Gómez (nombre del funcionario principal) Funcionario Principal de Autoridad Alianzas Público-Privada (nombre de la entidad)

3512 (número de entidad) certifico a la Oficina del Contralor de Puerto Rico (Oficina) que relacionado con el año fiscal

terminado al 30 de junio de 2023:

1. Recibimos fondos públicos por $14,117,897 .
2. Efectuamos desembolsos de fondos federales por $2,174,164,808 . No aplica ☐.
3. Tenemos la obligación de cumplir con ☒ la *Ley 273-2003, Ley de Normas Contractuales sobre Independencia en las Auditorías de Entidades Gubernamentales*[2], según enmendada, y con ☒ el *Single Audit Act*. En cumplimiento de estos:

   a. El 31 de julio de 2023 formalizamos el contrato número 2024-PPP031 para realizar la auditoría de los ☒ Estados Financieros y/o el ☒ *Single Audit Report*.

   b. El 22 de abril de 2024 recibimos el *Informe de Auditoria* del 30 de junio de 2023 de los auditores externos.

   c. El 22 de abril de 2024 los auditores externos comparecieron para presentar el informe final y comunicar los hallazgos y las recomendaciones.

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[1] La entidad debe remitir a esta Oficina, en formato **PDF** y no más tarde del 31 de mayo siguiente al año fiscal auditado, el *Formulario OC-DA-123* firmado por el funcionario principal, con los documentos que se especifican en el Apartado 3-e y f del mismo. Esto, mediante la aplicación *Certificaciones Anuales de la Oficina del Contralor*. La aplicación se encuentra disponible en la sección de Contraloría Digital en nuestra página en Internet: *www.ocpr.gov.pr*.

[2] En el Artículo 1 de la *Ley 273-2003* se establece que, para propósitos de esta *Ley*, la frase *cualquier entidad de gobierno* incluye a todos los organismos con facultad de contratar, de las ramas Ejecutiva, Legislativa y Judicial tales como: departamentos, dependencias, municipios, corporaciones públicas y sus subsidiarias, afiliadas o cualesquiera entidades gubernamentales que tengan personalidad jurídica propia.

d. Relacionado con las cartas finales de recomendaciones (*Management Letters*):

☐ El ____ de ____________ de ________ recibimos las cartas finales de recomendaciones (*Management Letters*) emitidas por los auditores externos el ____ de ____________ de ________. El archivo electrónico, en formato **PDF**, de las mismas fue remitido a su Oficina el ____ de ______________ de ________.

☒ Los auditores externos no emitieron las cartas finales de recomendaciones (*Management Letters*).

e. Se incluye el archivo electrónico, en formato PDF, de los siguientes documentos e informes:

☒ Informes de auditorías emitidos en forma final

☒ Estados financieros auditados

☐ Informes de Control Interno sobre Cumplimiento y la Opinión sobre Cumplimiento

☐ *Single Audit Report*

☐ Copia del *Form SF-SAC, Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations*, y del recibo de envío al *Federal Audit Clearinghouse*.

☐ Otros (especifique): ____

f. Relacionado con el *Informe Especial Sobre el Cumplimiento de las Recomendaciones Contenidas en los Informes de Auditoría de la Oficina del Contralor de Puerto Rico y la Corrección de las Situaciones Comentadas en sus Informes Previos (Informe Especial)*:

☐ Se incluye el archivo electrónico, en formato **PDF**, del *Informe Especial* emitido por los auditores externos el ____ de __________________ de ________.

☒ No aplica, ya que no tenemos recomendaciones pendientes de cumplimentar relacionadas con los informes publicados al 28 de febrero del año fiscal auditado.

4. ☐ No tenemos la obligación por ley, reglamento o acuerdo financiero, de contratar auditores externos para realizar la auditoría de los estados financieros del año fiscal terminado al ____ de __________________ de ________.

En San Juan, Puerto Rico, hoy 22 de mayo de 2024.

____
Firma del Funcionario Principal

Puerto Rico Public Private Partnerships Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Basic Financial Statements
June 30, 2023

(With Independent Auditors' Report)

PUERTO RICO PUBLIC PRIVATE PARTNERSHIPS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

Basic Financial Statements
Fiscal Year Ended June 30, 2023

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RSM Puerto Rico
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INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
Puerto Rico Public Private Partnerships Authority

Opinions

We have audited the basic financial statements of the governmental activities, the business-type activities, and each major fund of the Puerto Rico Public Private Partnerships Authority, a Component Unit of the Commonwealth of Puerto Rico, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Puerto Rico Public Private Partnerships Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of Puerto Rico Public Private Partnerships Authority, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Puerto Rico Public Private Partnerships Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Puerto Rico Public Private Partnerships Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any current known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

San Juan, Puerto Rico
April 22, 2024.

RSM Puerto Rico

Stamp No. E570439 was affixed to
the original of this report.

This Management's Discussion and Analysis (unaudited) section (MD&A) provides a narrative overview and analysis of the financial activities of the Puerto Rico Public Private Partnerships Authority (the Authority) for the fiscal year ended June 30, 2023. The MD&A is intended to serve as an introduction to the Authority's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The MD&A is designed to: (a) assist the reader in focusing on significant matters, (b) provide an overview of the Authority's financial activities, and (c) identify changes in the Authority's financial position and identify individual issues or concerns. The following presentation is by necessity highly summarized, and therefore, in order to gain a thorough understanding of the Authority's financial condition, the basic financial statements, notes, and required supplementary information should be reviewed in its entirety.

1. FINANCIAL HIGHLIGHTS

- The Authority's Total Assets and Deferred Outflows of Resources government-wide was approximately $120.9 million as of June 30, 2023, an increase of approximately $11.9 million or 11% when compared to prior year.
- The Authority's Total Liabilities and Deferred Inflows of Resources government-wide was approximately $88.7 million as of June 30, 2023, an increase of approximately $14.6 million or 20% when compared to prior year.
- The Authority's Total Net Position government-wide was approximately $32.3 million as of June 30, 2023, a decrease of approximately $2.6 million or 7% when compared to prior year.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

MD&A is required supplementary information to the basic financial statements and is intended to serve as an introduction to the Authority's basic financial statements for the fiscal year ended June 30, 2023. The basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements.

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

The government-wide financial statements include two statements:

- ***Statement of Net Position*** – This statement presents all of the government's assets and liabilities. Net position is the difference between (a) assets and deferred outflows of resources, (b) liabilities and deferred inflows of resources. Over the time, increases or decreases in the Authority's net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

- ***Statement of Activities*** – This statement presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

In the Statement of Net Position and the Statement of Activities, the Authority's operations are divided into the following two kinds of activities:

(1) **Governmental Activities –** Governmental Activities generally are financed through intergovernmental and other non-exchange revenues.

(2) **Business-Type Activities –** Business-Type Activities are financed in whole or in part by fees charged for goods or services.

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

Funds Financial Statements

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

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

The Authority has one major governmental fund. That major governmental fund is presented in a separate column in the balance sheet-governmental fund and in the statement of revenues, expenditures, and changes in fund balance-governmental fund. This major fund relates to the activities of the Central Office for Recovery, Reconstruction and Resiliency of Puerto Rico (COR3).

Proprietary Fund - Proprietary funds provide the same type of information as the Business-Type Activities in the government-wide financial statements, but in more detail. As with government-wide financial statements, proprietary funds financial statements use the full accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary funds financial statements.

The Authority has one proprietary fund. That proprietary fund is presented in a separate column in the statement of net position-proprietary fund and in the statement of revenues, expenses, and changes in net position-proprietary fund. This proprietary fund relates to the activities related to the identification, analysis and development of Public Private Partnerships projects for the delivery of public infrastructure or the provision or enhancement of public services for which a service fee is charged.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements and the fund financial statements. The notes to the basic financial statements can be found immediately following the Statement of Cash Flows-Proprietary Fund.

Governmental Activities

The following is an analysis of the financial position and changes in the financial position of the Authority's Governmental Activities for fiscal year 2023.

Statement of Net Position

Governmental entities are required by U.S. Generally Accepted Accounting Principles (U.S. GAAP), as prescribed by the Governmental Accounting Standard Board (GASB), to report on their net position. The statement of net position presents the value of all the Authority's assets and liabilities with the difference between them reported as net position.

Net position may serve over time as a useful indicator of a government's financial position. Total assets and total liabilities of the Authority as of June 30, 2023, amounted to approximately $69 million and $67 million, respectively, for a net position of approximately $1 million.

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Condensed financial information from the statements of net position (net of internal balances) as of June 30, 2023, and June 30, 2022, is as follows (in thousands):

	June 30,		Change	
	2023	2022	Amount	Percentage
Current assets	$ 67,441	$ 56,417	$ 11,024	20%
Non-current assets	583	1,692	(1,109)	-66%
Total assets	68,024	58,109	9,915	17%
Pension related deferred outflows of resources	463	-	463	100%
Total assets and deferred outflows of resources	68,487	58,109	10,378	18%
Current liabilities	65,740	55,701	10,039	18%
Non-current liabilities	1,992	1,243	749	60%
Total liabilities	67,732	56,944	10,788	19%
Pension related deferred inflows of resources	72	-	72	100%
Total liabilities and deferred inflows of resources	67,804	56,944	10,860	19%
Net position	$ 683	$ 1,165	$ (482)	-41%

Total assets increased by approximately $10 million when compared to prior year due to the net effect of the following: (1) an increase of in intergovernmental receivable of approximately $6.2 million mainly related to amounts requested to Federal Emergency Management Agency (FEMA) related to natural disaster expenses incurred by subgrantees and to be paid by FEMA, (2) an increase in due from subrecipients amounting to approximately $900 thousand, (3) an increase in due from COR3 amounting to approximately $4 million.

Total liabilities increased by approximately $10.8 million when compared to prior year mainly due to: (1) an increase in accounts payable amounting to approximately $10 million related to professional service vendors.

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Statements of Activities and Results of Operations

Condensed financial information from the statements of activities for the years ended June 30, 2023 and June 30, 2022, is as follows (in thousands):

	June 30,		Change	
	2023	2022	Amount	%
Expenses	$ (2,176,008)	$ (697,448)	$ (1,478,560)	212%
Program revenues:				
Operating grants and contributions	2,174,165	693,486	1,480,679	214%
General revenues:				
Other	47	-	47	100%
Tranfers from other funds	1,314	3,365	(2,051)	61%
Change in Net Position	(482)	(597)	115	-19%
Net Position - Beginning	1,165	1,762	(597)	-34%
Net Position - Ending	$ 683	$ 1,165	$ (482)	-41%

Program revenues are composed of approximately $2.2 billion of Federal Grants and approximately $46.4 million of Commonwealth's appropriations, an increase of approximately $1.5 billion. The increase is mainly related to the working capital advances program that started during fiscal year 2023 amounting to approximately $1.4 billion.

The expenses of approximately $2.2 billion are composed as follows: (1) grant disbursements to sub-grantees of approximately $2.1 billion mainly related to reimbursements related to Hurricanes Irma and María, (2) professional services of approximately $93.3 million, (3) payroll expenses of approximately $18.6 million, (4) expenses related to mission assignments of approximately $15 million, (5) depreciation expense amounting $1.1 million and (6) pension expense of approximately $334 thousand.

Increase in expenses amounting to approximately $1.5 billion is mainly related to (1) an increase in grant reimbursement paid to subgrantees amounting to approximately $1.4 billion due to the working capital advances program, (2) an increase in professional services expense amounting to approximately $15 million, and (3) an increase in mission assignment cost share amounting to $15 million.

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Business-Type of Activities

The following is an analysis of the financial position and changes in the financial position of the Authority's Business-Type Activities for fiscal year 2023.

Statement of Net Position - Proprietary Fund

Condensed financial information from the statements of net position as of June 30, 2023, and June 30, 2022, is as follows (in thousands):

	June 30,		Change	
	2023	**2022**	**Amount**	**Percentage**
Current assets	$ 37,788	$ 40,938	$ (3,150)	-8%
Non-current assets	14,674	9,916	4,758	48%
Total assets	52,462	50,854	1,608	3%
Current liabilities	14,596	8,164	6,432	79%
Non-current liabilities	6,265	8,990	(2,725)	-30%
Total liabilities	20,861	17,154	3,707	22%
Net position	$ 31,601	$ 33,700	$ (2,099)	-6%

Total assets increased by approximately $1.6 million when compared to prior year due to the following: (1) an increase in cash amounting to approximately $16 million, (2) a decrease in due from other fund (COR3) of approximately $4 million related to payments made by the Authority on behalf of COR3, (3) an decrease in due from the Puerto Rico Electric Power Authority (PREPA) amounting to approximately $9.9 million, (4) a decrease in account receivable net amounting to approximately $551 thousand.

Total liabilities increased by approximately $3.7 million when compared to prior year due to the following: (1) an increase in accounts payable and accrued liabilities of approximately $5.8 million related to amount owed for services provided related to the development of public private partnerships, (2) a decrease in unearned revenues amounting to approximately $2.8 million which were presented as service charge for services rendered by the Authority for the identification, analysis and development of partnerships projects (3) an increase in due to Government Development Bank amounting to $700 thousand related to interest on line of credit

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Statements of Revenues, Expenses, and Changes in Net Position

Condensed financial information from the statements of revenues, expenses and change in net position during the years ended June 30, 2023, and June 30, 2022, is as follows (in thousands):

	June 30,		Change	
	2023	2022	Amount	Percentage
Operating revenues	$ 3,130	$ 13,134	$ (10,004)	-76%
Operating expenses	(18,366)	(12,376)	(5,990)	48%
Non operating revenues	14,452	16,255	(1,803)	-11%
Transfers to other funds	(1,314)	(3,365)	2,051	-61%
Change in net position	(2,098)	13,648	(15,746)	-115%
Net position-beginning	33,700	20,052	13,648	68%
Net position-ending	$ 31,602	$ 33,700	$ (2,098)	-6%

Operating Revenues

The Authority's operating revenues decreased by approximately $10 million mainly due to a decrease on service charges related to Puerto Rico Electric Power Authority (PREPA) Memo of Understanding (MOU) amounting to $9.5 million signed for fiscal year 2022 which for fiscal year 2023 such MOU was not signed, an decrease in service charges related to projects of the Commonwealth amounting to approximately $800 thousand and an increase of other revenues by approximately $317 thousand.

Operating Expenses

The Authority's most significant operating expenses correspond to professional services, other operating expenses and interest expense amounting to approximately $14.9 million, $2.9 million, and $524 thousand, respectively.

Operating expenses increased by approximately $6 million when compared with fiscal year ended June 30, 2022, mainly related to an increase in professional services amounting to approximately $4.9 million, an increase in other operating expenses amounting to approximately $843 thousand and an increase in interest expense amounting to approximately $221 thousand.

Net non-operating revenues decreased by approximately $1.8 million mainly due to a decrease in Commonwealth's appropriations of approximately $2.1 million and an increase in interest income amounting to approximately $309 thousand.

The Authority's principal business type activities are to identify, analyze and develop Public Private Partnerships (Partnerships) projects, for the delivery of needed public infrastructure or the provision or enhancement of public services. To that end, the Authority's enabling act (Act 29 of June 8, 2009, as amended) requires the Authority to commission a desirability and convenience study for which the Authority engages specialized professional services. The objective of the desirability and convenience study is to determine the technical and financial feasibility of a proposed Partnership's project. Upon a determination of a project's feasibility under the Partnership model, the Authority may initiate a procurement process, for the identification and qualification of potential proponents and the negotiation and award of Partnership transactions.

3. CURRENTLY KNOWN FACTS

Inter-Governmental Projects

Currently, the Authority is working on other Public Private Partnerships related to PREPA energy generation, the Puerto Rico Ports Authority modernization of the San Juan Bay cruise terminals (pending financial closing) between other projects. Those projects are in different stages or phases of the procurement process. Refer to Note 10 of the basic financial statements.

Working Capital Advances Program

On June 14, 2022, the Government of Puerto Rico (GPR) and the Central Office of Recovery, Reconstruction, and Resiliency (COR3) issued Version 3.0 of Chapter 7 "Payment and Cash Management" of the COR3 Disaster Recovery Federal Funds Management Guide to incorporate a Working Capital Advance Program for authorized subrecipients.

The Working Capital Advance is a one-time per Project Worksheet (PW) pilot program, thereafter, the Subrecipient must either transition to the traditional reimbursement program or the Authority's Request for Advance (RFA) payment program.

In accordance to the applicable policy for an Authorized Subrecipient to be eligible to receive a one-time working capital advance of 25% of an obligated large permanent work PW, the following requirements must be met:

- Must have an adequate, Public Assistance compliant Procurement Policy, uploaded in the Puerto Rico Disaster Recovery System ("PRDRS").

- Must submit a Request for Working Capital Advance (RFCA) via the PRDRS through which it will have to certify that:

    - The related obligated permanent work project (PW Number) will be executed;
      That without the RFCA, it cannot provide the following which is required to utilize the Authority's Request for Advance (RFA) payment program:
        - Procurement documentation
        - Contract documentation; and
        - 90 day Spend plan
    - It lacks sufficient working capital to utilize either the traditional reimbursement program and/or the RFA payment program, and as such,
    - It requires a Working Capital Advance of 25% in accordance with the terms and requirements of 2 CFR§200.305(b)(4); and

The RFCA relates to an obligated large permanent work PW, without any submitted Requests for Reimbursements or RFAs and/or disbursements. As of June 30, 2023, approximately $1.4 billion have been disbursed to subrecipients under the working capital advances program.

Projects

On October 17, 2023, the Toll Roads Concession Agreement was executed between the Authority and the Puerto Rico Highway and Transportation Authority (HTA) and Puerto Rico Tollroads LLC to operate, maintain and improve the Puerto Rico toll roads currently managed by HTA. Puerto Rico Tollroads will pay HTA a concession fee of approximately $2.85 billion. The concession fee will enable HTA to pay off its $1.6 billion outstanding debt including a $360 million loan from the Commonwealth of Puerto Rico under the redemption provision of the HTA Plan of Adjustment, capital and operation maintenance investment amounting to $2.4 billion over the term of the concession. As part of this transaction the Authority will collect approximately $15 million.

On February 14, 2024, was executed the financial closing of the San Juan Bay Cruise Terminals Concession Agreement between the Puerto Rico Ports Authority (PRPA) and San Juan Cruise Port LLC.

The proposed plan provides for one or more issues of Puerto Rico Industrial, Tourist, Educational, Medical and Environmental, Control Facilities Financing Authority (AFICA) exempt facility bonds for docks and wharves in the aggregate principal amount not exceeding $235,000,000 which will be used by the borrower. The Project consists of the design, construction, renovation, and equipping of various facilities at the San Juan Cruise Port Terminal and certain facilities functionally related and subordinate thereto, including the Borrower's acquisition of certain property interests therein. The proceeds from the sale of the bonds will be used to make a loan to the AFICA Borrower to (a) pay all or a portion of the cost of the Project (described above), (b) make a concession payment to the PRPA as required by the P3 agreement, (c) pay certain operating expenses and reserves for financing and legal costs in connection with the issuance of the AFICA bonds.

Repayment of the Bonds and the AFICA loans will be made solely by the AFICA Borrower and related collateral. The Bonds and the AFICA loans are not guaranteed by, or otherwise have resource to, the Commonwealth of Puerto Rico or any governmental agency, public corporation, or instrumentality of the Government of Puerto Rico

4. REQUESTS FOR INFORMATION

This financial report is designed to provide those interested with a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Puerto Rico Public Private Partnerships Authority at the following address: P.O. Box 42001, San Juan, Puerto Rico, 00940-2001.

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PUERTO RICO PUBLIC PRIVATE PARTNERSHIPS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS:			
CURRENT ASSETS:			
Cash	$ 395,771	$ 32,622,942	$ 33,018,713
Due from subrecipients	3,889,712	—	3,889,712
Intergovernmental receivable	68,318,050	—	68,318,050
Internal balance	(5,162,370)	5,162,370	—
Prepaid expenses	—	2,591	2,591
Total current assets	67,441,163	37,787,903	105,229,066
NON-CURRENT ASSETS:			
Restricted cash	—	14,619,323	14,619,323
Capital assets, net	582,800	54,934	637,734
Total non-current assets	582,800	14,674,257	15,257,057
Total assets	68,023,963	52,462,160	120,486,123
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related	462,551	—	462,551
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	68,486,514	52,462,160	120,948,674
LIABILITIES AND NET POSITION:			
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities	61,673,753	11,432,421	73,106,174
Due to Commonwealth of Puerto Rico	3,889,712	—	3,889,712
Due to Government Development Bank for Puerto Rico	—	3,045,285	3,045,285
Compensated absences	176,000	118,000	294,000
Total current liabilities	65,739,465	14,595,706	80,335,171
NON-CURRENT LIABILITIES:			
Compensated absences	1,267,707	105,392	1,373,099
Due to Government Development Bank for Puerto Rico	—	6,159,117	6,159,117
Total Pension liability	724,493	—	724,493
Total non-current liabilities	1,992,200	6,264,509	8,256,709
Total liabilities	67,731,665	20,860,215	88,591,880
DEFERRED INFLOWS OF RESOURCES:			
Pension related	72,357	—	72,357
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	67,804,022	20,860,215	88,664,237
NET POSITION:			
Net investment in capital assets	582,800	54,934	637,734
Restricted for the development of Public Private Partnership	—	14,619,393	14,619,393
Unrestricted	99,692	16,927,618	17,027,310
Total net position	$ 682,492	$ 31,601,945	$ 32,284,437

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

PUERTO RICO PUBLIC PRIVATE PARTNERSHIPS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2023

		Program Revenues		Net Revenues (Expenses) and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services - Fees, Commissions, and Others	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Economic development	$ 2,176,008,877	$ —	$2,174,164,808	$ (1,844,069)	$ —	$ (1,844,069)
Total governmental activities	2,176,008,877	—	2,174,164,808	(1,844,069)	—	(1,844,069)
Business-type activities:						
Public private partnerships	18,365,900	3,129,792	14,117,897	—	(1,118,211)	(1,118,211)
Total business-type activities	18,365,900	3,129,792	14,117,897	—	(1,118,211)	(1,118,211)
Total	$ 2,194,374,777	$ 3,129,792	$2,188,282,705	(1,844,069)	(1,118,211)	(2,962,280)
General revenues:						
Interest income				47,489	333,621	381,110
Transfers				1,313,902	(1,313,902)	—
Total general revenues and transfers				1,361,391	(980,281)	381,110
CHANGES IN NET POSITION				(482,678)	(2,098,491)	(2,581,169)
NET POSITION — Beginning of year				1,165,170	33,700,436	34,865,606
NET POSITION — End of year				$ 682,492	$ 31,601,945	$ 32,284,437

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

PUERTO RICO PUBLIC PRIVATE PARTNERSHIPS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2023

ASSETS:		
Cash	$	395,771
Due from subrecipients		3,889,712
Intergovernmental receivable		68,318,050
Total assets	$	72,603,533
LIABILITIES AND FUND BALANCE:		
Accounts payable and accrued liabilities	$	61,673,753
Due to Other Fund		5,162,370
Due to Commonwealth of Puerto Rico		3,889,712
Total liabilities		70,725,835
Fund balance-unassigned		1,877,698
Total liabilities and fund balance	$	72,603,533

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

PUERTO RICO PUBLIC PRIVATE PARTNERSHIPS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

FUND BALANCE OF GOVERNMENTAL FUND	$	1,877,698
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITON ARE DIFFERENT THAN THE AMOUNTS REPORTED IN THE GOVERNMENTAL FUND BECAUSE:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund		582,800
Compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental fund		(1,443,707)
Pension liability is not due and payable in the current period and, therefore, is not reported in the governmental fund		(724,493)
Deferred outflows are not financial resources in the current period and, therefore, are not reported in the governmental fund		462,551
Deferred inflows are not due and payable in the current period and, therefore, are not reported in the governmental fund		(72,357)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$	682,492

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

PUERTO RICO PUBLIC PRIVATE PARTNERSHIPS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2023

REVENUES:	
Federal grants	$ 2,127,724,846
Contribution from Commonwealth of Puerto Rico	46,439,962
Total revenues	2,174,164,808
EXPENDITURES:	
Economic development	2,175,437,006
Excess of expenditures over revenues before other revenues and other financing sources	(1,272,198)
OTHER REVENUES	
Interest income	47,489
Excess of expenditures over revenues	(1,224,709)
OTHER FINANCING SOURCES:	
Transfers in	1,313,902
NET CHANGE IN FUND BALANCE	89,193
FUND BALANCE- Beginning of year	1,788,505
FUND BALANCE - End of year	$ 1,877,698

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

PUERTO RICO PUBLIC PRIVATE PARTNERSHIPS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

NET CHANGE IN FUND BALANCE- GOVERNMENTAL FUND		$ 89,193
AMOUNT REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:		
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental fund	$ (24,305)	
Pension expense in the statement of activities do not require the use of current financial resources and, therefore, is not reported as expenditures in governmental fund	(334,299)	
Payment of lease liability	896,492	
Governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:		
Depreciation expense	(1,109,759)	
Subtotal		(571,871)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ (482,678)

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

PUERTO RICO PUBLIC PRIVATE PARTNERSHIPS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF NET POSITION – PROPRIETARY FUND
JUNE 30, 2023

ASSETS		
CURRENT ASSETS:		
Cash	$	32,622,872
Accounts receivable, net		-
Due from other fund		5,162,370
Prepaid expenses		2,591
Total current assets		37,787,833
NON-CURRENT ASSETS:		
Restricted cash		14,619,393
Capital assets, net		54,934
Total non-current assets		14,674,327
Total assets	$	52,462,160
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$	11,432,421
Due to Government Development Bank for Puerto Rico		3,045,285
Compensated absences		118,000
Total current liabilities		14,595,706
NON-CURRENT LIABILITIES:		
Compensated absences		105,392
Due to Government Development Bank for Puerto Rico		6,159,117
Total non-current liabilities		6,264,509
Total liabilities		20,860,215
NET POSITION		
Net investment in capital assets		54,934
Restricted for Development of Public Private Partnerships		14,619,393
Unrestricted		16,927,618
Total net position	$	31,601,945

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

PUERTO RICO PUBLIC PRIVATE PARTNERSHIPS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

OPERATING REVENUES:	
Services charges	$ 2,804,792
Other income	325,000
Total operating revenues	3,129,792
OPERATING EXPENSES:	
Professional services	14,891,759
Other operating expenses	2,925,743
Interest expense	523,782
Depreciation expense	24,616
Total operating expenses	18,365,900
OPERATING LOSS	(15,236,108)
NON-OPERATING REVENUES (EXPENSES):	
Contribution from the Commonwealth of Puerto Rico	14,117,897
Interest income	333,621
Total non-operating revenues	14,451,518
Income before transfers	(784,590)
TRANSFERS TO OTHER FUNDS	(1,313,902)
CHANGE IN NET POSITION	(2,098,492)
NET POSITION- Beginning of year	33,700,437
NET POSITION - End of year	$ 31,601,945

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

PUERTO RICO PUBLIC PRIVATE PARTNERSHIPS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF CASH FLOWS – PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

CASH FLOWS PROVIDED BY OPERATING ACTIVITES:	
Services charges received	$ 14,729,352
Cash paid for operating activities	(11,831,097)
Net cash provided by operating activities	2,898,255
CASH FLOWS PROVIDED BY CAPITAL AND NONCAPITAL FINANCING ACTIVITIES:	
Cash received from Commonwealth of Puerto Rico	14,117,897
Capital expenditures	(34,518)
Transfers to other funds	(1,313,902)
Net cash provided by capital and noncapital financing activities	12,769,477
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:	
Interest received	333,620
NET CHANGE IN CASH	16,001,352
Cash - beginning of year	31,240,913
Cash - end of year	$ 47,242,265
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	(15,236,108)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	24,616
Interest expense	523,782
Changes in assets and liabilities:	
(Increase) decrease in:	
Due from other fund	3,957,604
Accounts receivable, net	550,915
Due from Puerto Rico Electric Power Authority	9,895,833
Prepaid expenses	(611)
Increase (decrease) in:	
Accounts payable and accrued liabilities	5,951,673
Due to other governmental entities	(44,010)
Unearned revenues	(2,804,792)
Compensated absences	79,353
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 2,898,255

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

1. REPORTING ENTITY

Puerto Rico Public Private Partnerships Authority (the Authority) is a component unit of the Commonwealth of Puerto Rico (the Commonwealth) and an affiliate of Puerto Rico Fiscal Agency and Financial Advisory Authority (FAFAA), another component unit of the Commonwealth. The Authority was created by Act No. 29 of June 8, 2009, as amended (Act 29). Pursuant to Act 29, the Authority is the sole Commonwealth's governmental entity authorized and responsible for implementing the public policy on public private partnerships (the Partnerships) and for determining the functions, services or facilities for which such Partnerships will be established.

The Authority's principal activities are the identification, analysis and development of Partnerships projects, for the delivery of needed public infrastructure or the provision or enhancement of public services. To that end, the Authority's enabling act requires the Authority to prepare or commission the preparation of the desirability and convenience study for which the Authority engages specialized professional services. The objective of the desirability and convenience study is to determine the technical and financial feasibility of a proposed Partnership project. Upon determination of a project's feasibility under the Partnerships model, the Authority may initiate a procurement process for the identification, evaluation, qualification and selection of potential proponents and the negotiation and award of a Partnership agreement.

During fiscal year ended on June 30, 2018, the Governor of the Commonwealth of Puerto Rico (the Governor) created the Central Office for Recovery, Reconstruction and Resiliency of Puerto Rico (COR3) through Executive Order 2017-65 (EO-2017-65). COR3 was initially responsible for managing all efforts for the recovery of the Commonwealth after the passage of Hurricanes Irma and María. Also, through Executive Order 2018-11 (EO 2018-11), the Governor transferred the Governor's Authorized Representative (GAR), which was the entity authorized by the Governor to receive all disaster recovery grants of the Federal Emergency Management Agency (FEMA), from Puerto Rico Emergency Management Agency (PREMA) to the Authority. COR3 became part of the Authority effective July 1, 2018, through Executive Order 2018-11 (EO 2018-11). Since then, it has operated as a division of the Authority.

The purpose of COR3 is, among others, to: (i) identify and procure funds, (ii) coordinate efforts and activities, (iii) finance and execute infrastructure works and projects, and (iv) advise the Governor and Commonwealth's instrumentalities over unprecedented amount of state, federal and private resources to be made available to the Commonwealth related to the recovery.

COR3 is the recipient of FEMA Pre-disaster Mitigation (PM), Public Assistance (PA), Hazard Mitigation Grant Program (HMGP) and the Crisis Counseling Assistance and Training Program Grant, which were administered by the "Oficina de Calidad de la Administración de Servicios de Salud y Contra la Adicción (ASSMCA)". There are other FEMA programs where COR3 is not a recipient and only provides limited support but does not manage any federal funds or grants. Also, for PA and HMGP grant funds other than COR3's own management costs, COR3 acts as a passthrough entity whereby it draws funds from FEMA's SmartLink system and deposits such funds in a subrecipient bank account. Any cost share related to grant awards managed by COR3 should be appropriated by the Commonwealth and paid to COR3.

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As for Mission Assignments and associated expenses, they relate to emergency work performed by a federal entity on behalf of a state entity (i.e., US Army Corps of Engineers performing emergency work for Puerto Rico Energy Power Authority (PREPA) related to damages to the electrical grid after a disaster). In these cases, FEMA pays the federal agency directly, and thereafter, invoices the Commonwealth of Puerto Rico, through COR3/GAR, for any outstanding non-federal cost share balance, if applicable. As such, COR3 does not manage any federal money related to Mission Assignments but serves as a pass-through entity in relation to any associated non-federal cost share requirements. The GAR is also responsible for executing related paperwork.

There are other federal funding sources related to disaster recovery that are not administered by COR3 (i.e., HUD's CDBG-DR program), which is managed by the Puerto Rico Department of Housing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying basic financial statements present the financial position of the Authority, the results of operations and cash flows.

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

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all the activities of the Authority. The effect of interfund balances has been removed from the government-wide statement of net position.

Internal balances are not included in the total column of the government-wide statement of net position. Interfund charges for services among functions of the government-wide statement of activities have not been eliminated. The Authority's activities are distinguished between governmental and business-type activities. Governmental activities generally are financed mainly through intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged for goods or services. The following is a description of the Authority's government-wide financial statements.

The statement of net position presents the Authority's assets and liabilities with the residual measure reported as net position. Net position is reported in three categories:

- *Net Investment in Capital Assets* – This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are directly attributable to the acquisition, construction, or improvement of those assets.

- *Restricted Net Position* – This component of net position consists of restricted assets reduced by related liabilities. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Restricted assets result when constraints placed on those assets' use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted Net Position* – This component of net position is the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable within a specific function or segment. The Authority does not allocate general government expenses to other functions. Program revenues include contributions received from the Federal Government and from the Commonwealth, charges for services made to other governmental entities, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenue that is not classified as program revenue is presented as general revenue. Resources that are dedicated internally are reported as general revenue rather than as program revenue.

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

Management has elected to account for funds recovered from subrecipients during the period that the funds are disallowed. During the fiscal year ended on June 30, 2023, the approximate amount of funds received and returned to the grantor amounted to approximately $4.8 million.

Fund Financial Statements

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

The activities of the Authority that are reported in the accompanying basic financial statements have been classified into governmental and proprietary funds.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

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

- *Nonspendable* – Amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

- *Restricted* – Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for a specific purpose.
- *Committed* – Amounts that are constrained for specific purposes that are internally imposed by the government's formal action at the highest level of decision-making authority.
- *Assigned* – Includes fund balance amounts that are constrained by the Authority and are intended to be used for specific purposes that are neither considered restricted nor committed.
- *Unassigned* – It is the residual classification for the General Fund. In a governmental fund other than the General Fund, a negative amount indicates that the expenditures incurred for a specific purpose exceeded the amounts in the fund that are restricted, committed, and assigned to that purpose.

Governmental Funds

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

General Fund – The General fund accounts for funds received from FEMA and the Commonwealth related to reimbursement of expenses related to natural disasters, which are managed by COR3.

Proprietary Funds

These funds account for those activities that are financed and operated in a manner similar to private business enterprises. Management intends to recover, primarily through user charges, the cost of providing goods or services to the general public.

Proprietary funds provide the same type of information as the Business-Type Activities in the government-wide financial statements, but in more detail. As with government-wide financial statements, proprietary funds financial statements use the full accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary funds financial statements.

The Authority has one major proprietary fund (Public Private Partnership Fund) to account for all the operations related to the development of a Public Private Partnership.

Measurement Focus and Basis of Accounting

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

Governmental Fund Financial Statements – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available, net of estimated overpayments (as applicable) and amounts considered not collectible. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. Other revenues are considered to be measurable and available only when cash is received.

Expenditures are generally recorded when a liability is incurred, as under accrual basis of accounting. However, compensated absences are recorded as expenditures when matured. General capital assets acquisitions are reported as expenditures in governmental funds.

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

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

The Authority has one major governmental fund. That major governmental fund is presented in a separate column in the balance sheet-governmental fund and in the statement of revenues, expenditures, and changes in fund balance-governmental fund.

Proprietary Funds Financial Statements – The basic financial statements of the proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements described above. The Authority recognizes revenue when earned under the terms of each agreement and when the collection of the fee is reasonably assured. Expenses are recorded when incurred, regardless of the timing of related cash flows. Operating expenses are those related to the administration of the Authority and costs incurred related to the creation of a Partnership. All revenues and expenses not meeting these criteria are reported as non-operating revenues and expenses.

The Authority's operating revenues are primarily derived from program revenues, services charges and service fee explained as follows:

- *Program revenues* – are composed of funds operating grants received from FEMA and the Commonwealth, and also funds received from private parties to perform feasibility studies for possible Public Private Partnerships.
- *Service charges* – are costs or expenses incurred by the Authority for the services rendered by the Authority resulting from the process for the analysis and development of a Partnership. Service charges are included as part of the intergovernmental contracts signed for the analysis and development of a project as a Partnership. In these agreements, the Authority charges a determined amount, which should be paid monthly. Those service charges are recognized as revenues when earned.
- *Service fees* – are included as part of the intergovernmental contracts signed between the Authority and the participating governmental entity(ies) for the analysis and development of a project as a Partnership Project. In these agreements, the Authority charges service expenses, and a service fee that is normally established as a percentage of the costs or expenses incurred by the Authority in contracting the specialized services necessary for the analysis and development of a Partnership. Also, the Authority charges a cancellation fee, if the corporation or agency withdraws from the project. In this type of contract, service expenses are recognized as revenues when incurred, however the service fee is recognized as revenues when the contract with a third party is signed.

The Authority's non-operating revenues are derived, among others, from Commonwealth appropriations and interest income:

- Commonwealth contributions made for a specific purpose or with a restriction are recognized as revenues when those contributions funds are received.

- Interest income is composed of interest earned on deposits.

Accounts Receivable

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

Intergovernmental Receivable, Unearned Revenues and Deferred Inflows of Resources

Intergovernmental receivable is stated net of estimated allowance for uncollectible accounts, which is determined, based upon past collection experience and current economic conditions. Intergovernmental receivable primarily represents amount requested to FEMA related to natural disaster expenses incurred by subgrantees. This intergovernmental receivable is recognized as revenue in the governmental funds when it becomes measurable and available. In applying the susceptible to accrual concept to federal grants, revenue is recognized when all applicable eligibility requirements are met (typically, when related expenditures are incurred) and the resources are available. Resources received before eligibility requirements are met, other than timing, are considered unearned revenue. Resources received before timing requirements are met, are considered deferred inflows of resources.

Prepaid Expenses

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in the statement of net position.

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Capital Assets

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

Description	Years
Information systems	3-5 years
Furniture and equipment	5 years

The Authority follows the provisions of GASB Statement No. 42, Accounting *and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, an amendment to GASB Statement No. 34. This statement establishes guidance for accounting and reporting for the impairment of capital assets and for insurance recoveries. In accordance with these provisions, governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage, among others. The Authority evaluated its capital assets as required by GASB Statement No. 42 and no impairment was identified during the fiscal year ended June 30, 2023.

Leases

The Authority follows GASB Statement No. 87 *Leases* which requires to assess whether a contract is or contains a lease, at inception of the contract. The Authority recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee. Lease liabilities include the net present value of fixed payments.

Lease payments are allocated between principal and interest or finance cost. The interest or finance cost is charged to the statement of activities over the lease period. Right-of-use assets are measured at cost and are comprised of the following: 1) the amount of the initial measurement of lease liability; 2) any lease payments made at or before the commencement date less any lease incentives received; 3) any initial direct costs; and 4) restoration costs.

Right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The depreciation starts at the commencement date of the lease. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

Deferred Outflows/Inflows of Resources

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

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

Compensated Absences

The vacation policy of the Authority for compensation of accrued vacation leaves, up to 60 days, is paid upon employment termination. In order to be eligible to receive compensation, an employee must have been employed for at least three months. Accumulated unpaid sickness days are no longer liquidated upon employment termination. The liability for compensated absences reported in the government-wide and proprietary fund financial statements has been calculated using the vesting method, in which leave amount for an employee who currently is eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination, are included. The liability has been calculated based on the employees' current salary level and includes payroll related costs (e.g., social security and Medicare tax).

Interfund Activity

Interfund and Transfers - Legally required transfers are reported when incurred as transfer in by the recipient fund and as transfer out by the disbursing fund, with receivables and payables presented as amounts due to and due from other funds. Advances between funds are also presented as amounts due to and due from other funds. However, these advances, transfers, and related amounts receivable and payable are considered internal balances and activities that have been eliminated in the government-wide financial statements. Interfund receivables are stated net of estimated allowances for uncollectible accounts, which are determined based upon past collection experience and current economic conditions.

Accounting for Pensions Cost

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

Under the PayGo system, employers' contributions and other contributions ordered by special laws were all eliminated and substantially all the assets of the Plan were liquidated, and its proceeds transferred to the Commonwealth's General Fund for payment of pension benefits; therefore, since the enactment of Act 106-2017, the Commonwealth's General Fund makes direct payments to the pensioners and is then reimbursed for those payments by the participating employers.

Under the PayGo system, the Authority applies the guidance of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, an amendment of Certain Provisions of GASB Statements No. 67 and 68* (GASB Statement No. 73).

Statement No. 73 maintains the “accrual basis” model under Statement No. 68, where the Total Pension Liability is actuarially determined. GASB Statement No. 73 requires a liability for pension obligations, known as the Total Pension Liability, to be recognized on the balance sheets of participating employers. Changes in Total Pension Liability are immediately recognized as pension expenses. As Act 106-2017 eliminated all contribution requirements for the Plan and converted it into a PayGo system, the corresponding actuarial calculation of the Total Pension Liability and related accounts became one based on benefit payments rather than contributions. As a result, the Authority recognizes a Total Pension Liability, pension expenses and related accounts. Further details on the accounting for pension costs are disclosed in Note 11.

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

ERS elected to use July 1 of each fiscal year as the measurement date for financial information. Based on this election, the June 30, 2022, actuarial measurement data was used for the pension benefits financial reporting recognition as of and for the fiscal year ended June 30, 2023.

Use of Estimates

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

Recently issued accounting pronouncements

The following new accounting pronouncements have been issued but are not yet effective:

- **GASB Statement No. 100, *Accounting Changes and Error Corrections*.** An amendment of GASB Statements 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.

  This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023 (FY 2023-2024), and all reporting periods thereafter. Earlier application is encouraged.

- **GASB Statement No. 101, *Compensated Absences*.** The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

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

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

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

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

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

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

- The concentration or constraint
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements.
- Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

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

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

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3. CASH AND DEPOSITS

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

The table presented below discloses the level of custodial credit risk assumed by the Authority as of June 30, 2023. As of June 30, 2023, none of the depository Authority balance is uninsured and uncollateralized as follows (in thousand):

Governmental Activities	**Carrying amount**	**Bank balance**	**Amount uninsured and uncollateralized**
Commercial bank	$ 396	$ 396	$ -

Business-Type Activities	**Carrying amount**	**Bank balance**	**Amount uninsured and uncollateralized**
Commercial bank unrestricted	$ 32,623	$ 32,623	$ -
Commercial bank restricted	14,619	14,619	-
Total	$ 47,242	$ 47,242	$ -

Restricted cash is for the development of public private partnerships.

4. INTERGOVERNMENTAL RECEIVABLE

Governmental Activities

As of June 30, 2023, intergovernmental receivable amounting to approximately $68.3 million mainly represents funds requested to FEMA by COR3, related to natural disasters expenses incurred by subrecipients.

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5. ACCOUNTS RECEIVABLE, NET

Business-Type Activities

As of June 30, 2023, the Authority's accounts receivable, net of allowance, is composed of the following (in thousands):

Description	Amount
Puerto Rico Electric Power Authority (PREPA)	$ 345
Municipality of Caguas, Department of Transportation and Public Works and the Puerto Rico Highway and Transportation Authority	6,577
Puerto Rico Maritime Transport Authority and Puerto Rico Integrated Transportation Authority	780
Other	5
Total accounts receivable	7,707
Less: allowance for uncollectible accounts	(7,707)
Net receivables	$ -

The accounts receivable as of June 30, 2023, are described as follows:

- PREPA is related to the *Liquid Natural Gas Supply and Development of Related Infrastructure* project for PREPA.
- Municipality of Caguas, Department of Transportation and Public Works and the Puerto Rico Highway and Transportation Authority is related to Caguas — San Juan Mass Transportation Commuter Project.
- Puerto Rico Maritime Transport Authority and Puerto Rico Integrated Transportation Authority relate to the maritime transport project.

The above receivables are outstanding principally since June 30, 2015, without any repayment. Based on this and management's evaluation and after conversations with the respective agencies, the Authority understand that such receivables will not be collected and an allowance for doubtful account was provided in fiscal year ended June 30, 2017.

Other receivable is related to a payment made to a supplier for services to be rendered during the fiscal year ended on June 30, 2023, that were returned by the supplier during the fiscal year 2024.

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6. CAPITAL ASSETS

Governmental Activities

Capital assets activity during the year ended June 30, 2023, was as follows (in thousands):

	Beginning balance	Additions	Reductions	Ending balance
Capital assets:				
Right-to-use lease assets	$ 848	$ -	$ -	$ 848
Information systems	1,387	-	-	1,387
Total capital assets	2,235	-	-	2,235
Less accumulated depreciation for:				
Right-to-use lease assets	-	(848)	-	(848)
Information systems	(542)	(262)	-	(804)
Total accumulated depreciation	(542)	(1,110)	-	(1,652)
Total capital assets - net	$ 1,693	$ (1,110)	$ -	$ 583

The Authority follows GASB 87 – *Leases* and as a result recognizes a right-of-use asset and a corresponding lease liability with respect to office and parking space lease agreement signed by COR3 on March 21, 2021, which expires on June 30, 2023. The value of the right to use lease asset was calculated at present value of future minimum lease payments using 5.60% as discount rate.

Business-Type Activities

Capital assets activity during the year ended June 30, 2023, was as follows (in thousands):

	Beginning balance	Additions	Reductions	Ending balance
Capital assets:				
Furniture and equipment	$ 77	$ 35	$ -	$ 112
Information systems	1	-	-	1
Total capital assets	78	35	-	113
Less accumulated depreciation for:				
Furniture and equipment	(32)	(25)	-	(57)
Information systems	(1)	-	-	(1)
Total accumulated depreciation	(33)	(25)	-	(58)
Total capital assets - net	$ 45	$ 10	$ -	$ 55

7. COMPENSATED ABSENCES

The activity for compensated absences during the year ended June 30, 2023, is as follows (in thousands):

Governmental Activities

Description	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Accrued vacations	$ 1,419	$ 1,064	$ (1,039)	$ 1,444	$ 176

Business-Type Activities

Description	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Accrued vacations	$ 144	$ 137	$ (58)	$ 223	$ 118

8. DUE TO GOVERNMENT DEVELOPMENT BANK

On March 17, 2010, the Authority had entered into a $20 million operating revolving line of credit facility with Government Development Bank for Puerto Rico (GDB) bearing interest at 150 basis points over the prime rate (8.25% at June 30, 2023) or 6%, whichever is higher, or an interest rate determined by the GDB. The source of repayment of this line of credit was the fees charged by the Authority for services provided as part of the process to establish the Partnerships.

As of June 30, 2023, the line of credit balance owed to GDB was approximately $6.2 million and accrued interest payable was approximately $3 million. Interest expense for the year ended June 30, 2023, amounted to approximately $524 thousand.

9. TRANSACTIONS WITH RELATED ENTITIES

Puerto Rico Infrastructure Financing Authority (PRIFA)

On November 19, 2018, COR3 entered into an agreement, with PRIFA to receive certain technical and legal services related to the Property Debris and Removal Program. The Authority contributed approximately $17.7 million to PRIFA, which will be recorded and paid to the Commonwealth once reimbursed by FEMA. During the fiscal year ended on June 30, 2023, COR3 received from PRIFA $8.9 million related to this agreement. As of June 30, 2023, there are $8.8 million that are pending to be received from PRIFA which are going to be paid by the Commonwealth once reimburse by FEMA.

Puerto Rico Fiscal Agency and Financial Advisory Authority (FAFAA)

During the year ended June 30, 2023, COR3 entered into an agreement with the FAFAA amounting to approximately $822 thousand to receive certain management support and administrative services. As of June 30, 2023, COR3 owes FAFAA $822 thousand which are presented as part of accounts payable and accrued liabilities.

During the year ended June 30, 2023, the Authority entered into an agreement with the FAFAA amounting to approximately $153 thousand to receive certain management support and administrative services and established a fee to cover those services. Total amount expended by the Authority for the year ended June 30, 2023, amounted to approximately $142 thousand. As of June 30, 2023, the Authority owes FAFAA $14 thousand which are presented as part of accounts payable and accrued liabilities. As part of the administrative services provided, may incur payments on behalf of the Authority to cover certain of its operating expenses, which are paid by the Authority to FAFAA on a later date.

Puerto Rico Convention Center District Authority (CCDA)

During the year ended on June 30, 2022, the Authority entered into an agreement with the Puerto CCDA amounting to approximately $85 thousand to receive certain administrative services. Total amount expended by the Authority for the year ended on June 30, 2023, amounts to approximately $37 thousand. As of June 30, 2023, the Authority owes the CCDA $15 thousand which are presented as part of accounts payable and accrued liabilities.

Puerto Rico Ports Authority (PRPA)

During the year ended on June 30, 2022, the Authority entered into an agreement with the PRPA amounting to approximately $12 thousand to receive certain administrative services. Total amount expended by the Authority for the year ended on June 30, 2023, amounts to approximately $12 thousand which also are presented as part of accounts payable and accrued liabilities.

Commonwealth of Puerto Rico (Commonwealth)

On September 17, 2022, Puerto Rico was impacted by Hurricane Fiona, knocking out power across the entire island and flooding many streets and roads, and disrupting the Authority's operations. On September 21, 2022, President Joseph R. Biden, Jr. approved Puerto Rico's governor Pedro Pierluisi's request for an expedited major disaster declaration. The Authority performed significant mitigation and recovery efforts financed by operating funds and estimated all damages suffered in about $5 billion.

On May 1, 2023, the Authority, through COR3, sign a promissory note to pay $141.5 million to the Federal Emergency Management Agency (FEMA) in four (4) annual installments of $29 million and a last payment, due on May 1st, 2027, of $28.6 million. The payments include interest at 1%. The promissory note is to cover the 25% of the state contribution for federal assistance provided by FEMA for Hurricane Fiona.

The Statement Activities and the Statement of Revenues and Expenditures Changes in Fund Balance presents $29 million as part of contribution from the Commonwealth and economic development expenditure related to the payment made during the fiscal year 2023.

As of June 30, 2023, the promissory note owed by the Commonwealth to FEMA was approximately $112.8 million and interest of $2.8 million.

Also, Statement Activities and the Statement of Revenues and Expenditures Changes in Fund Balance presents $17.4 million as part of contribution from the Commonwealth and economic development expenditure related to the Commonwealth cost share payments made during the fiscal year 2023.

COR3 Payments made to Subrecipients

During the fiscal year 2023 COR3 made payments to subrecipients related to reimbursements of expenses or working capital advances as a result of natural disasters damages (in thousand):

Commonwealth Agencies	$ 345,016
Puerto Rico Aqueduct and Sewer Authority	259,364
University of Puerto Rico Cancer Center	1,904
Puerto Rico Medical Service Administration	1,031
Local Redevelopment Authority of the Lands and Facilities of Naval Station Roosvelt Roads	7,837
Puerto Rico Convention Center District Authority	4,096
Puerto Rico Highway and Transportation Authority	2,975
Puerto Rico Industrial Development Company	41,031
Puerto Rico Land Administration	1,385
Puerto Rico Ports Authority	9,066
Puerto Public Housing Administration	239,047
Puerto Rico Ponce Ports Authority	667
Puerto Rico State Insurance Fund	408
Puerto Rico Land Authority	462
Puerto Rico Electric Power Authority	648,328
Puerto Rico Public Building Authority	14,358
Puerto Rico Public Broadcasting Corporation	2,133
University of Puerto Rico	78,472
Cardiovascular Center Corporation of Puerto Rico and Caribbean	9,939
Other Public Corporations	1,123
	$ 1,668,642

10. INTER-GOVERNMENTAL PROJECTS

At present, the Authority is carrying out the following projects (the Projects):

Inter-governmental Projects Financed by Commonwealth's Appropriations

Partnership Project for the San Juan Bay Cruise Terminals - In 2017, Global Ports Holdings PLC., submitted an unsolicited proposal for the development of a partnership agreements for the San Juan Bay Cruise Terminal. The unsolicited proposal proposes a long-term concession for world-class modernization, expansion, and operation of the passenger seaports, specifically in Piers 1, 3, 4, 11 to 14, and Pan Americans 1 and 2 of San Juan Bay. It also includes repairs and a long-term maintenance program of maritime facilities. On June 14, 2018, the Board approved the Desirability and Convenience Study. On September 5, 2018, the Partnership Committee continued with the processes for the formalization of the Partnership by publishing the Request for Qualifications. On November 16, 2018, the Partnership Committee notified the selection of the qualified proponents.

After selecting the qualified proponents, the Request for Proposal was issued and then, the Partnership Committee evaluated the proposals submitted and notified the selection of the Preferred Proponent. At present, the Authority is in the negotiation process with the preferred proponent including other discussions related to the development of the Project. This process has faced delays due to the impact of COVID-19, among other reasons.

On July 5, 2022, the Partnership Committee voted unanimously to approve the public private partnership agreement and to continue with the remaining approvals pursuant to the Public-Private Partnership Authority Act, Act No. 29-2009, as amended ("Act 29").

On August 15, 2022, Puerto Rico Ports Authority (PRPA) and San Juan Cruise Port LLC, signed the public-private partnership contract for the repairment, design, building, financing, maintenance, and operation of the San Juan Bay Cruise Terminals. Refer to Note 14 for more information.

Inter-governmental Projects Financed by the Puerto Rico Electric Power Authority

***Energy Storage Project* -** Through this Project, the hiring of a private entity is contemplated to carry out the development of a large-scale energy storage system in certain critical facilities to provide greater stability to Puerto Rico's energy system while provides resilience and responsiveness to power system fluctuations or blackouts. The project also seeks to reduce network costs by increasing operational efficiency, to meet the renewable energy objectives established by Act No. 17-2019, known as the Puerto Rico Energy Public Policy Law and offer operational flexibility that allows the modernization of the grid in an expeditious time, among other objectives and benefits of the project.

Specifically, the project contemplates an energy storage system in the substations of Sabana Llana and Bayamón, with an optional third facility in Humacao/Yabucoa.

On May 12, 2018, the Authority published the Desirability and Convenience Study. On June 22, 2018, the Authority published the Request for Qualifications by virtue of which, the Partnership Committee notified the selection of the qualified proponents.

On October 12, 2018, the Authority issued the Request for Proposals asking for proposals on or before January 11, 2019. Due to delays in the process of acquiring federal funds, the preferred proponent selection process remains delayed.

***Legacy Generation Assets Project* -** Even before the impact of Hurricanes Irma and María and the 2019-2020 earthquakes, Puerto Rico already had a poor energy infrastructure. Although some of the Legacy Generation Assets of PREPA have been modernized to natural gas, many of the assets operate based on diesel, which is inefficient, expensive, and is the main reason for the high cost in the electric rate of Puerto Rico. PREPA together with the Authority are working on several initiatives to modernize the Puerto Rico's energy system, which seek to reduce dependence on the use of diesel, increase the use of renewable energy, increase the efficiency and resilience of the system, invest in repairs to facilities, and withdraw, replace, or modernize Inefficient Generation Assets.

This project contemplates entering into a contract with one or more private operators with terms tied directly to the remaining useful life of the Legacy Generation Assets for the management, operation, maintenance and decommissioning, as applicable, of these assets. In this way, the project pursues improving the efficiency and resilience of the electricity system using the experience of the private sector to the operation, maintenance and decommissioning of the Generation Assets as established in the Plan Integrated Resource.

On August 10, 2020, the Authority published the Request for Qualifications. On October 22, 2020, the Partnership Committee notified the selection of the qualified proponents. Subsequently, the Authority issued the Request for Proposals. The qualified proponents submitted the proposals on or before December 2021.

On January 15, 2023, the Authority's board of directors approved the Thermal Generation Facilities Operation and Maintenance Agreement (the project). On January 19, 2023, PREPA's board of directors approved the project and on January 24, 2023, the contract was signed.

Toll Roads Monetization Project - On March 24, 2022, the Authority published the Desirability and Convenience Study for the monetization of PRHTA's Toll Roads. The Study, commissioned by the Authority and prepared pursuant to Article 7 of Act 29, concluded that it is advisable to establish a public-private partnership for the Project Toll Roads PR-20, PR-52, PR-53 and PR- 66. On August 1, 2022, the Authority issued the Request for Qualifications (RFQ). On December 6, 2022, the Authority informed that three (3) qualified respondents were shortlisted as a result of the Request for Qualifications (RFQ).

Refer to Note 14 of Subsequent events for additional information.

Others - The Authority is evaluating other projects such as the Modernization of the Services and Collections of the Department of the Treasury of Puerto Rico, Regional Airports of the Puerto Rico Ports Authority, Modernization of the Authority's Digital Infrastructure of Roads and Transportation of the Puerto Rico Highway and Transportation Authority and Restoration and Operation of the Camuy River Cave Park and operation and maintenance of the of the public bus managed by the Metropolitan Bus Authority.

11. RETIREMENT BENEFITS SYSTEMS

Structure of Retirement System and Accounting for Pension Costs

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

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

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

Pension Benefits

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

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

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

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

- Members of Act No. 447 were generally those members hired before April 1, 1990 (contributory, defined benefit program).
- Members of Act No. 1 of February 16, 1990 (Act No. 1) were generally those members hired on or after April 1, 1990, and on or before December 31, 1999 (contributory, defined benefit program).

A summary of benefits and eligibility requirements is presented below:

(a) Service Retirement Eligibility Requirements

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

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

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

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

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

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

(b) Compulsory Retirement

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

(c) Service Retirement Annuity Benefits

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

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

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

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

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

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

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

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

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

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

(d) Special Benefits

(1) Minimum Benefits

— Past Ad hoc Increases

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

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

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

— Coordination Plan Minimum Benefit

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

(2) Special "Bonus" Benefits

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

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

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

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

Allocation Methodology

GASB Statement No. 73 requires that the primary government and its component units that provide pension benefits through the same defined benefit pension plan, recognize their proportionate share of the total pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense (benefit). Effective with the June 30, 2022, measurement date, the proportionate share as of each measurement date is based on the ratio of the total pension liability determined directly for each agency based on each agency's members to the total pension liability for all Central Government members as of the measurement date. Previously, the proportionate share as of each measurement date was based on the ratio of each agency's actual benefit payments to the total actual benefit payments paid during the year ending on the measurement date.

Total Pension Liability and Actuarial Information

The total pension liability was approximately $724 thousand as of June 30, 2022. The total pension liability as of June 30, 2022 (the measurement date used for financial reporting for fiscal year 2023) was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022.

(a) Actuarial Methods and Assumptions

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

Discount Rate

The discount rate used to measure the total pension liability was 3.54% as of June 30, 2022 (the measurement date). This rate represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer General Obligation (GO) 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality

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

— *Pre-retirement Mortality*

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

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

— *Post-retirement Retiree Mortality*

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

— *Post-retirement Disabled Mortality*

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

— *Post-retirement Beneficiary Mortality*

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

Other Assumptions as of June 30, 2022

Actuarial cost method	Entry age normal
Actuarial assumptions:	
Inflation rate	Not applicable
Salary increases	3.00% per year. No compensation increases are assumed until July 1, 2022 as a result of Act No. 03-2017, four-year extension of Act No. 66-2014, and the current general economy

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

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

	1% Decrease or (2.54%)	Current discount rate of (3.54%)	1% Increase or (4.54%)
Total pension liability	$ 810,610	$ 724,493	$ 652,708

(c) Deferred Outflows/Inflows of Resources

As of June 30, 2023, the Authority reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 9,089	$ 15,362
Changes in assumptions	58,475	56,995
Change in employer's proportion	394,987	-
Total	$ 462,551	$ 72,357

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to Total Pension Liability to be recognized in future periods in a systematic and rational manner.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2024	$ (1,598)
2025	(1,598)
2026	(1,598)
	$ (4,794)

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by the Authority over the average of the expected remaining service lives of all plan members which is 6 years for 2018 and 5 years for 2019 and 2020 and 4 years for 2021 and 2 years for 2022.

13. COMMITMENT AND CONTINGENCIES

Litigation

The Authority is a party in a legal claim arising in the ordinary course of operations. Management and their legal counsels are of the opinion that the ultimate disposition of this matter will not have a material adverse effect on its financial position and the results of its operations.

Federal Awards

COR3 participates in federal financial assistance programs funded by the federal government. Expenditures financed by these programs are subject to financial and compliance audits by grantors.

If expenditures are disallowed due to noncompliance with grant program regulations, FEMA may be required to reimburse the grantors. Nevertheless, the program compliance audits of certain programs for or including the fiscal year ended June 30, 2023, have not yet been concluded. Accordingly, compliance with applicable grant requirements will be established at some future date.

Also, COR3's subrecipients are subject to compliance audits if expenditures are disallowed due to noncompliance with grant program regulations COR3 or FEMA may require reimbursing the grantors. Nevertheless, subrecipient compliance audits have not yet been concluded, as a result disallowed cost can't be determined as this time.

Grant Awards and Mission Assignments

COR3 is a recipient in various Federal Assistance Programs funded by the Federal Government. Entitlement to the resources is generally based on compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. These grants are described as follows:

- **CFDA No. 97.036 Disaster Grants – Public Assistance PA (Presidentially Declared Disasters) –** To assist state, tribal, territorial, and local governments and eligible private non-profits in responding to and recovering from the devastating effects of disasters by providing assistance for debris removal, emergency protective measures, and the repair, restoration, reconstruction or replacement of public and eligible private non-profit facilities or infrastructure damaged or destroyed as the result of federally declared disasters or emergencies. During fiscal year 2023 the drawdowns from this program amounted to approximately $2.1 billion, including $1.3 billion in working capital advance.

- **CFDA No. 97.039 Hazard Mitigation Grant Program HMGP –** The objective of the program is to provide funding support to states, Indian tribal governments, territories, communities, and other eligible applicants to reduce the risk of future damage, loss of life and property in any area affected by a major disaster. This program promotes implementation of activities designed to reduce injuries, loss of life, hardship, suffering, and damage and destruction to property from natural hazards which is consistent with DHS QHSR Goal 5.1, "Mitigate Hazards" and links to Presidential Policy Directive (PPD-8) – National Preparedness, Security, Resilience, Prevention, Mitigation, Response, Protection, and Recovery. During fiscal year 2023, the drawdowns amounted to approximately $42 million.

- **CFDA No. 97.047 Pre-disaster Mitigation PDM –** The Building Resilient Infrastructure and Communities (BRIC) program makes federal funds available to states, U.S territories, Indian tribal governments (federally recognized), and local communities to apply for, implement, and monitor mitigation activities; create and support partnerships; encourage and enable innovative mitigation strategies and project implementation; enhance risk-informed planning and prioritization of mitigation needs; establish building codes and standards to protect the health, safety and general public welfare; and conduct other mitigation activities with a focus on critical services and facilities and large-scale infrastructure. Ultimately, activities funded by BRIC are designed to reduce the long-term risk to individuals and property from natural hazards and build mitigation capacity and capability, while also reducing reliance on federal funding from future disasters. The BRIC program strengthens national preparedness and resilience and supports the mitigation mission area through Strategic Goal #1 Building a Culture of Preparedness, Objectives 1.1, 1.2, 1.3, and 1.4 of the 2018 – 2022 FEMA Strategic Plan. During fiscal year 2023 the drawdowns from this program amounted to approximately $50 thousand.

- **CFDA No. 93.982 Mental Health Disaster Assistance and Emergency Mental Health -** To provide supplemental emergency mental health counseling to individuals affected by major disasters, including the training of workers to provide such counseling. During fiscal year 2023, drawdowns amounted to approximately $244 thousand.

- **CFDA No. 97.088 Disaster Assistance Projects -** To provide funding that has been designated by Congressionally appropriated authorization, generally for a specify project, or to provide unique or limited scope funding for certain Disaster Assistance Projects identified by congress or a DHS program office. During fiscal year 2022, the drawdowns from this program amounted to approximately $1.3 million.

The Government continues to coordinate relief and funding efforts to address the natural disasters that have affected Puerto Rico in recent years, under FEMA's Public Assistance (PA) Program. This is FEMA's largest grant program providing funds to assist communities responding to and recovering from major disasters or emergencies declared by the President. The program provides funding for emergency assistance to save lives and protect property and assists with funding for permanently restoring community infrastructure affected by a federally declared incident, including the continued recovery following Hurricanes Irma and María. As of June 30, 2023, approximately $35.2 billion has been committed by federal agencies for distribution and approximately $8.2 billion has been disbursed. The cost share for the Commonwealth is approximately $2.8 billion.

Lease

COR3, signed an operating lease agreement on March 21, 2021, which expires on June 30, 2023. The lease agreement establishes monthly payments for office rent and parking of approximately $77 thousand up to February 28, 2023, and approximately $78 thousand from March 1 to June 30, 2023, at an implied interest rate of 5.60%. Additionally, there are variable monthly payments of approximately $29 thousand to $30 thousand for office maintenance and utilities. Fiscal year 2023 lease payments amount to approximately $896 thousand in principal and $29 thousand interest.

Working Capital Advances Program

On June 14, 2022, The Government of Puerto Rico (GPR) and the Central Office of Recovery, Reconstruction, and Resiliency (COR3) issued Version 4.0 of Chapter 7 "Payment and Cash Management" of the COR3 Disaster Recovery Federal Funds Management Guide to incorporate a Working Capital Advance Program for authorized subrecipients.

The Working Capital Advance is a one-time per Project Worksheet (PW) pilot program, thereafter, the Subrecipient must either transition to the traditional reimbursement program or the Authority's Request for Advance (RFA) payment program.

In accordance to the applicable policy, for an Authorized Subrecipient to be eligible to receive a one-time working capital advance of 25% of an obligated large permanent work PW, the following requirements must be met:

- Must have an adequate, Public Assistance compliant Procurement Policy, uploaded in the Puerto Rico Disaster Recovery System;
- Must submit a Request for Working Capital Advance (RFCA) via the PRDRS through which it will have to certify that:
  - The related obligated permanent work project (PW Number) will be executed;
  - That without the RFCA, it cannot provide the following which is required to utilize the Authority's Request for Advance (RFA) payment program:
    - Procurement documentation
    - Contract documentation; and
    - 90 day Spend plan
  - It lacks sufficient working capital to utilize either the traditional reimbursement program and/or the RFA payment program, and as such,
  - It requires a Working Capital Advance of 25% in accordance with the terms and requirements of 2 CFR§200.305(b)(4); and
  - The RFCA relates to an obligated large permanent work PW, without any submitted Requests for Reimbursements or RFAs and/or disbursements.

As of June 30, 2023, $1.4 billion have been disbursed to subrecipients under the working capital advances program since July 1, 2022.

Mission assignments

They relate to emergency work performed by a federal entity on behalf of a state entity (i.e., US Army Corps of Engineers performing emergency work for PREPA related to damage to the electrical grid after a disaster). In these cases, FEMA pays the federal agency directly, and thereafter invoices the Commonwealth, through COR3/GAR, for any outstanding non-federal cost share balance, if applicable. As such, COR3 does not manage any federal moneys related to Mission Assignments but serves as a pass-through entity in relation to any associated non-federal cost share requirements. COR3 is also responsible for executing related paperwork. On January 3, 2023, approximately $14.75 million were disbursed for mission assignments related to Hurricane Maria, and $300 thousand were disbursed related to hurricane disaster relief.

14. SUBSEQUENT EVENTS

Subsequent events were evaluated through April 22, 2024, to determine if any such events should either be recognized or disclosed in the 2023 basic financial statements. The subsequent events disclosed below are principally those related to the Commonwealth fiscal plan related matters that management believes are intrinsically related to the financial statements of the Authority.

Projects

On October 17, 2023, the Toll Roads Concession Agreement was executed between the Authority and the Puerto Rico Highway and Transportation Authority (HTA) and Puerto Rico Tollroads, LLC to operate, maintain and improve the Puerto Rico toll roads currently managed by HTA. Puerto Rico Tollroads, will pay HTA a concession fee of about $2.85 billion. The concession fee will enable HTA to pay off its about $1.6 billion outstanding debt including the about $360 million loan from the Commonwealth under the redemption provision of the HTA Plan of Adjustment, capital and operation maintenance investment amounting to $2.4 billion over the term of the concession. As part of this transaction the Authority will collect approximately $15 million.

On February 14, 2024, was executed the financial closing of the San Juan Bay Cruise Terminals Concession Agreement between the Puerto Rico Ports Authority (PRPA) and San Juan Cruise Port LLC.

The proposed plan provides for one or more issues of Puerto Rico Industrial, Tourist, Educational, Medical and Environmental, Control Facilities Financing Authority (AFICA) exempt facility bonds for docks and wharves in the aggregate principal amount not exceeding $235 million which will be used by the borrower. The Project consists of the design, construction, renovation, and equipping of various facilities at the San Juan Cruise Port Terminal and certain facilities functionally related and subordinate thereto, including the Borrower's acquisition of certain property interests therein. The proceeds from the sale of the bonds will be used to make a loan to the AFICA Borrower to (a) pay all or a portion of the cost of the Project (described above), (b) make a concession payment to the PRPA as required by the P3 agreement, (c) pay certain operating expenses and reserves for financing and legal costs in connection with the issuance of the AFICA bonds.

Repayment of the Bonds and the AFICA loans will be made solely by the AFICA Borrower and related collateral. The Bonds and the AFICA loans are not guaranteed by, or otherwise have resource to, the Commonwealth or any governmental agency, public corporation, or instrumentality of the Government of Puerto Rico

REQUIRED SUPPLEMENTARY INFORMATION

PUERTO RICO PUBLIC PRIVATE PARTNERSHIPS AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

Schedule of Proportionate Share of Collective Total Pension Liability and Related Ratios (Unaudited)
JUNE 30, 2023

	2023
Proportion of theTotal Pension Liability *	0.00327%
Proportionate Share of the Collective Total Pension Liability	$ 724,493
Covered - Employee Payroll	N/A
Proportionate Share of the Collective Total Pension Liability as Percentage of Covered-Employee Payroll	N/A

Notes to Schedule:

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

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

Fiscal year 2023 was the first year of the Authority with Total Pension Liability. This schedule is required to illustrate 10 years of information. However, until 10 year trend has been completed, information is presented only for the years for which required. information is available.

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

See accompanying independent auditors' report.